PROGRESSIVE PLANET SOLUTIONS INC.

CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

FOR THE SIX MONTHS ENDED OCTOBER 31, 2022, AND 2021

(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.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian dollars)
AS AT,

	October 31, 2022	April 30, 2022
ASSETS		
Current		
Cash and cash equivalents (Note 4)	$ 1,196,682	$ 1,770,682
Restricted cash (Note 4)	-	266,000
Accounts receivable (Note 5)	2,312,089	2,262,224
Inventories (Note 6)	3,753,077	3,379,919
Prepaid expenses and deposits	398,225	333,561
	7,660,073	8,012,386
Investments in private companies (Note 7)	1,330,500	1,330,500
Property, plant and equipment (Note 8)	14,109,853	13,838,772
Leased assets (Note 9)	2,304,607	2,333,148
Mineral properties (Note 10)	1,484,499	1,148,176
Exploration and evaluation assets (Note 11)	1,597,021	1,632,139
	$ 28,486,553	$ 28,295,121
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness (Note 3)	$ 1,234,278	$ 1,417,539
Accounts payable and accrued liabilities (Notes 12)	1,601,049	1,739,379
Deferred revenue (Note 13)	132,281	306,261
Lease obligations - current (Note 15)	169,514	173,134
Loans payable - current (Note 16)	647,075	647,075
Asset retirement obligations – current (Note 17)	25,000	25,000
	3,809,197	4,308,388
Long-term lease obligations (Note 15)	2,334,021	2,380,784
Long-term loans payable (Note 16)	7,717,724	8,066,149
Asset retirement obligations (Note 17)	247,049	241,694
Deferred income tax liability	2,052,175	2,035,970
	16,160,166	17,032,985
Shareholders' equity		
Share capital (Note 18)	27,750,463	26,175,235
Share-based payment reserve (Note 18)	6,827,583	6,942,381
Deficit	(22,251,659)	(21,855,480)
	12,326,387	11,262,136
	$ 28,486,553	$ 28,295,121

Nature of operations and going concern (Note 1)
Business acquisition (Note 3)
Commitments (Note 19)
Contingencies (Note 20)
Subsequent events (Note 26)

On behalf of the Board:

_______________________ Director _______________________ Director

PROGRESSIVE PLANET SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Unaudited - Expressed in Canadian dollars)
FOR THE SIX MONTHS ENDED OCTOBER 31,

	Three-month period ended October 31, 2022	Three-month period ended October 31, 2021	Six-month period ended October 31, 2022	Six-month period ended October 31, 2021
REVENUE	$ 5,421,843	-	$ 10,599,552	$ -
COST OF SALES				
Amortization and depreciation	157,911	-	327,163	-
Changes in inventories	2,776,706	-	5,513,309	-
Depletion and asset retirement obligations accretion	8,253	-	17,219	-
Freight	694,679	-	1,575,063	-
	3,637,549	-	7,432,754	-
GROSS PROFIT	1,784,294	-	3,166,798	-
EXPENSES				
Selling expenses	613,942	24,506	1,325,422	34,803
General and administrative expenses:				
Consulting fees	90,441	109,012	140,150	144,712
Finance costs	183,896	7,286	327,714	15,239
Office and administration (Note 21)	273,237	75,176	605,565	118,922
Personnel (Note 21)	331,922	184,460	640,389	366,744
Professional fees (Note 21)	107,616	109,619	301,512	212,021
Research and development costs (Note 21)	112,002	31,820	229,523	79,076
Share-based compensation (Notes 18 and 21)	85,481	238,500	123,731	358,500
	1,184,595	755,873	2,368,584	1,295,214
Other income (expenses):				
Gain (loss) on foreign exchange	80,418	(363)	95,065	357
Other income (Note 22)	89,195	13,112	104,717	59,207
Reversal of flow-through premium (Note 14)	1,103	2,479	3,009	7,266
Unrealized gain on investments in private companies (Note 7)	-	444,400	-	444,400
Write-off of exploration and evaluation asset (Note 11)	(78,554)	-	(78,554)	-
	92,162	459,628	124,237	511,230
Income (Loss) before income taxes	77,919	(320,751)	(402,971)	(818,787)
Deferred income tax recovery	(3,396)	-	(6,792)	-
Income (loss) and comprehensive income (loss) for the period	$ 81,315	$ (320,751)	$ (396,179)	$ (818,787)
Basic and diluted income (loss) per common share	$ 0.00	$ (0.00)	$ (0.00)	$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	98,610,065	64,397,893	95,195,849	63,161,405

PROGRESSIVE PLANET SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited - Expressed in Canadian dollars)

	Number of shares	Share capital	Subscriptions received in advance	Share-based payment reserve	Deficit	Total equity
April 30, 2021	59,774,377	$ 18,288,164	-	$ 3,867,149	$ (18,577,101)	$ 3,578,212
Shares issued upon exercised options	213,333	29,254	-	(9,454)		19,800
Shares issued upon exercised warrants	5,732,500	449,798	-	(10,298)	-	439,500
Shares issued for property payments	6,667	2,267	-	-		2,267
Share-based compensation	-	-	-	358,500	-	358,500
Loss for the period	-	-	-	-	(818,787)	(818,787)
October 31, 2021	65,726,877	18,769,483	-	4,205,897	(19,395,888)	3,579,492
						-
Private placements	17,763,640	6,217,275	-	-	-	6,217,275
Share issuance cost - cash	-	(195,619)	-	-	-	(195,619)
Share issuance cost - broker warrant	-	(45,160)	-	45,160	-	-
Shares issued upon exercised options	500,000	85,500	-	(35,500)	-	50,000
Shares issued upon exercised warrants	1,032,064	267,185	-	(119,772)	-	147,413
Shares issued for property payments	-	-	-	-	-	-
Shares issued for acquisition of APL	3,428,570	1,076,571	-	1,378,285	-	2,454,856
Share-based compensation	-	-	-	1,468,311	-	1,468,311
Loss for the period	-	-	-	-	(2,193,722)	(2,193,722)
Adjusted loss for the group	-	-	-	-	(265,870)	(265,870)
April 30, 2022	88,451,151	26,175,235	-	6,942,381	(21,855,480)	11,262,136
Shares issued upon exercised options	60,000	19,628	-	(7,928)	-	11,700
Shares issued upon exercised warrants	11,500,000	1,555,600	-	(230,600)	-	1,325,000
Share-based compensation	-	-	-	123,730	-	123,730
Subscription received in advance	-	-	-	-	-	-
Loss for the period	-	-	-	-	(396,179)	(396,179)
October 31, 2022	100,011,151	$ 27,750,463	$ -	$ 6,827,583	$ (22,251,659)	$ 12,326,387

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 SIX MONTHS ENDED OCTOBER 31,

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (396,179)	$ (818,787)
Items not involving cash:		
Amortization and depreciation	346,760	107,532
Depletion and asset retirement obligation accretion	17,219	-
Finance costs	37,098	-
Share-based compensation	123,730	358,500
Reversal of flow-through premium	(3,009)	(7,266)
Unrealized gain on investments in private companies	-	(444,400)
Write-off of exploration and evaluation asset	78,554	-
Deferred income tax recovery	(6,792)	-
Change in non-cash operating working capital:		
Restricted cash	266,000	-
Accounts receivable	(112,043)	(138,954)
Inventories	(373,158)	-
Prepaid expenses and deposits	(64,664)	(7,590)
Bank indebtedness	(183,261)	-
Accounts payable and accrued liabilities	(135,321)	(109,590)
Deferred revenue	(173,980)	-
Net cash used in operating activities	(579,046)	(1,060,555)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments in private companies	-	282,000
Purchase of investments in private companies	-	(300,000)
Purchase of property, plant and equipment	(589,300)	(170,599)
Mineral property additions	(254,267)	-
Reclamation work performed on mineral properties	(8,745)	-
Exploration and evaluation of assets acquisition and expenditures	(43,436)	(60,914)
Net cash used in investing activities	(895,748)	(249,513)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan repayments	(348,425)	(18,455)
Payments on lease obligations	(87,481)	(21,178)
Proceeds from exercise of options	11,700	19,800
Proceeds from exercise of warrants	1,325,000	439,500
Net cash provided by financing activities	900,794	419,667
Change in cash during the period	574,000	(890,401)
Cash and cash equivalents, beginning of period	1,770,682	1,338,583
Cash and cash equivalents, end of period	$ 1,196,682	$ 448,182

Supplemental cash flow information (note 23)

1. NATURE OF OPERATIONS AND GOING CONCERN

Progressive Planet Solutions Inc. (the "Company") was incorporated under the laws of British Columbia, Canada on November 10, 2006. The Company's shares trade on the TSX Venture exchange under the symbol PLAN.

On February 18, 2022, the Company purchased Absorbent Products Ltd. ("APL") and certain related companies (combined, the "APL Group") (Note 3).

Prior to the acquisition of the APL Group., the Company was primarily engaged in developing three natural pozzolan properties which are all located within the vicinity of Kamloops, British Columbia. In addition, the Company operated a pilot plant at a pre-commercial scale which produced mineral powders (soft rock phosphate) for agriculture on a seasonal basis. The pilot plant was relocated to the APL Group's facilities in Kamloops and combined with its existing operations during the current period.

These consolidated financial statements have been prepared on the basis of accounting applicable to a "going concern," which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has incurred operating losses to date. For the six-month period ended October 31, 2022, the Company recorded a net loss of $396,179, had negative cash flows from operations of $579,046, and was completing the integration of its acquisition of Absorbent Products Ltd. (Note 3). These conditions result in a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company expects that it will require additional debt or equity funding in order to meet its business objectives. The Company plans to raise the necessary funds primarily through issuance of common shares and the utilization of its credit facilities. The Company's ability to continue as a going concern is dependent on its ability to successfully raise additional funds. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern and such adjustments could be material to the financial statements.

2. BASIS OF PREPARATION

(a) Statement of compliance:

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

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB of the International Financial Reporting Interpretations Committee. However, these updated 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 November 22, 2022.

(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.

2. BASIS OF PREPARATION (cont'd…)

(c) Basis for consolidation:

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Company until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

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

Company	Location	Ownership Interest
Progressive Planet Products Inc. (formerly, Absorbent Products Ltd.)	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%

(d) Functional and presentation currency:

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

(e) Use of estimates and judgments:

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

Information about judgments made that have the most significant effects on the amounts recognized in the financial statements include:

i) The determination of whether an acquisition constitutes a business (Note 3). Transactions accounted for as business combinations may result in goodwill or a bargain purchase gain and transaction costs are expensed. Transactions accounted for as asset acquisitions do not result in goodwill or a bargain purchase gain and deferred tax amounts are not recognized; transactions costs are capitalized as part of the assets acquired.
ii) The recognition of deferred tax 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 assets acquired and liabilities assumed in conjunction with the APL Group acquisition (Note 3).
ii) The determination of the fair value of share consideration issued for the purchase of the APL Group, including the liquidity discount applied (Note 3).
iii) The measurement of the fair value of investments in private companies (Note 7).

2. BASIS OF PREPARATION (cont'd…)

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

iv) The valuation of raw material stockpiles (Note 6).
v) The valuation of mineral reserve and mineral resource estimates (Note 10).
vi) The depletion of mineral properties (Note 10).
vii) The recognition and measurement of asset retirement obligations (Note 17).
viii) The determination of the quantity of raw material inventory on hand as at the APL Group acquisition date and as at October 31, 2022.
ix) Identification and correct interpretation of indicators of impairment of the Company's assets.
x) The carrying value and the recoverability of exploration and evaluation assets.
xi) The inputs used in the Black-Scholes option pricing model to value stock options, broker warrants and share consideration.
xii) Whether the Company is party to a lease arrangement (Notes 9 and 15).
xiii) The economically useful lives of the Company's assets.

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

(a) Business combinations

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

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

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

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

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

2. BASIS OF PREPARATION (cont'd…)

(a) Business combinations (cont'd…)

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.

(b) Revenue recognition:

The Company recognizes sales on deliveries once the goods are accepted at the customer's premises, and for customer pick-up orders, at the point of sale, which is when the customer obtains control, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Invoices are generated at 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.

(c) 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.

(d) 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.

2. BASIS OF PREPARATION (cont'd…)

(e) Property, plant and equipment

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

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

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

Asset	
Buildings	5 – 10%
Equipment	10 – 40%
Vehicles	30%

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

(f) Leases

At inception of a contract, the 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.

2. BASIS OF PREPARATION (cont'd…)

(f) Leases (cont'd…)

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

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

(g) 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 reclassed 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.

(h) 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 and bentonite clay 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.

(i) 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.

2. BASIS OF PREPARATION (cont'd…)

(j) Provisions

i. Asset retirement obligations

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

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

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

ii. Other provisions

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

(k) Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

2. BASIS OF PREPARATION (cont'd…)

(k) Income taxes (cont'd…)

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.

(l) 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, restricted cash, 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 it business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:
- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The 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.

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.

2. BASIS OF PREPARATION (cont'd…)

(l) Financial instruments (cont'd…)

Financial liabilities:

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

The 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.

(m) Foreign currency transactions

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

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

(n) Employee benefits

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

The Company has a stock-based compensation plan, which is described in note 18. Equity instruments awarded to employees and the cost of the services received as consideration are measured and recognized based on the fair value of the equity instruments. The grant-date fair value is generally recognized as an expense, with a corresponding increase in equity over the vesting period of the awards. Consideration paid on the exercise of stock options is recorded as share capital, up to the par value of the issued shares and the remaining amount to contributed surplus.

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

2. BASIS OF PREPARATION (cont'd…)

(o) Impairment

i. Non-derivative financial assets

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

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

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

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

- The debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- The financial asset is more than 90 days past due.

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

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

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.

2. BASIS OF PREPARATION (cont'd…)

(o) Impairment (cont'd…)

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.

(p) Share capital

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

(q) 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.

(r) Statement of cash flows

The statement of cash flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows have been eliminated for the purpose of preparing the statement.

(s) 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.

2. BASIS OF PREPARATION (cont'd…)

(s) Fair value measurement (cont'd…)

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.

(t) 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.

(u) Flow-through shares

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

(v) 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 residual fair value attributed to warrants is recorded as share-based payment reserve.

(w) Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed by assuming that outstanding options, warrants and similar instruments were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

(Unaudited - Expressed in Canadian dollars)

2. BASIS OF PREPARATION (cont'd…)

(x) Contingencies

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

Contingent assets and contingent liabilities are continually assessed to ensure developments are appropriately reflected in the consolidated financial statements.

3. BUSINESS ACQUISITION

On February 18, 2022 (the "Acquisition date"), the Company acquired 100% of the shares of Absorbent Products Ltd. ("APL") and certain related companies (combined "the APL Group"). The APL Group is a manufacturer of mineral-based products derived from diatomaceous earth, zeolite, and bentonite. Absorbent Products operates its own diatomaceous earth and bentonite mines in BC and is also the operator of a zeolite mine in BC. The mineral-based products manufactured by APL are used in agricultural, industrial and consumer applications.

Since acquisition, the Company has continued to support and grow the APL Group's existing business operations, with a specific focus on the expansion of the agricultural product market. In addition, the Company has been developing an incremental line of business in sustainable cement using APL's mineral deposits.

The Company determined that the APL Group acquisition represents a business combination, with the Company identified as the acquirer.

The Acquisition date fair value of the consideration transferred consisted of the following:

Cash consideration (1)	$	11,062,519
Share consideration (2)		2,454,857
	$	13,517,376

(1) The cash consideration was funded by $8,683,000 of long-term loans financed by the Bank of Montreal ("BMO") and $2,379,519 of cash raised in conjunction with a contemporaneous private placement of the Company's shares (total private placement proceeds raised were $6,217,274 – see Note 18).

(2) The share consideration was comprised of the following:

a. Tranche 1: $1.2 million in common shares of the Company issued at the Acquisition date at a price of $0.35 per share (resulting in 3,428,571 shares issued).

b. Tranche 2: $900,000 in common shares of the Company to be issued one year from the Acquisition date, at a price equal to the greater of (a) $0.35 per share, or (b) the 50-day volume weighted average trading price of such shares in the days immediately preceding each issuance of such shares.

c. Tranche 3: $900,000 in common shares of the Company to be issued two years from the Acquisition date, at a price equal to the greater of (a) $0.35 per share, or (b) the 50-day volume weighted average trading price of such shares in the days immediately preceding each issuance of such shares.

(Unaudited - Expressed in Canadian dollars)

3. BUSINESS ACQUISITION (cont'd…)

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

The fair value of the share consideration was determined based on the face value of the three tranches of shares ($3,000,000) less a discount to reflect 4 month hold periods as well as the one and two year "waiting periods" associated with the share issuances for 2nd and 3rd Tranches, respectively.

Under the terms of the acquisition, cash payable on closing included a $1 million holdback paid into trust, that was to be adjusted upward or downward on a dollar-for-dollar basis to the extent that the APL Group's net working capital (accounts receivable, inventory, and prepaid expenses, less accounts payable and accrued liabilities) on the acquisition date was greater or less than the target net working capital of $4.0 million.

The Company and the APL Group vendors determined the net working capital to be approximately $3.87 million at the acquisition date. Accordingly, the cash consideration balance of $11.1 million set out above, includes approximately $870,000 of the holdback funds, and the remaining $130,000 in trust was due to be returned to the Company as at October 31, 2022. The amount was received by the Company subsequent to the balance sheet date.

In accordance with the acquisition method of accounting, the consideration transferred was allocated on a preliminary basis to the underlying assets acquired and liabilities assumed, based upon their estimated fair values at the Acquisition date. The table below presents the preliminary fair values of the assets acquired and liabilities assumed at the Acquisition date. The allocation is preliminary, and the fair values are subject to change as there has not been sufficient time to complete the valuation process. The valuation work must be finalized within twelve months following the acquisition date. The purchase consideration, inventories, property and plant, mineral properties, asset retirement obligations, and deferred income tax liability, are all subject to change. Any adjustments made will be recognized retrospectively and comparative information will be revised.

Assets acquired and liabilities assumed		
Cash	$	74,895
Accounts receivable		2,192,313
Inventories		4,111,982
Prepaid expenses		195,153
Property, plant & equipment		12,794,728
Leased assets		2,349,873
Mineral properties		1,193,527
Bank indebtedness		(2,225,125)
Accounts payable		(2,162,598)
Deferred revenue		(154,562)
Lease obligations		(2,422,773)
Asset retirement obligations		(261,070)
Deferred income tax liability		(2,168,967)
Fair value of net assets acquired	$	13,517,376

The fair value of supplies and raw material inventories was based on current estimated replacement costs. The fair value of finished goods inventory was based on net realizable value. Under the net realizable value approach, the future estimated cash flows from sales were adjusted for completion costs, such as selling and transportation expenses. The preliminary fair values of property, plant and equipment were based on independent appraisals and other information. The fair value of leased assets was based on the discounted cash flows of future lease payments associated with those assets. The preliminary fair values of mineral properties were based on independent appraisals supplemented with discounted cash flow analysis. The fair value of deferred revenue was estimated to be equal to the future sales proceeds of inventory that was in-transit to customers at the acquisition date. The fair value of lease obligations was equal to the future cash flows of lease contracts that were in existence at the Acquisition date.

(Unaudited - Expressed in Canadian dollars)

3. BUSINESS ACQUISITION (cont'd…)

The preliminary fair value of the asset retirement obligations was based on the estimated future cash flows required to remediate the APL Group's mineral property assets for disturbances at the acquisition date, and discount rates.

Consolidated revenue for the period ended October 31, 2022, includes $10,599,552 revenue from the APL Group. Consolidated loss for the period ended October 31, 2022, includes $992,781 of pre-tax income from the APL Group.

4. CASH AND CASH EQUIVALENTS

	October 31, 2022	April 30, 2022
Bank balances	$ 1,196,435	$ 1,770,585
Cash on hand	247	97
Cash and cash equivalents	$ 1,196,682	$ 1,770,682

RESTRICTED CASH:

As at April 30, 2022, the Company had $266,000 deposited in trust on legal undertakings. The legal undertakings were completed during the six-month period ended October 31, 2022 and the funds were released from trust.

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 (October 31, 2022 – 6.73%, in aggregate).

Security is provided by way of a general security agreement with a second charge over all assets of the APL Group with priority over accounts receivable and inventories, general assignment of book debts, Section 427 of the Bank Act 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.

Interest expense of $49,412 (2021 - $Nil) is included in finance costs in the statement of income (loss) related to this facility.

5. ACCOUNTS RECEIVABLE

	October 31, 2022	April 30, 2022
Trade receivables	$ 1,858,601	$ 1,643,810
Commodity tax recoverable	8,542	62,025
Income tax receivables	264,523	345,316
Other receivables	180,423	211,073
	$ 2,312,089	$ 2,262,224

(Unaudited - Expressed in Canadian dollars)

6. INVENTORIES

		October 31, 2022		April 30, 2022
Finished goods	$	449,746	$	537,456
Raw materials		972,094		801,941
Supplies		2,331,237		2,040,522
	$	3,753,077	$	3,379,919

The cost of inventories recognized as an expense during the six-month period ended October 31, 2022 was $5,513,309 (2021 - $Nil).

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

7. INVESTMENTS IN PRIVATE COMPANIES

Snow Lake Resources Ltd.

During the year ended April 30, 2020, the Company received 10,500,000 common shares of a private corporation, Snow Lake Resources Ltd. ("Snow Lake"), of which 2,950,000 were sold during the year ended April 30, 2021. At that time, the Company had option agreements to sell 7,050,000 of those shares at $0.04 per share to two arms-length purchasers.

Between May and July 2021, the Company sold a total of 7,050,000 shares at $0.04 per share under the terms of the option agreements. Furthermore, the Company's remaining 500,000 Snow Lake shares were consolidated on a 5:1 basis which reduced the number of shares owned to 100,000.

On November 8, 2021, the Company sold its remaining 100,000 Snow Lake shares to an arms-length purchaser for $3.75 USD per share ($4.69 CDN per share). As a result, during the year ended April 30, 2022, the Company realized a gain of $446,838 from the sale of these remaining shares.

		Common shares		Total
Snow Lake Resources Ltd.				
Balance, April 30, 2021	$	7,550,000	$	302,000
Sale proceeds		(7,050,000)		(282,000)
Share consolidation (5:1)		(400,000)		-
Sale proceeds from consolidated shares		(100,000)		(466,838)
Realized gain on sale		-		446,838
Balance, April 30, 2022 and October 31, 2022		-	$	-

ZS2 Technologies Ltd.

In September 2021, the Company participated in a private placement for the purchase of 300,000 units of a private company, ZS2 Technologies Ltd. ("ZS2") at $1.00 per unit. Each unit was comprised of one full common share of ZS2 and one full share purchase warrant. The share purchase warrants have a strike price of $2.00 per share and a term of 18 months. The CEO of ZS2 was a director of the Company until October 20, 2022.

(Expressed in Canadian dollars)

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

Effective April 30, 2022, the Company increased its fair value estimate of the ZS2 shares to $2.00 per share, as there was evidence of observable transactions of the shares at this price level (Level 2 inputs) contemporaneously. The increase in fair value estimate resulted in an unrealized gain from change in fair value of $300,000.

On March 8, 2022, the Company received 300,000 share purchase warrants for ZS2 shares in exchange for the provision of consulting services. These warrants have a strike price of $2.00 per share and a term of 5 years. The Company estimated the value of these warrants to be $348,000 using a Black-Scholes option pricing model.

Also on March 8, 2022, the Company exercised 150,000 of the warrants from the September 2021 private placement to acquire an additional 150,000 shares of ZS2 for $2.00 per share. At that time the Company estimated the fair value of its remaining 150,000 warrants from the September 2021 private placement to be $82,500 using a Black-Scholes option pricing model.

The following assumptions were used for warrant fair value estimates:

	Sep 3, 2021, Warrants	**Mar 8, 2022, Warrants**
Spot and strike price per share	$2.00	$2.00
Risk-free interest rate	1.12%	1.12%
Expected life of options	1 year	5 years
Expected annualized volatility	69.31%	69.31%
Expected dividend rate	0.00%	0.00%

The following is a summary of the Company's investment in ZS2 for the year ended April 30, 2022 and the six-month period ended October 31, 2022:

			Total
ZS2 Technologies Ltd. – Common shares	Common shares		
Balance, April 30, 2021	-	$	-
Additions	300,000		300,000
Shares acquired on the exercise of warrants	150,000		300,000
Unrealized gain from change in fair value	-		300,000
Balance, April 30, 2022 and October 31, 2022	450,000	$	900,000
ZS2 Technologies Ltd. – Share purchase warrants	Warrants		
Balance, April 30, 2021	-	$	-
Additions	300,000		-
Exercised for common shares	(150,000)		-
Remaining at March 8, 2022	150,000		82,500
Received in exchange for consulting services	300,000		348,000
Balance, April 30, 2022 and October 31, 2022	450,000	$	430,500
Balance, April 30, 2022 and October 31, 2022		$	1,330,500

(Unaudited - Expressed in Canadian dollars)

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost less accumulated depreciation. Property, plant and equipment acquired at as part of the APL Group acquisition was initially recorded at fair value.

A summary of the changes in the Company's property, plant and equipment for the six-month period ended October 31, 2022 and the year ended April 30, 2022:

	Land	Buildings	Equipment	Vehicles	Total
Cost					
Balance, April 30, 2021	$ **-**	$ **8,085**	$ **1,052,286**	$ **128,471**	$ **1,188,842**
Additions	8,427,000	2,000,149	2,698,825	57,292	13,183,266
Balance, April 30, 2022	8,427,000	2,008,234	3,751,111	185,763	14,372,108
Additions	-	61,611	527,689	-	589,300
Balance, October 31, 2022	$ **8,427,000**	$ **2,069,845**	$ **4,278,800**	$ **185,763**	$ **14,961,408**
Accumulated depreciaton					
Balance, April 30, 2021	$ **-**	$ **1,863**	$ **166,027**	$ **52,031**	$ **219,921**
Additions	-	20,388	265,445	27,582	313,415
Balance, April 30, 2022	**-**	**22,251**	**431,472**	**79,613**	**533,336**
Additions	-	49,421	252,876	15,922	318,219
Balance, October 31, 2022	$ **-**	$ **71,672**	$ **684,348**	$ **95,535**	$ **851,555**
Net Book Value					
Balance, April 30, 2022	$ **8,427,000**	$ **1,985,983**	$ **3,319,639**	$ **106,150**	$ **13,838,772**
Balance, October 31, 2022	$ **8,427,000**	$ **1,998,173**	$ **3,594,452**	$ **90,228**	$ **14,109,853**

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

(Unaudited - Expressed in Canadian dollars)

9. LEASED ASSETS

As at October 31, 2022, the Company's equipment balance included $111,236 of leased assets (April 30, 2022 - $122,283) and the vehicles balance included $45,482 of leased assets (April 30, 2022 - $53,508). For the six months ended October 31, 2022, depreciation expense for the equipment leased assets was $12,360 (2021 - $7,725) and $8,026 (2021 - $5,733) for the vehicle leased assets. Equipment and vehicle leased asset additions during the six-month period ended July 31, 2022 were $nil (2021 – $nil).

The Company's leased land assets consist of leased real property utilized in the APL Group's manufacturing operations. These leased land assets are depreciated on a straight-line basis over the term of the lease. The leased land asset additions of $2,349,873 made during the year ended April 30, 2022, were acquired as part of the APL Group acquisition (Note 3). No leased land additions were made during the six-month period ended October 31, 2022. Depreciation charge on leased land assets during the six-month period ended October 31, 2022 was $28,541 (2021 - $nil) and the net book value of leased land assets as at October 31, 2022 was $2,304,607 (April 30, 2022 - $2,333,148).

10. MINERAL PROPERTIES

All of the Company's mineral property assets owned as at October 31, 2022 and at April 30, 2022 were acquired as part of the APL Group acquisition (refer to Note 3). A summary of the changes in the Company's mineral properties for the six-month period ended October 31, 2022 and the year ended April 30, 2022:

	Red Lake Mine Savona, BC	Bud Mine Princeton, BC	Other	Total
Balance, April 30, 2021	$ -	$ -	$ -	$ -
Mineral properties acquired	837,661	314,123	41,742	1,193,526
Additions	10,824	12,817	17,235	40,877
Increase in asset retirement obligations	2,986	955	-	3,941
Depletion and asset retirement obligations accretion	(3,439)	(1,554)	-	(4,993)
Balance, April 30, 2022	848,033	326,341	58,977	1,233,351
Additions	54,763	32,631	166,873	254,267
Increase in asset retirement obligations	7,488	2,394	-	9,882
Depletion and asset retirement obligations accretion	(8,646)	(4,355)	-	(13,001)
Balance, October 31, 2022	901,638	357,011	225,850	1,484,499

The Red Lake Mine is the primary source of diatomaceous earth used in the APL Group's manufacturing operations. A preliminary estimate of the fair value of the Red Lake Mine was $837,661 as at the acquisition date.

The Bud Bentonite Mine is the primary source of bentonite clay used in the APL Group's manufacturing operations. A preliminary estimate of the fair value of the Bud Bentonite Mine was $312,123 as at the acquisition date.

(Unaudited - Expressed in Canadian dollars)

11. EXPLORATION AND EVALUATION ASSETS

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

A summary of the changes in the Company's exploration and evaluation assets for the six-month period ended October 31, 2022 and the year ended April 30, 2022:

	Z1 Zeolite Property, BC	Z2 Zeolite Property, BC	Z3 Heffley Creek Property, BC	Total
Balance, April 30, 2021	$ 1,289,461	$ 52,666	$ 202,485	$ 1,544,612
Acquisition cost additions	2,374	2,267	10,000	14,641
Exploration cost additions*	(849)	20,246	53,489	72,886
Balance, April 30, 2022	1,290,986	75,179	265,974	1,632,139
Acquisition cost additions	-	-	-	-
Exploration cost additions	-	3,375	40,061	43,436
Write-Off	-	(78,554)	-	(78,554)
Balance, October 31, 2022	$ 1,290,986	$ -	$ 306,035	$ 1,597,021

*Net of sales of zeolite during the year of $1,500.

Z1 Zeolite Property, British Columbia

On January 23, 2017, the Company entered into a property option agreement, subsequently amended, for the Z1 Zeolite Property for the following consideration:

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

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

Z2 Zeolite Property, British Columbia

On October 3, 2019, the Company entered into a property option agreement to acquire the Z-2 Zeolite Property for the following considerations:

i) Share issuances
   a) 33,334 common shares on or before October 22, 2019 (issued with a value of $3,000).
   b) 66,667 common shares on or before April 22, 2021 (issued with a value of $26,667).
   c) 66,667 common shares on or before October 22, 2022 (not issued).

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

ii) Cash payment
  a) $1,000 as non-refundable deposit (paid).
  b) $5,000 upon the execution of the agreement (paid).
  c) $10,000 on or before April 22, 2021 (paid).
  d) $10,000 on or before October 22, 2022 (not paid)

iii) Exploration expenditures
  a) incur $200,000 in exploration on or before October 22, 2022 (not fully incurred).

In relation to the acquisition, the Company is also required to issue the following as finder's fees:

i) Share issuances
  a) 3,333 common shares on or before October 22, 2019 (issued with a value of $300).
  b) 6,667 common shares on or before April 22, 2021 (issued with a value of $2,267).
  c) 6,667 common shares on or before October 22, 2022 (not issued)

The property is subject to a royalty of $8.00 per tonne of mineral products produced from the property, and subject to a 50% buyback right in consideration of $75,000.

In October 2022, the Company ceased exploration activities on the Z-2 Zeolite Property and relinquished its rights to acquire the property under the terms of the above-noted option agreement. As such, the Company wrote-off the capitalized value of this property of $78,554 as at October 31, 2022.

<u>Z3 Heffley Property, British Columbia</u>

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.
  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).

The vendor retains a royalty of $8 per tonne of industrial mineral products produced from the property, subject to a 75% buyback right in consideration of $150,000. The vendor also retains a 3% net smelter return subject to a 50% buyback right in consideration of $1,500,000.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of $19,573 (2022 - $28,493), which include amounts payable for GST, PST, EHT, payroll related taxes, workers' compensation and other federal remittances.

(Unaudited - Expressed in Canadian dollars)

13. DEFERRED REVENUE

The Company generates invoices to customers at time of shipment or pickup, but revenue is not recognized on delivered orders until the goods are accepted at the customer's premises. Accordingly, sales revenue from these orders is classified as deferred revenue until such time as the goods are accepted by the customer. As at October 31, 2022 the Company had $132,281 (April 30, 2022 - $306,261) of orders in transit that had not yet been accepted at the customer's premises. All of these orders were accepted by the customers subsequent to October 31, 2022.

14. FLOW-THROUGH PREMIUM LIABILITY

The Company raised capital through the issuance of 1,250,000 flow-through shares in September 2020. A value of $18,750 was attributed to the flow-through premium liability in connection with the financing. The Company expended $146,501 of the flow-through proceeds and accordingly, recorded $21,975 as reversal of flow-through premium during the year ended April 30, 2022.

The Company raised capital through the issuance of 2,500,000 flow-through shares in December 2020. A value of $37,500 was attributed to the flow-through premium liability in connection with the financing. The Company expended $199,990 of the flow-through proceeds and accordingly, recorded $29,999 as reversal of flow-through premium during the year ended April 30, 2022. During the six-month period ended October 31, 2022, the Company expended a further $20,061 of the flow-through proceeds and accordingly, recorded $3,009 as reversal of flow-through premium. As of October 31, 2022, the Company has a flow-through premium liability of $4,492 (April 30, 2022 - $7,501), which is included in the accounts payable and accrued liabilities balance.

15. LEASE OBLIGATIONS

	October 31, 2022	April 30, 2022
Equipment (1)	$ 110,904	$ 134,351
Land (2)	2,392,631	2,419,567
	2,503,535	2,553,918
Less current portion of lease obligations	169,514	173,134
	$ 2,334,021	$ 2,380,784

(1) The Company's equipment leases as at October 31, 2022, were comprised of the following:

(a) A 4-year lease for the use of a Kubota skid steer commencing January 31, 2019, comprised of a down payment of $6,030 at inception and monthly lease payments of $1,051 over the following 48 months. An amount of $51,289 was capitalized to equipment assets.

(b) A 5-year lease for the use of a transport truck commencing September 20, 2019, comprised of a down payment of $32,034 at inception and monthly lease payments of $1,448 over the following 59 months. An amount of $128,471 was capitalized to equipment assets.

(c) 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.

(d) A 3-year lease for the use of a forklift commencing March 25, 2021, comprised of a down payment of $38,405 monthly lease payments of $1,150 over the following 35 months. An amount of $61,888 was capitalized to equipment assets.

(Unaudited - Expressed in Canadian dollars)

15. LEASE OBLIGATIONS (cont'd…)

(2) The Company's land leases as at October 31, 2022, were comprised of the following:

(a) A lease expiring June 30, 2055 (approximately 32 years remaining at October 31, 2022) 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 32 years remaining at October 31, 2022) 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 32 years remaining at October 31, 2022) 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 February 28, 2055 (approximately 32 years remaining at October 31, 2022) for 1.1 acres of industrial property in Kamloops, B.C. owned by the Tk'emlúps te Secwépemc First Nation. Annual lease payments are $17,825. The interest rate attributed to the lease is 3.55% based on an estimate of the Company's incremental borrowing rate at the lease recognition date.

(e) A lease expiring September 30, 2058 (approximately 35 years remaining at October 31, 2022) for 2.7 acres of industrial property in Kamloops, B.C. owned by the Tk'emlúps te Secwépemc First Nation. Annual lease payments are $41,175. The interest rate attributed to the lease is 3.55% based on an estimate of the Company's incremental borrowing rate at the lease recognition date.

(f) A lease expiring June 30, 2031 (approximately 9 years remaining at October 31, 2022) for industrial storage property located near Kamloops, B.C. owned by a private landowner. Annual lease payments are $10,000. The interest rate attributed to the lease is 3.55% based on an estimate of the Company's incremental borrowing rate at the lease recognition date.

Interest expense of $42,851 (2021 - $8,022) relating to lease liabilities has been included in finance costs in the statement of loss related to these lease arrangements.

A summary of the changes in the Company's lease liabilities for the six-month period ended October 31, 2022 and the year ended April 30, 2022, as well as a schedule of lease maturities is as follows:

	October 31, 2022	April 30, 2022
Lease liabilities, beginning of period	$ 2,553,918	$ 177,781
Additions	-	2,471,633
Payments	(93,234)	(127,846)
Interest expense	42,851	26,836
Loss on disposal of leased asset	-	5,515
Lease liabilities, end of period	$ 2,503,535	$ 2,553,918

	October 31, 2022	April 30, 2022
Maturity analysis - contractual undiscounted cash flows		
Less than one year	$ 177,009	$ 183,165
More than one year	3,989,344	4,096,859
Total undiscounted lease liabilities	$ 4,166,353	$ 4,280,024

(Unaudited - Expressed in Canadian dollars)

16. LOANS PAYABLE

	October 31, 2022	April 30, 2022
Canada Emergency Business Account loan #1, non-interest bearing until December 31, 2022, 5% per annum thereafter. $10,000 of principal forgivable if remaining $30,00 repaid by December 31, 2023	$ 40,000	$ 40,000
Canada Emergency Business Account loan #2, non-interest bearing until December 31, 2022, 5% per annum thereafter. $10,000 of principal forgivable if remaining $30,00 repaid by December 31, 2023	40,000	40,000
BMO 25-year term non-revolving demand loan, interest at BMO's prime rate + 0.75% per annum, repayable in monthly installments of $23,233 plus interest, secured by a general security agreement of the Company's assets as well as first mortgages on the Company's real property and leased properties, and partially secured by personal guarantees of certain shareholders of the Company	6,784,132	6,946,766
BMO 5-year term non-revolving demand loan, interest at BMO's prime rate + 1.25% per annum, repayable in monthly installments of $16,500 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	642,667	973,500
BMO 6-year term non-revolving demand loan, interest at BMO's prime rate + 1.75% per annum, repayable in monthly installments of $10,042 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	858,000	712,595
	8,364,799	8,713,225
Less current portion of loans payable	647,075	(647,075)
	$ 7,717,724	$ 8,066,149

The Company's three non-revolving demand loans with BMO are 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 will be calculated annually commencing on April 30, 2023.

(Unaudited - Expressed in Canadian dollars)

16. LOANS PAYABLE (cont'd….)

A summary of changes in the Company's loans payable for the six-month period ended October 31, 2022 and the year ended April 30, 2022, is as follows:

	October 31, 2022	April 30, 2022
Loans payable, beginning of period	$ 8,713,225	$ 248,027
Loan proceeds	-	8,683,000
Loan repayments	(583,043)	(259,979)
Interest expense	234,617	42,177
Loans payable, end of period	$ 8,364,799	$ 8,713,225

17. ASSET RETIREMENT OBLIGATIONS

The Company has recorded asset retirement obligations for the estimated costs of reclaiming its mineral property assets. Due to the long-term nature of the liability, the greatest uncertainty in estimating the provision relates to the timing and costs that will be incurred. The estimated reclamation costs include costs of backfilling, grading, applying topsoil, and seeding and planting trees as required by the BC Ministry of Energy, Mines and Low Carbon Innovation. The following is a reconciliation of the changes in the asset retirement obligations during six-month period ended October 31, 2022 and the year ended April 30, 2022:

	October 31, 2022	April 30, 2022
Asset retirement obligations, beginning of period	$ 266,694	$ -
Assumed on acquisition	-	261,070
Reclamation work performed	(8,745)	-
Increase in asset retirement obligations	9,880	3,941
Accretion expense	4,220	1,683
	272,049	266,694
Less estimated current portion	(25,000)	(25,000)
Asset retirement obligations, end of period	$ 247,049	$ 241,694

18. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE

Authorized: unlimited common shares without par value

During the six-month period ended October 31, 2022, the Company:

i) issued 4,000,000 common shares upon exercise of warrants for gross proceeds of $200,000. The Company reallocated $230,600 of its share-based payment reserve to share capital.

ii) issued 60,000 common shares upon exercise of stock options for gross proceeds of $11,700. The Company reallocated $7,928 of its share-based payment reserve to share capital.

iii) issued 7,500,000 common shares upon exercise of warrants for gross proceeds of $1,125,000.

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

<u>During the year ended April 30, 2022, the Company:</u>

i) closed a private placement of 11,470,500 non-flow through units at $0.35 per unit for gross proceeds of $4,014,675. Each unit is comprised of one common share and one share purchase warrant of the Company. Each warrant will entitle the holder to purchase one share at a price of $0.60 per share until February 10, 2024. No value was allocated to the warrant component of the unit offering. The Company paid issuance costs of $133,875 in cash and issued 382,500 finder's warrants valued at $49,725. Each finder's warrant will entitle the holder to purchase one share at a price of $0.35 per share until February 10, 2023.

ii) closed a private placement of 6,293,140 non-flow through units at $0.35 per unit for gross proceeds of $2,202,599. Each unit is comprised of one common share and one share purchase warrant of the Company. Each warrant will entitle the holder to purchase one share at a price of $0.60 per share until February 25, 2024. No value was allocated to the warrant component of the unit offering. The Company paid issuance cost of $41,744 cash and issued 119,267 finder's warrants valued at $15,505. Each finder's warrant will entitle the holder to purchase one share at a price of $0.35 per warrant until February 25, 2023.

iii) granted 8,333,332 bonus warrants to a significant shareholder, a board member and an officer in exchange for their respective personal guarantees of a combined $3,000,000 of debt financing. The warrants are exercisable at a price of $0.36 per share, expiring on February 22, 2025.

iv) issued 6,425,000 common shares upon exercise of warrants for gross proceeds of $551,250.

v) issued 339,564 common shares upon exercise of broker warrants for gross proceeds of $35,663, and accordingly, the Company reallocated $40,871 of its share-based payment reserve to share capital.

vi) issued 713,333 common shares upon exercise of options for gross proceeds of $69,800 and accordingly, the Company reallocated $44,954 of its share-based payment reserve to share capital.

vii) issued 6,667 shares valued at $2,267 pursuant to the acquisition of the Z2-Zeolite Property (Note 11).

<u>Stock options</u>

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.

<u>During the six-month period ended October 31, 2022, the Company:</u>

i) granted 200,000 stock options to a consultant of the company exercisable at $0.29 per share expiring on May 13, 2024. The estimated fair value of the options is $16,000 or $0.08 per option.

ii) granted 175,000 stock options to a consultant of the company exercisable at $0.32 per share expiring on July 18, 2024. The estimated fair value of the options is $15,750 or $0.09 per option.

iii) granted 50,000 stock options to an employee of the company exercisable at $0.35 per share expiring on July 26, 2024. The estimated fair value of the options is $3,000 or $0.06 per option.

iv) granted 50,000 stock options to an employee of the company exercisable at $0.35 per share expiring on July 27, 2024. The estimated fair value of the options is $3,500 or $0.07 per option.

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

During the six-month period ended October 31, 2022, the Company (cont'd):

v) granted 150,000 stock options to employees of the Company, exercisable at a price of $0.35 per share, expiring on August 17, 2024, which were to vest as follows:
   a. 37,500 on February 17, 2023
   b. 37,500 on August 17, 2023
   c. 37,500 on February 2024
   d. 37,500 on August 17, 2024

   The fair value of the options is $12,000 or $0.08 per option.

vi) granted 1,500,000 stock options to a consultant of the Company, exercisable at a price of $0.355 per share, expiring on August 24, 2024, which were to vest as follows:
   a. 500,000 on the grant date, August 24, 2022
   b. 250,000 on February 9, 2023
   c. 250,000 on May 9, 2023
   d. 250,000 on August 9, 2023
   e. 250,000 on November 9, 2023

   The fair value of the options is $165,000 or $0.11 per option.

vii) granted 15,000 stock options to consultants of the Company, exercisable at a price of $0.35 per share, expiring on September 13, 2024, which were to vest as follows:
   a. 3,750 on March 13, 2023
   b. 3,750 on September 13, 2023
   c. 3,750 on March 13, 2024
   d. 3,750 on September 12, 2024

   The fair value of the options is $1,200 or $0.08 per option.

During the year ended April 30, 2022, the Company:

i) granted 375,000 stock options to officers, consultants, and employee of the Company, exercisable at a price of $0.43 per share, expiring on May 6, 2023. The estimated fair value of the options is $120,000 or $0.32 per option.

ii) granted 400,000 stock options to a director of the Company, exercisable at a price of $0.36 per share, expiring on September 9, 2024. The estimated fair value of the options is $112,000 or $0.28 per option.

iii) granted 100,000 stock options to an employee of the Company, exercisable at a price of $0.34 per share, expiring on September 20, 2023. The estimated fair value of the options is $25,000 or $0.25 per option.

iv) granted 250,000 stock options to a consultant of the Company, exercisable at a price of $0.39 per share, expiring on April 18, 2023, which were to vest as follows:
   a. 62,500 on the September 18, 2021, grant date
   b. 62,500 on January 18, 2022
   c. 62,500 on April 18, 2022
   d. 62,500 on August 18, 2022

   The fair value of the options is $65,000 or $0.26 per option. Upon termination of the consultant's contract on April 15, 2022, the 125,000 unvested options were cancelled immediately. The 125,000 vested options subsequently expired on May 15, 2022.

v) granted 200,000 stock options to a consultant of the Company, exercisable at a price of $0.59 per share, expiring on November 8, 2022. The estimated fair value of the options is $50,000 or $0.25 per option.

(Unaudited - Expressed in Canadian dollars)

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

During the year ended April 30, 2022, the Company (cont'd):

vi) granted 300,000 stock options to employees of the Company, exercisable at a price of $0.40 per share, expiring on March 14, 2025. The estimated fair value of the options is $42,000 or $0.14 per option.

vii) granted 1,830,000 stock options to directors, officers, consultants, and employee of the Company, exercisable at a price of $0.345 per share, expiring on April 6, 2025. The estimated fair value of the options is $219,600 or $0.12 per option.

A summary of the Company's stock option activity is as follows:

	Options		Weighted Average Exercise Price
Balance, April 30, 2021	5,491,333		0.34
Granted	3,455,000		0.38
Exercised	(713,333)		0.10
Expired/Cancelled	(185,000)		0.28
Balance, April 30, 2022	8,048,000		0.38
Granted	2,140,000		0.34
Exercised	(60,000)		0.19
Expired/Cancelled	(175,000)		0.29
Balance, October 31, 2022	9,953,000	$	0.37
Exercisable, October 31, 2022	8,558,000	$	0.37

(Unaudited - Expressed in Canadian dollars)

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

As at October 31, 2022, the Company had the following stock options outstanding:

Options Outstanding	Options Exercisable	Exercise Price	Expiry Date
108,000	108,000	0.195	13-Jan-23
50,000	50,000	0.38	8-Feb-23
4,150,000	4,150,000	0.39	22-Feb-23
125,000	125,000	0.41	1-Mar-23
175,000	175,000	0.395	17-Mar-23
375,000	375,000	0.43	6-May-23
100,000	100,000	0.34	20-Sep-23
200,000	200,000	0.29	13-May-24
175,000	175,000	0.32	18-Jul-24
50,000	50,000	0.35	26-Jul-24
150,000	-	0.35	17-Aug-24
1,500,000	500,000	0.355	24-Aug-24
400,000	400,000	0.36	9-Sep-24
15,000	-	0.35	13-Sep-24
200,000	-	0.59	9-Nov-24
300,000	300,000	0.40	14-Mar-25
1,830,000	1,830,000	0.35	6-Apr-25
50,000	50,000	0.35	27-Jul-25
9,953,000	8,588,000		

- 200,000 options granted subsequently (refer to Note 26)

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the six-month period ended October 31, 2022:

	October 31, 2022	**October 31, 2021**
Risk-free interest rate	3.25%	0.48%
Expected life of options	2.0 years	2.2 years
Expected annualized volatility	51.55%	156.24%
Expected dividend rate	0.00%	0.00%

Warrants

During the six-month period ended October 31, 2022, the Company:

i) In July 2022, the Company accelerated the exercise of 7,500,000 share purchase warrants that had been issued in conjunction with a January 20, 2021 private placement. The acceleration moved forward the expiry date of these warrants from January 20, 2023 to August 26, 2022. The warrants were exercisable at a price of $0.15 per share. All outstanding warrants were exercised in August 2022 which resulted in the company issuing 7,500,000 for total proceeds of $1,125,000.

(Unaudited - Expressed in Canadian dollars)

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

During the year ended April 30, 2022, the Company:

i) granted 8,333,332 bonus warrants to major shareholder, a director, and an officer of the Company to compensate for providing personal guarantees to obtain $8,683,000 bank loan. Warrants are exercisable at a price of $0.36 per share, expiring on March 2, 2025. The estimated fair value of the warrants is $1,083,333 or $0.13 per warrant recorded as share-based compensation.

A summary of the Company's warrant activity is as follows:

	Warrants		Weighted Average Exercise Price
Balance, April 30, 2021	25,827,500		0.15
Granted	26,598,739		0.52
Exercised	(6,764,564)		0.09
Expired	(75,000)		0.10
Balance, April 30, 2022	45,586,675		0.54
Granted	-		-
Exercised	(11,500,000)		0.12
Expired	-		-
Balance, October 31, 2022	34,086,675	$	0.38

As at October 31, 2022, the Company had the following warrants outstanding:

Warrants Outstanding	Exercise Price	Expiry Date
382,500	0.35	10-February-23
512,936	0.20	12-February-23
6,975,000	0.25	12-February-23
119,267	0.35	25-February-23
11,470,500	0.60	10-February-24
6,293,140	0.60	25-February-24
8,333,332	0.36	2-March-25
34,086,675		

19. COMMITMENTS

The Company is committed to five land leases with T'kemlups te Secwepmc and one lease with a private landowner with annual payments totaling $128,070. The leases contain clauses allowing the rental amount to be reviewed and adjusted every five years. The lease with the private landowner expires on June 30, 2031. One of the leases with T'kemlups te Secwepmc expires on February 28, 2055, three leases expire June 30, 2055, and one lease expires on September 30, 2058.

The Company is committed to four equipment leases with payments totalling $48,939 for the twelve-month period following October 31, 2022. The expiry dates of these leases range between January 23, 2023, and September 25, 2025.

The Company is committed to a non-revolving 25-year term loan payable to BMO in the amount of $6,784,132. Annual principal payments on this loan are $278,800 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 5-year term loan payable to BMO in the amount of $858,000. Annual principal payments on this loan are $198,000 and the interest rate is equal to BMO's prime rate + 1.25 % per annum. The loan matures on February 28, 2027.

The Company is committed to a non-revolving 6-year term loan payable to BMO in the amount of $642,667. Annual principal payments on this loan are $120,500 and the interest rate is equal to BMO's prime rate + 1.75 % per annum. The loan matures on February 29, 2028.

The Company has an agreement to acquire a 50% interest in the Bromley Creek zeolite deposit from International Zeolite Corporation for $725,000. As at October 31, 2022, the Company had made cumulative royalty payments of approximately $164,300. The agreement stipulates that the Company is to pay the remaining $560,700 in 18 equal quarterly installments of $31,150 from January 2023 to March 2027.

20. CONTINGENCIES

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

The Company, by agreement with the Government of British Columbia, is responsible for any future site restoration costs on its mining properties. At this time, the need for, or the nature of, any future site restorations costs in addition to those already disclosed in Note 17 cannot be reasonably determined.

The Company is contingently liable with respect to financial letters of credit issued by BMO for $266,000 as at October 31, 2022 (April 30, 2022 - $266,000).

(Unaudited - Expressed in Canadian dollars)

21. RELATED PARTY TRANSACTIONS

The Company defines key management as officers and directors. For the six-month period ended October 31, 2022, the Company had the following transactions with key management, being related parties:

i) paid a performance bonus of $100,000 (2021 - $nil) to a corporation owned by the Company's CEO.

ii) paid or accrued management fees of $nil (2021 - $39,000) to a corporation owned by the Company's CEO for his services as President and CEO.

iii) paid or accrued fees of $nil (2021 - $21,000) to a corporation owned by the Company's CEO for services relating to research and development.

iv) paid or accrued director fees of $15,000 (2021 - $12,000) to the directors of the Company.

v) paid or accrued professional fees of $98,000 (2021 - $36,000) to a corporation owned by the Company's CFO.

vi) paid or accrued advertising and promotion consulting fees and wages of $Nil (2021- $7,500) to the CEO's spouse.

vii) granted a total of nil stock options (2021 - 450,000) to officers and directors of the Company, of which the fair market value was estimated at $nil (2021 - $128,000) and was included in share-based compensation expense.

As at October 31, 2022, $37,029 (April 30, 2022- $45,384) is included in accounts payable and accrued liabilities which is comprised of amounts owed to the CEO, a corporation owned by the Company's CEO, and a corporation owned by the Company's CFO, and to the CEO's spouse.

22. OTHER INCOME

	October 31, 2022	October 31, 2021
Sales of products and services (1)	$ -	$ 180,039
Less: direct costs	-	(179,946)
Income from product sales and services	-	93
Provision of research services	363	59,114
Grant revenue	104,354	-
	$ 104,717	$ 59,207

(1) Prior to the acquisition of the APL Group, the Company operated a comminution pilot plant at a pre-commercial scale. Due to weather constraints, the operation of the pilot plant was seasonal, and for 2021 the pilot plant closed for the winter in November 2021. By July 2022, the Company had integrated the comminution plant into the APL Group's operations.

(Unaudited - Expressed in Canadian dollars)

23. SUPPLEMENTAL CASH FLOW INFORMATION

The following non-cash payments were made by the Company during the six-month period ended October 31, 2022, and 2021:

	October 31, 2022	October 31, 2021
Fair value of stock option exercised	$ 7,928	$ 9,454
Fair value of warrants exercised	$ 230,600	$ 10,298

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

(a) Market risk

Market risk is the risk that changes in market prices – e.g., foreign exchange rates, interest rates – will affect the 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 an increase to the interest rate risk exposure from 2021 due to an increase in long-term debt during the year.

An increase of 100 basis points on interest rates would have increased finance costs by $98,000 (2021: $1,680). This analysis assumes that all other variables remain constant.

Currency risk:

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. The Company does not currently enter into forward contracts to mitigate this risk. There has been an increase to the risk exposure from 2021 due to an increase in U.S. denominated revenues.

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

	October 31, 2022 USD	April 30, 2022 USD
Cash	$ 595,465	$ 482,901
Trade receivables	683,950	614,043
Tax receivable	13,870	13,870
Accounts payable	(86,167)	(40,035)
	$ 1,207,118	$ 1,070,779

(Unaudited - Expressed in Canadian dollars)

24. 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 45 days.

In management's opinion, the maximum amount of credit risk is the carrying value of those assets. There has not been a change in who the Company extends credit to. The Company uses a provision matrix to analyze impairment of its trade receivables at the end of each reporting date. During the six-month period ended October 31, 2022, the Company recognized an impairment loss allowance on trade receivables of $nil (April 30, 2022 - $nil) in profit or loss.

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

As at October 31, 2022	Geographic location				
	Canada	US	Total	ECL allowance	Credit impairment
Current (not past due)	$ 555,442	$ 774,642	$ 1,330,084	$ -	No
1 – 30 days past due	322,618	133,675	456,293	-	No
31 – 60 days past due	19,977	5,805	25,782	-	No
Over 60 days past due	43,860	2,582	46,442	-	No
	$ 1,263,197	$ 936,410	$ 1,858,601	$ -	

As at April 30, 2022	Geographic location				
	Canada	US	Total	ECL allowance	Credit impairment
Current (not past due)	$ 630,722	$ 727,536	$ 1,358,257	$ -	No
1 – 30 days past due	227,705	57,947	285,553	-	No
Over 30 days past due	-	-	-	-	No
	$ 858,327	$ 785,483	$ 1,643,810	$ -	

Cash and cash equivalents

The Company held cash and cash equivalents of $1,196,682 at October 31, 2022 (April 30, 2022 - $1,770,682). The cash and cash equivalents are held with bank rated at AA-, based on Fitch ratings.

(c) Liquidity risk

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

(Unaudited - Expressed in Canadian dollars)

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

As at October 31, 2022		Contractual cash flows			
	Carrying amount	Remainder fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026 and thereafter
Bank indebtedness	$ 1,234,278	$ 1,234,278	$ -	$ -	$ -
Accounts payable	1,601,049	1,601,049	-	-	-
Lease liabilities	2,503,535	69,494	171,259	183,430	3,742,169
Loans payable	8,364,799	298,650	607,300	637,300	6,323,799
	$ 13,703,661	$ 3,203,471	$ 778,559	$ 820,730	$ 10,065,968

As at April 30, 2022		Contractual cash flows			
	Carrying amount	Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026 and thereafter
Bank indebtedness	$ 1,417,539	$ 1,417,539	$ -	$ -	$ -
Accounts payable	1,731,878	1,731,878	-	-	-
Lease liabilities	2,553,918	183,316	171,259	183,430	3,742,169
Loans payable	8,713,224	647,075	607,300	637,300	6,323,799
	$ 14,416,559	$ 3,979,808	$ 778,559	$ 820,730	$ 10,065,968

(d) Fair value disclosure

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, investments in private companies, bank indebtedness, accounts payable and accrued liabilities, and loans payable. Investments in private companies are carried at fair value. 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.

	October 31, 2022		April 30, 2022	
	Carrying amount	Fair Value (Level 2)	Carrying amount	Fair Value (Level 2)
Loans payable	$8,364,799	$8,351,078	$8,713,224	$8,701,218

(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.

(Unaudited - Expressed in Canadian dollars)

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

Equity comprises all components of equity. The Company's net debt to equity ratio at the end of the reporting year was as follows:

	October 31, 2022	April 30, 2022
Total liabilities	$ 16,160,166	$ 17,032,985
Less: cash	(1,196,682)	(1,770,682)
Less: restricted cash (Note 4)	-	(266,000)
Net debt	14,963,484	14,996,303
Total equity	$ 12,326,387	$ 11,262,136
Net debt to equity	1.21	1.33

25. SEGMENTED INFORMATION

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

26. SUBSEQUENT EVENTS

Subsequent to October 31, 2022, the Company:

(a) granted 100,000 stock options to an employee of the Company exercisable at $0.35 per share, expiring on November 9, 2024. The options vest over 2 years, where 50,000 options are vested on February 28, 2023, 50,000 options are vested on August 31, 2023, 50,000 options are vested on February 28, 2024, 50,000 options are vested on August 31, 2024. The estimate fair value of the options is $6,000 or 0.06 per option.

(b) granted 100,000 stock options to an employee of the Company exercisable at $0.35 per share, expiring on November 9, 2024. The options vest over 2 years, where 50,000 options are vested on March 30, 2023, 50,000 options are vested on September 30, 2023, 50,000 options are vested on March 30, 2024, 50,000 options are vested on September 30, 2024. The estimate fair value of the options is $6,000 or 0.06 per option.