



BRI-CHEM

Interim Condensed Consolidated Financial Statements (Unaudited)

Q3 2025

September 30, 2025
(Expressed in Canadian Dollars)

Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

(Canadian dollars)

(unaudited)

	Note	Three months ended		Nine months ended	
		September 30 2025	September 30 2024	September 30 2025	September 30 2024
Sales		\$ 18,191,741	\$ 21,975,494	\$ 58,637,349	\$ 62,452,485
Cost of Sales		14,552,773	18,157,907	47,657,460	50,757,662
Gross margin		3,638,968	3,817,587	10,979,889	11,694,823
Expenses					
Salaries and benefits		1,740,671	1,881,280	5,426,020	5,571,347
Selling, general and administration		1,068,250	1,257,448	3,279,160	3,487,405
Interest on current portion of long-term debt		98,060	100,429	293,064	302,551
Depreciation on property and equipment and right of use assets		275,531	307,310	897,597	964,772
Bad debts		(21,630)	137,714	52,621	961,683
Interest on short-term operating debt		461,653	677,004	1,621,862	2,315,606
Interest on lease liability		10,723	10,549	37,045	51,630
Foreign exchange loss / (gain)		16,890	(46,019)	(123,002)	823,714
		3,650,148	4,325,715	11,484,367	14,478,708
Loss before income taxes		(11,180)	(508,128)	(504,478)	(2,783,885)
Income tax (recovery) expense					
Current		(27,194)	41,053	37,757	115,959
Deferred		(144,250)	(280,354)	(447,495)	(637,039)
		(171,444)	(239,301)	(409,738)	(521,080)
Net earnings (loss)		\$ 160,264	(268,827)	\$ (94,740)	(2,262,805)
Other comprehensive (loss) income					
Foreign currency translation adjustment		(18,418)	(79,145)	32,982	967,790
Total comprehensive income (loss)		\$ 141,846	\$ (347,972)	\$ (61,758)	\$ (1,295,015)
Net (loss) earnings per share					
Basic	7	\$ 0.01	\$ (0.01)	\$ (0.01)	\$ (0.09)
Diluted	7	\$ 0.01	\$ (0.01)	\$ (0.01)	\$ (0.09)

The accompanying notes are an integral part to these interim condensed consolidated financial statements

Interim Condensed Consolidated Statements of Financial Position			
(Canadian dollars)			
(unaudited)			
	Note	September 30 2025	December 31 2024
Assets			
Current assets			
Inventories		19,930,534	24,301,999
Accounts receivable	4	12,736,689	\$ 17,935,856
Prepaid expenses and deposits		772,715	462,032
		33,439,938	42,699,887
Non-current assets			
Property and equipment		8,931,252	9,081,702
Deferred tax assets		5,834,972	5,572,183
Right-of-use assets		621,844	784,000
Other long-term assets		27,327	28,245
		\$ 48,855,333	\$ 58,166,017
Liabilities			
Current liabilities			
Bank indebtedness	5	11,596,065	\$ 16,824,694
Accounts payable and accrued liabilities		10,364,201	14,000,918
Current portion of long-term debt	6	236,083	6,740,451
Current portion of lease liabilities		351,397	555,004
Income tax payable		103,689	118,965
		22,651,435	38,240,032
Non-current liabilities			
Lease liabilities		326,986	317,049
Long-term debt	6	6,329,734	—
		29,308,155	38,557,081
Equity			
Share capital		33,939,875	33,939,875
Contributed surplus		4,045,560	4,045,560
Deficit		(16,532,908)	(16,438,168)
Accumulated other comprehensive loss		(1,905,349)	(1,938,331)
		19,547,178	19,608,936
		\$ 48,855,333	\$ 58,166,017

The accompanying notes are an integral part to these interim condensed consolidated financial statements

Interim Condensed Consolidated Statements of Changes in Equity
 (Canadian dollars)
 (unaudited)

	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income / (loss)	Total equity
Balance at January 1, 2024	\$ 33,939,875	\$ 4,045,175	\$ (12,586,741)	\$ (2,855,843)	\$ 22,542,466
Employee share-based payment options	—	385	—	—	\$ 385
Total comprehensive (loss) income	—	—	(3,851,427)	917,512	\$ (2,933,915)
Balance at December 31, 2024	\$ 33,939,875	\$ 4,045,560	\$ (16,438,168)	\$ (1,938,331)	\$ 19,608,936
Employee share-based payment options	—	—	—	—	—
Total comprehensive (loss) income	—	—	(94,740)	32,982	(61,758)
Balance at September 30, 2025	\$ 33,939,875	\$ 4,045,560	\$ (16,532,908)	\$ (1,905,349)	\$ 19,547,178

The accompanying notes are an integral part to these interim condensed consolidated financial statements

Interim Condensed Consolidated Statements of Cash Flows (Canadian dollars) (unaudited)			
For the Nine months ended	Note	September 30 2025	September 30 2024
Operating activities			
Net loss		\$ (94,740)	\$ (2,262,805)
Adjustments for:			
Depreciation on property and equipment and right-of-use assets		897,597	964,772
Amortization of debt related transaction costs		23,741	51,588
Foreign exchange (gain) loss on debt		(1,489,781)	640,787
Unrealized foreign exchange (gain) loss		(40,595)	56,047
Interest on debt and finance leases		1,891,185	2,618,199
Gain on disposal of equipment		(2,100)	—
Share-based payments		—	385
Recovery of deferred tax		(262,789)	(662,919)
Change in non-cash working capital	10	5,608,877	10,468,074
Total cash provided by operating activities		6,531,395	11,874,128
Financing activities			
Repayment on bank indebtedness		(4,119,830)	(8,586,027)
Interest paid on debt and finance leases		(1,731,393)	(2,413,335)
Repayment of obligations under finance lease		(68,559)	(324,134)
Repayment on long-term debt		(182,987)	(161,165)
Total cash used in financing activities		(6,102,769)	(11,484,661)
Investing activities			
Purchases of property and equipment		(428,626)	(389,467)
Total cash used in investing activities		(428,626)	(389,467)
Net change in cash and cash equivalents		—	—
Cash and cash equivalents, beginning of the period		—	—
Cash and cash equivalents, end of the period		\$ —	\$ —

The accompanying notes are an integral part to these interim condensed consolidated financial statements

1. DESCRIPTION OF BUSINESS

Bri-Chem Corp. (“the Company” or “Bri-Chem”) is an independent wholesale supplier of drilling fluids and chemicals for the oil and gas industry operating from owned or leased warehouses located throughout Canada and the United States. Bri-Chem Corp. was incorporated under the laws of the Province of Alberta, Canada and its head office is in Acheson, Alberta, Canada. Its registered and primary place of business is 27075 Acheson Road, Acheson, Alberta T7X 6B1.

Weather conditions can materially impact the sale of the Company’s products and services, particularly in its Canadian divisions during spring break-up. Additionally, many exploration and production areas in the northern Western Canadian Sedimentary Basin are accessible only in winter months when the ground is frozen hard enough to support the weight of heavy equipment. The timing of freeze-up and spring break-up affects the ability to move equipment in and out of these areas. As a result, late March through May is traditionally the Company’s slowest period.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These unaudited interim condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board. The unaudited interim condensed consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2024 and notes thereto as filed on SEDAR+ at www.sedarplus.ca. However, selected notes are included that are significant to understanding the Company’s financial position and performance since the last annual consolidated financial statements.

These unaudited interim condensed financial statements were approved for issuance by Bri-Chem’s Board of Directors on November 12, 2025, and are presented in Canadian dollars, which is Bri-Chem’s functional currency.

b) Principles of Consolidation

The financial statements of the Company consolidate the accounts of Bri-Chem and its subsidiaries which are entities over which the Company has control. Control exists when the Company has the power, directly or indirectly, to direct the relevant activities of an entity to obtain benefit from its activities. Inter-company transactions, balances and unrealized gains and losses from inter-company transactions are eliminated on consolidation.

c) Going Concern

These interim condensed consolidated financial statements were prepared on a going concern basis which contemplates the realization of assets and satisfaction of liabilities in the normal course of business for the foreseeable future. For the 9 months ended September 30, 2025, the Company realized a net loss of \$94,740 (September 30, 2024 – net loss of \$2,262,805) and total comprehensive loss of \$61,758 (September 30, 2024 – total comprehensive loss of \$1,295,015).

2. BASIS OF PRESENTATION (CONT'D)

c) Going Concern (Cont'd)

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company, or cease operations, or has no realistic alternative but to do so.

Management applied significant judgement in preparing forecasts to support the going concern assumption. Forecasted revenues were based on the expected demand for drilling fluids and chemicals that are influenced by current and future commodity prices in Canada and the US, drilling activity levels and North American supply and demand levels. Forecasted operating and general administrative expenses were based on forecasted revenues and historical gross margins. Actual commodity prices, drilling activity levels and ability to sell natural resources in the future may differ significantly from those forecasted by management.

As described above, a number of uncertainties raise significant doubt about whether the Company will continue to operate as a going concern, and therefore, whether it will realize its assets and settle its liabilities in the normal course of business and at the amounts stated in the financial statements. Should the Company be unable to meet its obligations as they become due or unable to meet the ABL Facility and subordinated debenture agreement obligations, the preparation of these interim condensed consolidated financial statements on a going concern basis may not be appropriate.

In recognition of these circumstances, management is currently pursuing strategies to improve borrowing capacity that could include additional restructuring such as closure of underperforming warehouses, continuing to sell down inventory, debt and/or equity financing, and/or the sale of assets. Through these initiatives, the Company expects to have availability under its ABL Facility to meet its future obligations. Management is also actively monitoring world events as they unfold, including expectations around the global economy and potential tariffs. Potential warehouse closures, limited inventory purchases, and prudent working capital management will assist in the Company being able to continue as going concern. Management is focused on preserving working capital, while keeping its customers, employees and vendors safe. Nevertheless, there is no assurance that these efforts will be successful.

The Company's ability to continue as a going concern is dependent on its ability to access its lending facilities, generate future net income, and realize cash from operating activities. These interim condensed consolidated financial statements do not reflect the adjustments and classifications to assets, liabilities, revenues, and expenses that would be necessary if the Company were unable to continue as a going concern. Such adjustments could be material.

d) Newly adopted accounting standards

Effective January 1, 2025, the Company adopted the amendments to IAS 21 – the lack of exchangeability. The amendments to IAS 21 provide additional guidance on when a currency is exchangeable and on how to determine the exchange rate when it is not. There was no significant impact to the Company's financial statements as a result of the amendment.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 2 to the audited financial statements for the fiscal year ended December 31, 2024, with the addition of IAS 21 disclosed in Note 2d, have been consistently followed in preparation of these interim condensed consolidated financial statements.

RECENT PRONOUNCEMENTS NOT YET EFFECTIVE AND THAT HAVE NOT BEEN ADOPTED EARLY

Certain new standards, interpretations, amendments, and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee (“IFRIC”) that are not yet effective. The standards and amendments issued that are applicable to the Company are as follows:

Implementation of IFRS 18 – Presentation and Disclosure of Financial Statements

The introduction of IFRS 18 will provide all entities applying IFRS with more guidance on the presentation and disclosure of information in general purpose financial statements. The new standard will clarify guidance on how to present and disclose information that faithfully represents an entity’s assets, liabilities, equity, revenue and expenses. The new standards are applied retrospectively for annual periods beginning on or after January 1, 2027, with early adoption permitted provided that this fact is disclosed. The Corporation is currently assessing the expected impact of this standard.

4. ACCOUNTS RECEIVABLE

Accounts receivable recognized in the interim condensed consolidated statements of financial position are as follows:

	September 30 2025	December 31 2024
Trade accounts receivable	\$ 14,222,992	\$ 19,566,012
Loss allowance for expected credit losses	(1,807,033)	(1,811,332)
Trade accounts receivable, net	12,415,959	17,754,680
Other receivables	320,730	181,176
Accounts receivable	\$ 12,736,689	\$ 17,935,856

The change in the allowance for doubtful accounts is as follows:

	September 30 2025	December 31 2024
Balance, beginning of year	\$ 1,811,332	\$ 696,637
Bad debts	(1,887)	1,905,694
Receivables written off (Recovery) of bad debts	(2,412)	(790,999)
Balance, end of year	\$ 1,807,033	\$ 1,811,332

The Company pledged its accounts receivables with a carrying amount of \$12,265,136 (December 31, 2024 - \$13,718,432) as collateral for the ABL Facility described in Note 5.

5. BANK INDEBTEDNESS

	September 30 2025	December 31 2024
ABL Facility	\$ 9,458,620	\$ 13,407,764
BCAP Loan	3,356,481	3,877,315
Cash and cash equivalents	(1,219,036)	(460,385)
	\$ 11,596,065	\$ 16,824,694

Bank indebtedness relates to borrowings on the Company's BCAP Loan and ABL Facility with Canadian Imperial Bank of Commerce ("CIBC") as well as cash and cash equivalents held with an affiliate bank, CIBC Bank USA.

The BCAP Loan is backed by the Canadian Government with 80% of the principal having been guaranteed by The Business Development Bank of Canada. The BCAP Loan bears interest at a rate of 2.25% above CIBC's prime lending rate. The term of the BCAP Loan is amortized over 10 years from the agreement date of July 16, 2020, with interest only payable for the first 12 months.

The Company maintains an ABL Facility with a borrowing availability of \$37,500,000. The ABL Facility is secured by the Company's accounts receivable and inventory. Inventory in Q3 2025 is \$19M (\$24M in Q3 2024) and is pledged as collateral for the ABL facility. On May 15, 2024, the Company amended its ABL Facility agreement to implement a revised cumulative EBITDA covenant, in addition to increasing the availability block from \$2.5M to \$3.5M. On February 27, 2025, the Company amended its ABL Facility to implement an accumulative monthly EBITDA. As of September 30, 2025, the Company was in compliance with its covenant, tested monthly through the ABL facility. The agreement matures on April 30, 2026. In addition, the interest rate will be determined on a tiered system based on the ratio of the average consecutive five day total excess availability to the average daily borrowing base, as outlined in the table below:

Tier	Ratio of the Average Daily Total Excess Availability to the Average Daily Borrowing Base (shown as a percentage)	BA Borrowing or SOFR Loan Applicable Margin	Canadian Prime Rate Loan or Base Rate Loan Applicable Margin
Tier 1	> 20%	2.00%	0.50%
Tier 2	< 20%	2.00%	0.75%

Transaction costs of \$20,000 were incurred as part of the December 16, 2022 amendment and are being amortized over the term of the agreement. Transaction fees of \$17,500 were incurred as part of the May 15, 2024 amendment and will be amortized over the term of the agreement.

6. LONG-TERM DEBT

	September 30 2025	December 31 2024
National Bank Facility 20 year, \$6M term loan, bearing an interest rate of 5.61% per annum on a five year term, repayable monthly payments of \$41,634. Loan matures May 1, 2042. National Bank 20 year \$1.319M term loan, bearing an interest rate of Prime plus 2.00%. Loan matures Oct 1, 2042	\$ 6,601,831	\$ 6,784,818
Less: transaction costs	36,014	44,367
	6,565,817	6,740,451
Less: current portion	236,083	6,740,451
	\$ 6,329,734	\$ —

Changes in financing activities		
	September 30 2025	December 31 2024
Long-term debt balance January 1	\$ 6,740,451	\$ 6,937,666
Cash movements		
Debt repayments	(182,987)	(217,179)
Non-cash movements		
Amortization of non-cash interest	8,353	19,964
	\$ 6,565,817	\$ 6,740,451

National Bank

On March 31, 2025, the Company amended the agreement with National Bank ("NB", formerly Canadian Western Bank) to refinance its subordinated debt. The financing consists of a \$6 million, 17-year fixed term loan and bears a current 5-year fixed interest rate of 5.61% per annum. The amendment for the purchase of a warehouse facility, located in Midland Texas, in the amount of \$1,319,000, consisted of a change of interest rate of Prime plus 2% (original agreement at a fixed interest rate of 6.62%) for financing the remainder of the 17.5-year term loan.

This loan is secured by a first demand collateral mortgage over all owned lands and premises; assigned by the Company to NB of all risk insurance in the amounts and from an insurer acceptable to NB, on all Company real property, without limitation lands, buildings, fixtures and equipment owned by the Company, showing NB as first loss payee. The NB Term Loan includes a tangible net worth covenant of \$9,295,000 and a cash flow coverage ratio covenant of no less than 1.10, both tested annually. Transaction costs of \$91,794 were incurred as part of the refinancing and are being amortized over the term of the agreement.

6. LONG-TERM DEBT (CONT'D)

The NB Term Loan is secured by the following: an unlimited corporate guarantee supported by a general security agreement from all entities within the group, only to a prior charge from the ABL facility, first demand collateral mortgage over all owned lands and only to a prior charge from the ABL facility, first demand collateral mortgage over all owned lands and premises; assigned by the Company to NB of all risk insurance in the amounts and from an insurer acceptable to NB, on all Company real property, without limitation lands, buildings, fixtures and equipment owned by the Company, showing NB as first loss payee. Transaction costs of \$7,500 were incurred as part of this amendment and are being amortized over the term of the agreement.

7. NET EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share were calculated using profit attributable to shareholders of the Company as the numerator.

	September 30 2025	September 30 2024
For the Three months ended		
Net earnings (loss)	\$ 160,264	\$ (268,827)
Basic weighted average number of ordinary shares	26,432,981	26,432,981
Dilutive options issued and outstanding	100,000	100,000
Diluted weighted average number of ordinary shares	26,532,981	26,532,981
Basic earnings (loss) per share	\$ 0.01	\$ (0.01)
Diluted earnings (loss) per share	0.01	(0.01)
For the Nine months ended		
Net loss	\$ (94,740)	\$ (2,262,805)
Basic weighted average number of ordinary shares	26,432,981	26,432,981
Dilutive options issued and outstanding	100,000	100,000
Diluted weighted average number of ordinary shares	26,532,981	26,532,981
Basic (loss) per share	\$ (0.01)	\$ (0.09)
Diluted (loss) per share	(0.01)	(0.09)

8. SEGMENT REPORTING

The Company manages its business in five reportable segments: Fluids Distribution Canada, Fluids Distribution USA, Fluids Blending & Packaging Canada, Fluids Blending & Packaging USA, and Other. The operating segment(s) of the Company has separate financial information available and is evaluated regularly by the chief operating decision makers in allocating resources and assessing performance. The chief operating decision makers of the Company is the Chief Executive Officer and Chief Financial Officer. Other includes activities related to corporate and public company affairs. Revenues between Fluids Blending & Packaging Canada and Fluids Distribution Canada are recorded at market value. The revenue from external parties is measured in a manner consistent with that in the consolidated statement of operations. Selected financial information by reportable segment is disclosed as follows:

8. SEGMENT REPORTING (CONT'D)

For the Three months ended September 30, 2025	Fluids Distribution			Fluids Blending & Packaging			Other	Consolidated
	Canada	USA	Total	Canada	USA	Total		
Total revenues	\$ 2,624,878	\$ 9,493,133	\$ 12,118,011	\$ 4,095,957	\$ 2,714,190	\$ 6,810,147	\$ —	\$ 18,928,158
Revenues from internal customers	359,182	—	359,182	377,235	—	\$ 377,235	—	736,417
Revenues from external customers	2,265,696	9,493,133	11,758,829	3,718,722	2,714,190	6,432,912	—	18,191,741
Cost of sales	1,890,002	7,607,408	9,497,410	2,865,389	2,189,974	5,055,363	—	14,552,773
Operating profit / (loss) ⁽¹⁾	81,733	(116,920)	(35,187)	43,184	41,834	85,018	784,956	834,787
Amortization and depreciation	28,373	160,978	189,351	20,584	15,898	36,482	49,698	275,531
Interest	2,436	8,253	10,689	—	5,346	5,346	554,401	570,436
Income tax expense / (recovery)	—	276	276	(32,026)	4,343	(27,683)	(144,037)	(171,444)
Segment (loss) / profit	\$ 50,924	\$ (286,427)	\$ (235,503)	\$ 54,626	\$ 16,247	\$ 70,873	\$ 324,894	\$ 160,264
Segment assets	\$ 10,972,003	\$ 13,125,504	\$ 24,097,507	\$ 5,726,711	\$ 2,443,228	\$ 8,169,939	\$ 15,565,100	\$ 47,832,546
Capital expenditures	\$ 6,394	\$ 1,528	\$ 7,922	\$ 71,815	\$ —	\$ 71,815	\$ 133,956	\$ 213,693

For the Nine months ended September 30, 2025	Fluids Distribution			Fluids Blending & Packaging			Other	Consolidated
	Canada	USA	Total	Canada	USA	Total		
Total revenues	\$ 7,772,714	\$ 32,555,696	\$ 40,328,410	\$ 13,192,560	\$ 7,222,651	\$ 20,415,211	\$ —	\$ 60,743,621
Revenues from internal customers	1,015,256	27,390	\$ 1,042,646	1,063,626	—	\$ 1,063,626	—	2,106,272
Revenues from external customers	6,757,458	32,528,306	39,285,764	12,128,934	7,222,651	19,351,585	—	58,637,349
Cost of sales	5,881,372	26,650,643	32,532,015	9,169,557	5,955,888	15,125,445	—	47,657,460
Operating (loss) / profit ⁽¹⁾	(590,102)	(145,763)	(735,865)	466,177	(124,653)	341,524	2,739,431	2,345,090
Amortization and depreciation	82,292	563,439	645,731	51,603	48,259	99,862	152,004	897,597
Interest	4,309	32,585	36,894	—	5,346	5,346	1,909,731	1,951,971
Income tax expense / (recovery)	—	839	839	12,312	13,206	25,518	(436,095)	(409,738)
Segment (loss) / profit	\$ (676,703)	\$ (742,626)	\$ (1,419,329)	\$ 402,262	\$ (191,464)	\$ 210,798	\$ 1,113,791	\$ (94,740)
Segment assets	\$ 10,972,003	\$ 13,125,504	\$ 24,097,507	\$ 5,726,711	\$ 2,443,228	\$ 8,169,939	\$ 15,565,100	\$ 47,832,546
Capital expenditures	\$ 166,121	\$ 5,172	\$ 171,293	\$ 91,908	\$ 2,654	\$ 94,562	\$ 162,771	\$ 428,626

(1) Operating profit / (loss) includes gross margin less salaries and benefits; bad debts; selling, general and administration; and foreign exchange (gain) loss

8. SEGMENT REPORTING (CONT'D)

The Company's operations are conducted in the following geographic locations:

For the Three months ended	September 30 2025	September 30 2024
Revenue		
Canada	\$ 5,984,418	\$ 8,430,768
United States	12,207,323	13,544,726
	\$ 18,191,741	\$ 21,975,494
For the Nine months ended	September 30 2025	September 30 2024
Revenue		
Canada	\$ 18,886,392	\$ 21,262,233
United States	39,750,957	41,190,252
	\$ 58,637,349	\$ 62,452,485
Non-current assets		
Canada	\$ 4,536,457	\$ 4,120,290
United States	10,878,938	10,332,071
	\$ 15,415,395	\$ 14,452,361

For the nine months ended September 30, 2025, revenue from one customer amounted to \$6,579,316 (September 30, 2024 - \$10,043,240), representing 11% (September 30, 2024 – 16.1%) of consolidated sales, and 20% (September 30, 2024 – 28.1%) of USA Fluid Distribution segmented sales.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to various risks in relation to financial instruments. These risks include credit risk, interest rate risk, currency risk, and liquidity risk. The Company's risk management function is performed by management within guidelines approved by its Board of Directors. The Company seeks to minimize the effects of the identified risks by focusing on actively securing short to medium-term cash flows and minimizing exposures to capital markets.

Credit risk

Credit risk arises from the possibility that the entities to which the Company provides services may experience financial difficulty and would be unable to fulfill their obligations. The Company's trade receivables are with customers in the crude oil and natural gas industry and are subject to normal industry credit risk. The Company's practice is to manage credit risk by performing a detailed analysis of the credit worthiness of new customers before the Company's standard payment terms are offered. Additionally, the Company continuously reviews individual customer trade receivables, taking into consideration payment history and the aging of the trade receivable to monitor collectability.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

The table below provides an analysis of the Company's accounts receivable as follows:

September 30, 2025	Gross accounts receivable	Loss allowance for expected credit loss	Net accounts receivable
Current	6,472,362	\$ —	\$ 6,472,362
31 to 60 days	3,915,554	—	3,915,554
61 to 90 days	2,024,412	—	2,024,412
91 to 120 days	811,673	—	811,673
Over 120 days	998,991	(1,807,033)	(808,042)
Total	\$ 14,222,992	\$ (1,807,033)	\$ 12,415,959
December 31, 2024			
Current	\$ 5,861,156	\$ —	\$ 5,861,156
31 to 60 days	5,349,301	—	5,349,301
61 to 90 days	3,512,490	—	3,512,490
91 to 120 days	1,687,678	—	1,687,678
Over 120 days	3,342,261	(1,811,332)	1,530,929
Total	\$ 19,566,012	\$ (1,811,332)	\$ 17,754,680

Concentration risk in accounts receivable

The entity has a significant concentration of credit risk in its accounts receivable. As of the reporting date, 44.5% of the total trade receivables are due from the top five customers. Additionally, one customer represents 14.7% of the total revenue for the reporting period. These customers operate primarily in the oil and gas industries in the United States.

	September 30 2025	December 31 2024
Concentration Risk in Accounts Receivable		
Gross accounts receivable	\$ 14,222,992	\$ 19,566,012
Receivables due from top 5 customers	6,331,120	8,797,490
	44.5%	45.0%

Interest rate risk

The Company is exposed to interest rate risk for borrowings on its ABL facility and term loan, to the extent that the prime interest rate changes.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

Currency risk

The Company and its US subsidiaries are subject to foreign currency risk due to its accounts receivable, accounts payable and accrued liabilities, bank indebtedness, and long-term debt denominated in foreign currencies. Therefore, there is a risk of earnings fluctuations arising from changes in and the degree of volatility of foreign exchange rates arising on foreign monetary assets and liabilities. An analysis of currency risk for the Company as follows:

Balance at September 30, 2025	Foreign currency denominated monetary financial assets	Foreign currency denominated monetary financial liabilities ⁽¹⁾	Position
USD denominated (USD)	\$ 5,300,448	\$ (25,450,219)	\$ (20,149,771)
Currency translation at September 30, 2025 currency exchange rate (1.3922) (CAD)	7,379,284	(35,431,795)	(28,052,511)
Assuming CAD currency weakens against USD currency by 5% (1.4618) (CAD)	7,748,248	(37,203,385)	(29,455,137)
Impact (CAD)	\$ 368,964	\$ (1,771,590)	\$ (1,402,626)

(1) Foreign currency denominated monetary financial liabilities includes US dollar cash and cash equivalents recorded within bank indebtedness as discussed in Note 5

Liquidity risk

Liquidity risk is the exposure of the Company to the risk of not being able to satisfy its financial liabilities as they become due. The Company actively monitors its financing obligations to ensure that it has enough available funds to meet current and foreseeable future financial requirements at a reasonable cost. The Company mitigates liquidity risk by maintaining adequate Credit Facilities, and through the forecasting and management of its operational cash flows. Management of operational cash flows takes into consideration the Company's debt financing plans and covenant compliance.

The Company manages its capital structure based on current economic conditions, the risk characteristics of the underlying assets, and planned capital requirements within guidelines approved by its Board of Directors. Total capitalization is adjusted by drawing on existing Credit Facilities, issuing new debt or equity securities when opportunities are identified, and through disposition of underperforming assets to reduce debt when required.

As at September 30, 2025, the Company had \$3,797,530 (Dec 31, 2024 - \$5,295,737) of undrawn credit available on the ABL Facility and BCAP loan. Aside from the capital requirements associated with its ABL Facility, BCAP and NB loans, as disclosed in Note 5 and Note 6, the Company is not subject to any other external capital requirements. The total capital structure of the Company is as follows:

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

	September 30 2025	December 31 2024
Bank indebtedness	\$ 11,596,065	\$ 16,824,694
Term debt	6,565,817	6,740,451
Lease Liabilities	678,383	872,053
Equity	19,547,178	19,608,936
Total capital	\$ 38,387,443	\$ 44,046,134

The Company's liquidity and cash flow from operations have been impacted by a variety of external factors including further volatility in crude oil prices due to macro-economic uncertainty. Depending on the oil and gas market growth, management has stress tested the Company's liquidity position to meet all commitments as well as created various levels of mitigation actions to respond to sudden reductions in revenue. The impact that a decline in the commodity pricing will have on the Company's business or financial results cannot be reasonably estimated at this time, which in turn could lead to the non-compliance of certain lending covenant on the Company's Credit Facilities, which if not amended or waived, could limit, in part, or in whole, the Company's access to the Credit Facilities and could accelerate repayment.

Cash flows related to bank indebtedness, accounts payable and accrued liabilities included below may occur at different times or amounts. A maturity analysis of the Company's outstanding obligations as at September 30, 2025 is as follows:

September 30, 2025	Bank indebtedness	Accounts payable and accrued liabilities	Long-term debt	Lease liabilities ⁽¹⁾	Total
2025 - 3 months	\$ 11,596,065	\$ 10,364,201	61,330	361,334	22,382,930
2026	—	—	252,407	271,131	523,538
2027	—	—	279,063	45,918	324,981
2028	—	—	298,385	—	298,385
2029	—	—	312,299	—	312,299
Thereafter	—	—	5,362,333	—	5,362,333
Total	\$ 11,596,065	\$ 10,364,201	6,565,817	678,383	29,204,466

(1) Includes interest

10. SUPPLEMENTAL CASH FLOW INFORMATION

	September 30 2025	September 30 2024
Accounts receivable	\$ 5,200,085	\$ 6,866,435
Inventories	4,371,464	4,850,685
Prepaid expenses and deposits	(310,683)	(133,967)
Accounts payable and accrued liabilities	(3,636,713)	(1,115,079)
Income taxes payable/receivable	(15,276)	—
Foreign exchange	—	—
Change in non-cash working capital	\$ 5,608,877	\$ 10,468,074
Interest paid	\$ 1,891,185	\$ 2,618,199

11. SUBSEQUENT EVENT

On November 9, 2025, the Company announced the departure of Don Caron, CEO and former Chairman. Barry Huggins has been appointed to the roles of Chief Executive Officer and President of the company, effective November 12, 2025. Mr. Huggins will also continue to serve as Chairman of the Board.