

**Whitemud Resources Inc.**  
**Financial Statements**

For the years ended December 31, 2024 and 2023

To the Shareholders of Whitemud Resources Inc.:

## Opinion

We have audited the financial statements of Whitemud Resources Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2024 and December 31, 2023, and the statements of net loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and December 31, 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company had negative cash flows from operating activities and a net loss during the year ended December 31, 2024 and, as of that date, the Company had an accumulated deficit and working capital deficiency. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### ***Assessment of indicators of impairment and reversals of previous impairment***

#### *Key Audit Matter Description*

The Company had \$8.6 million of property, plant and equipment as at December 31, 2024.

Management assesses whether any indication of impairment or reversals of previous impairment exist at the end of each reporting period, or whenever facts and circumstances indicate. If such an indication exists, the recoverable amount of an asset or cash generating unit ("CGU") is estimated in order to determine the extent of the impairment or reversal of impairment, if any. Management applies judgment in assessing whether certain information would be considered an indicator of impairment or reversals of previous impairment. Management considers both internal and external information to determine whether there is an indicator of impairment or reversals of previous impairment. The information that management considers in assessing whether there are any indicators of impairment or reversals of previous impairment include, but are not limited to; significant fluctuations in market prices for Kaolin and Metakaolin, significant fluctuations in operating costs, significant fluctuations in future capital costs estimates, and significant fluctuations in estimated production. No indicators of impairment or reversals of previous impairment were identified by management as of December 31, 2024.

Please refer to Note 3 - material accounting policies, and Note 7 - property, plant and equipment in the financial statements.

We identified the assessment of indicators of impairment and reversals of previous impairment as a key audit matter due to:

- The significant judgment made by management when assessing whether there were indicators of impairment, considering information such as significant fluctuations in; market prices for Kaolin and Metakaolin, fluctuations in operating costs, fluctuations in future capital costs estimates, and fluctuations in estimated production.
- The degree of auditor judgment, subjectivity and effort in performing procedures to evaluate the audit evidence related to management's assessment of indicators of impairment or reversals of previous impairment of property, plant and equipment and mineral property.

#### *Audit Response*

We responded to this matter by performing procedures in relation to the assessment of indicators of impairment and reversals of previous impairment. Our audit work in relation to this included, but was not restricted to, the following:

- Evaluated the design and implementation of controls relating to management's assessment of impairment indicators for property, plant and equipment.
- Evaluated the reasonableness of management's conclusion with respect to impairment indicators, considering information such as significant fluctuations in market prices for Kaolin and Metakaolin, fluctuations in operating costs, fluctuations in future capital costs estimates, and fluctuations in estimated production, by considering:
  - (i) consistency with external market and industry data;
  - (ii) consistency with the current performance of the CGU;
  - (iii) the past performance of the CGU, relative to budget; and,
  - (iv) evidence obtained in other areas of the audit, as applicable.

## Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Craig Bloom.

Calgary, Alberta

April 23, 2025

*MNP LLP*

Chartered Professional Accountants

**WHITEMUD RESOURCES INC.**  
**Statements of Financial Position**  
**As at December 31**  
(Expressed in Canadian Dollars)

	2024	2023
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 570,689	\$ 10,064
Accounts receivable [note 20]	25,923	55,598
Inventory [note 5]	432,587	309,128
Prepaid expenses and deposits [note 6]	31,726	245,148
<b>Total Current Assets</b>	<b>1,060,925</b>	<b>619,938</b>
Property, plant and equipment [note 7]	8,593,271	1,345,888
<b>Total Assets</b>	<b>\$ 9,654,196</b>	<b>\$ 1,965,826</b>
<b>Liabilities and Shareholders' Deficiency</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities [note 8]	\$ 624,974	\$ 465,292
Notes payable [note 9, 21]	1,139,561	1,139,561
<b>Total Current Liabilities</b>	<b>1,764,535</b>	<b>1,604,853</b>
Promissory notes payable [note 10]	9,077,869	-
Decommissioning obligation [note 11]	2,196,649	2,474,910
<b>Total Liabilities</b>	<b>13,039,053</b>	<b>4,079,763</b>
<b>Shareholders' Deficit</b>		
Share capital [note 12]	77,902,637	77,902,637
Contributed surplus	5,457,834	5,356,887
Deficit	(86,745,328)	(85,373,461)
<b>Total Shareholders' Deficit</b>	<b>(3,384,857)</b>	<b>(2,113,937)</b>
<b>Total Liabilities and Shareholders' Deficit</b>	<b>\$ 9,654,196</b>	<b>\$ 1,965,826</b>

Going concern [note 1]  
Contingency [note 21]  
Subsequent events [note 22]

On behalf of the Board of Directors:

“Signed” \_\_\_\_\_  
Stanley Owerko, Director

“Signed” \_\_\_\_\_  
Randy Findlay, Director

**WHITEMUD RESOURCES INC.**  
**Statements of Net Loss and Comprehensive Loss**  
**For the years ended December 31**  
(Expressed in Canadian Dollars)

	2024	2023
<b>Revenue</b>	<b>\$ 122,154</b>	<b>\$ 37,113</b>
<b>Cost of goods sold [note 5]</b>	<b>94,955</b>	<b>5,379</b>
<b>Gross margin</b>	<b>27,199</b>	<b>31,734</b>
<b>Expenses</b>		
Operating [notes 5, 13]	2,039,859	848,150
General and administration [note 13]	589,977	564,966
Accretion [note 10, 11]	583,156	80,281
Share-based compensation [note 14]	100,947	3,506
Depreciation [note 7]	94,054	21,489
Decommissioning obligation [note 11]	(359,841)	18,925
	<b>3,048,152</b>	<b>1,537,317</b>
<b>Loss before interest and other income</b>	<b>(3,020,953)</b>	<b>(1,505,583)</b>
Interest on promissory notes [note 10]	(82,056)	-
Interest income	20,860	46,304
Discount on promissory notes [note 10]	1,710,282	-
<b>Net loss and comprehensive loss</b>	<b>\$ (1,371,867)</b>	<b>\$ (1,459,279)</b>
<b>Loss per share, basic and diluted [note 16]</b>	<b>\$ (0.004)</b>	<b>\$ (0.004)</b>

**WHITEMUD RESOURCES INC.**  
**Statements of Changes in Shareholders' Deficiency**  
**For the years ended**  
(Expressed in Canadian Dollars)

	Share Capital	Contributed Surplus	Deficit	Total
<b>Balance December 31, 2023</b>	<b>\$ 77,902,637</b>	<b>\$ 5,356,887</b>	<b>\$ (85,373,461)</b>	<b>\$ (2,113,937)</b>
Net loss and comprehensive loss	-	-	(1,371,867)	(1,371,867)
Share-based compensation <i>[note 14]</i>	-	100,947	-	100,947
<b>Balance December 31, 2024</b>	<b>\$ 77,902,637</b>	<b>\$ 5,457,834</b>	<b>\$ (86,745,328)</b>	<b>\$ (3,384,857)</b>
Balance December 31, 2022	\$ 77,902,637	\$ 5,353,381	\$ (83,914,182)	\$ (658,164)
Net loss and comprehensive loss	-	-	(1,459,279)	(1,459,279)
Share-based compensation <i>[note 14]</i>	-	3,506	-	3,506
Balance December 31, 2023	\$ 77,902,637	\$ 5,356,887	\$ (85,373,461)	\$ (2,113,937)

**WHITEMUD RESOURCES INC.****Statements of Cash Flows**

For the years ended December 31

(Expressed in Canadian Dollars)

	2024	2023
<b>Cash provided by (used in):</b>		
<b>OPERATING ACTIVITIES:</b>		
Net loss and comprehensive loss	\$ (1,371,867)	\$ (1,459,279)
Items not involving cash:		
Depreciation <i>[note 7]</i>	94,054	21,489
Change in decommissioning obligation <i>[note 11]</i>	(359,841)	18,925
Accretion <i>[note 10, 11]</i>	583,156	80,281
Share-based compensation <i>[note 14]</i>	100,947	3,506
Discount on promissory notes <i>[note 10]</i>	(1,710,282)	-
	(2,663,833)	(1,335,078)
Change in non-cash working capital <i>[note 19]</i>	133,609	447,418
Cash used in operating activities	(2,530,224)	(887,660)
<b>INVESTING ACTIVITIES:</b>		
Property, plant and equipment purchased <i>[note 7]</i>	(7,136,918)	(881,120)
Change in non-cash working capital <i>[note 19]</i>	227,767	(29,366)
Cash used in investing activities	(6,909,151)	(910,486)
<b>FINANCING ACTIVITIES:</b>		
Promissory notes <i>[note 10]</i>	10,000,000	-
Cash provided by financing activities	10,000,000	-
<b>Increase (decrease) in cash</b>	<b>560,625</b>	<b>(1,798,146)</b>
<b>Cash, beginning of year</b>	<b>10,064</b>	<b>1,808,210</b>
<b>Cash, end of year</b>	<b>\$ 570,689</b>	<b>\$ 10,064</b>

## 1. NATURE OF THE ORGANIZATION AND FUTURE OPERATIONS

Whitemud Resources Inc. (the “Company” or “Whitemud”) was originally incorporated as the General Partner of Whitemud Resources Limited Partnership (the “Partnership”) on April 28, 2005, under the laws of the Province of Alberta, Canada. The Company was restructured through an amalgamation between the Company and the Partnership under the laws of the Province of Alberta on July 27, 2006. The Company is headquartered in Calgary, Alberta, Canada. The registered address of the Company is 3900 Bow Valley Square 2, Calgary, Alberta T2P 2V7. Whitemud is a publicly traded company whose shares are listed on the TSX Venture Exchange under the symbol WMK.

The Company was formed to engage in the business of developing a process to mine and process kaolin into a high reactivity metakaolin that imparts beneficial properties to concrete mixtures containing approximately 10% replacement of Portland cement. Since inception, the efforts of the Company have been devoted to the development of a process of producing kaolin and metakaolin, developing market demand, and planning and constructing the production facilities to manufacture the product. However, the Company has not earned sufficient revenues and the future is dependent on customer acceptance of the product, further development of markets, and its ability to obtain additional financing.

Pursuant to a Share Purchase Agreement dated December 15, 2020, SAM Holdings Ltd. acquired 14,976,000 Class A Voting Common shares and 309,245,703 Class B Non-Voting Common shares in the capital of Whitemud Resources Inc from Petrogas Energy Corp. The aggregate consideration paid was \$149,760 in cash and the release of a \$1 million letter of credit in favour of the Government of Saskatchewan, as represented by the Minister of Environment, with respect to the Company’s metakaolin processing facility. SAM Holdings Ltd. is owned and controlled by Stan Owerko. Mr. Owerko is the Chief Executive Officer of Whitemud Resources Inc.

### Going Concern

These financial statements were prepared by management in accordance with International Financial Reporting Standards on a going concern basis which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The uncertainty in the use of the going concern assumption is impacted by the following factors:

For the year ended December 31, 2024, the Company generated a net loss of \$1,371,867 and an operating cash flow deficit of \$2,530,224. As of December 31, 2024, the Company has a cash balance of \$570,689, an accumulated deficit of \$86,745,328, and a working capital deficiency of \$703,610. In order for the Company to continue operations, including generating sufficient cash flows and ultimately attaining profitable operations, additional financing will be required.

The matters and conditions noted above indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

Based on the Company’s current projections, future operations are dependent on the Company’s ability to generate improved market acceptance for the Company’s product and the ongoing support of its creditors.

The Company has entered into an interim line of credit agreement with its major shareholder, SAM Holdings Ltd., which has been utilized to fund a capital program. The Company has drawn \$10,000,000 on the line of credit as at December 31, 2024. The line of credit bears interest at 5.0% per annum, with the principal and interest payable on the closing of a financing. In the absence of such financing, the interest will be payable April 1, 2026. The funds advanced under the amended interim line of credit agreement may also be used to fund operating expenses and general and administrative costs.

The Company has been authorized by the Board of Directors to pursue financing.

The ability of the Company to continue as a going concern and realize the carrying value of its assets and discharge its liabilities when due, is dependent on the successful completion of the actions taken or planned by management. There is no certainty that these and other strategies will be sufficient to permit the Company to continue beyond the foreseeable future as such strategies are contingent upon new equity or debt funds from shareholders, investors and lenders, as well as improved market acceptance and revenues for the Company’s product. The financial statements do not reflect any adjustments relating to the recoverability and classification of recorded assets or liabilities that may be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not appropriate for these interim financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used. Those adjustments would be material.

## 2. BASIS OF PREPARATION

These financial statements, including comparatives, have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (“IASB”).

These financial statements were authorized for issuance by the Board of Directors of the Company on April 22, 2025.

These financial statements have been prepared on a historical cost basis except for financial instruments classified as financial assets at fair value through profit or loss (“FVTPL”) that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except cash flow information.

Certain comparative figures have been reclassified for the year ended December 31, 2024, to reflect the current year’s presentation. The adjustments were not considered material and did not affect the Company’s net loss and comprehensive loss.

## 3. MATERIAL ACCOUNTING POLICIES

The financial statements have, in management’s opinion, been properly prepared within reasonable limits of materiality and within the framework of the Company’s material accounting policies as outlined below:

### a) Foreign currencies

The presentation and functional currency of the Company is the Canadian dollar, which is the currency of the primary economic environment on which the Company operates. Transactions in currencies other than the Canadian dollar are recorded at the rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Any gains or losses are recorded in the statement of net loss and comprehensive loss.

### b) Financial instruments

#### *Classification*

The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at FVTPL; (ii) those to be measured subsequently at fair value through other comprehensive income (“FVOCI”); and (iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (“SPPI”). Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income. The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

#### *Financial assets at fair value through comprehensive income*

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in fair value recognized through comprehensive income instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at fair value through other comprehensive income are initially measured at fair value and changes therein are recognized in other comprehensive income.

#### *Measurement*

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods.

All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). Financial assets with changes taken through profit and loss includes equity investments, financial assets held for trading, financial assets designated upon initial recognition at FVTPL, and financial assets mandatorily required to be measured at fair value i.e. fail the SPPI test. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. All derivatives held by the Company are classified as held for trading and will be subsequently measured at fair value.

Financial liabilities, such as promissory notes payable, are subsequently measured at amortized cost using the effective interest rate method.

For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

#### *Expected credit losses*

The Company performs impairment testing annually for accounts receivable in accordance with IFRS 9. The expected credit losses ("ECL") model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognizing ECLs which is intended to reflect the increase in credit risks of a financial instrument based on (i) 12-month expected credit losses or (ii) lifetime expected credit losses. The Company measures provision for ECLs at an amount equal to lifetime ECLs.

The Company applies the simplified approach to determine ECLs on trade receivables by using a provision matrix based on historical credit loss experiences. The historical results were used to calculate the run rates of default which were then applied over the expected life of the trade receivables, adjusted for forward looking estimates.

#### *Financial instrument de-recognition*

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognized when the obligation is discharged, cancelled, or expired.

### **c) Use of estimates and judgments**

The preparation of financial statements in accordance with IFRS requires management to make critical estimates and judgments that affects the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. In the process of applying the Company's accounting policies management takes into consideration existing circumstances and estimates at the date of these financial statements, which affects the reported amounts of income and expenses during the reporting periods. Given the uncertainty inherent in determining these factors, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant areas requiring the use of management estimates relate to, but are not limited to:

#### *(i) Impairment tests*

The Company assesses, at the end of each reporting period, whether there is an indication that an asset may be impaired or indicators of impairment reversal. If any indication of impairment or reversals of previous impairment exists, the Company determines the recoverable amount of the asset group. The recoverable amount of an asset is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are 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 asset.

#### *(ii) Inventory*

The Company values inventory at the lower of cost and net realizable value through inventory allowances. Cost is determined using the weighted average method. Inventory allowances require estimates and assumptions about forecasted selling prices and the demand for kaolin and metakaolin.

*(iii) Decommissioning obligation*

The Company applies several assumptions in estimating provisions that are recorded for asset retirement obligations and environmental remediation at the mine site. These factors include estimated future costs, discount rates, anticipated life of the plant and inflation.

*(iv) Accounts receivable*

The Company implemented a simplified expected credit loss model. ECL are based upon historical values, observed customer solvency, external credit ratings, aging of the receivable and industry risks. The Company has recognized expected credit losses of \$Nil (2023 - \$Nil).

*(v) Taxes*

Uncertainties exist with respect to the interpretation of the amount and timing of future taxable income. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable earnings will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable earnings together with future tax planning strategies.

*(vi) Going concern*

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. The Board of Directors monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

*(vii) Depreciation and useful lives*

Depreciation of property, plant and equipment is dependent upon an estimate of the useful lives of the assets. The estimate of useful lives of the assets involves significant judgment and are determined by taking into account factors such as frequency of use, design capacity, and market and economic conditions.

*(viii) Fair value of promissory notes*

The fair value of promissory notes payable, on initial recognition, is estimated using valuation techniques, which use inputs that are subject to significant measurement uncertainty. The discount rate used in this valuation considers factors such as, the Company's credit risk, rates charged to comparable companies, the terms of the notes and the economic environment. The valuation is subjective and can materially affect the fair value of the instrument.

*(ix) Share-based compensation*

The share-based compensation associated with the stock option agreement is measured at the grant date by using Black-Scholes option pricing model to determine fair value. The Black-Scholes model uses subjective estimates, in particular, the expected rate of volatility over the life of the option and forfeiture rates, which can materially affect the fair value estimate. The key assumptions used to derive the fair value of the share-based compensation are detailed in Note 14 to the financial statements.

*(x) Contingencies*

The Company's management, with assistance from its legal counsel, evaluates the perceived merits of any legal claim, including the amount of relief sought when determining the amount, if any, to recognize as a contingent liability. The evaluation of such contingencies involves significant judgment and estimates of future events.

If the evaluation of the contingency suggests that the claim is likely to succeed, and the amount can be reliably estimated, then a loss is recognized. If the evaluation suggests that a loss is probable, but the amount of the loss cannot be reliably estimated, the details of the contingency are disclosed.

*(xi) Capitalization rate for borrowing costs*

The Company's management makes estimates in relation to the capitalization of interest on the promissory notes. The estimates involves judgment in the allocation of the proceeds from the notes.

**d) Cash**

Cash is classified as FVTPL and includes balances with Canadian chartered banks.

**e) Revenue recognition**

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps: i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company sells metakaolin to various customers in the construction industry. The Company recognizes revenue when the product is shipped, and ownership has transferred to the customer and the price charged to customers is fixed and determinable and collectability is reasonably assured.

**f) Inventory**

Inventories of finished goods, raw materials and operating and maintenance supplies are valued at the lower of cost and net realizable value, with cost determined on a weighted average cost basis. The cost of metakaolin includes direct materials, direct labor, and an allocation of overhead utilities.

**g) Property, plant, and equipment**

Property, plant, and equipment are recorded at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. This includes the purchase price, any other costs directly attributable to bringing the assets to a working condition for intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

Where an item of property, plant and equipment comprises significant parts with useful lives that are significantly different from that of the asset as a whole, the parts are accounted for as separate items of property, plant and equipment and depreciated accordingly.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognizing an asset determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of net loss and comprehensive loss.

Expenditures incurred that renew or refurbish plant and equipment to extend its useful life or increase its productive capacity are capitalized when it is determined that a future benefit will flow to the Company as a result of the expenditure.

Assets under construction are not depreciated until they are operational and available for use.

The Company depreciates the costs of its property, plant and equipment over their estimated useful lives using the following rates and methods:

Buildings	20 year straight line
Processing plant	10 – 20 year straight line
Plant equipment	2 – 20 year straight line
Computer equipment	30% declining balance
Lab equipment	21% - 75% declining balance
Vehicles	15% declining balance
Furniture and fixtures	5 year straight line

The Company commenced the depreciation of its processing plant, building additions, and plant equipment in December 2024.

### **Change in accounting estimate**

The Company changed the rate of depreciation on the buildings, processing plant, and plant equipment during the year ended December 31, 2024 to more accurately reflect the systematic depreciation of the assets over their expected economic useful life.

Previously, buildings, and furniture and fixtures, were depreciated using a 20% declining balance rate. Plant equipment was depreciated using a 30% declining balance rate.

Under IFRS, this change is considered a change in accounting estimate and accounted for prospectively by depreciating the cumulative changes over the remaining useful life of the related assets. The change in useful life resulted in \$16,252 less depreciation recognized during the year ended December 31, 2024.

### **h) Impairment of non-financial assets**

The Company assesses at each reporting date, whether there is an indication that an asset or a cash generating unit ("CGU") may be impaired. A CGU is the smallest identifiable group of assets that generates cash flows largely independent of the cash inflows from other assets or groups of assets. If any indication of impairment exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired, and an impairment loss is charged to the statement of net loss and comprehensive loss.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset.

These assessments require the use of estimates and assumptions such as long-term selling prices and volumes, discount rates, future capital requirements, exploration potential and operating performance.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. The best evidence of fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value is based on the best information available to reflect the amount the Company could receive for the CGU in an arm's length transaction. This is often estimated using discounted cash flow techniques.

Impairment losses are reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been previously recognized.

### **i) Impairment of financial assets**

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. The criteria used to determine if objective evidence of an impairment loss include significant financial difficulty of the obligor; delinquencies in interest or principal payments; and the probability that the borrower will enter bankruptcy or other financial reorganization. If such evidence exists, the Company recognizes an impairment loss, as follows:

#### *(i) Financial assets carried at amortized cost:*

The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

**j) Decommissioning obligations**

The Company's operations give rise to decommissioning, restoration and rehabilitation activities. Environmental costs arise when environmental disturbances are caused by the exploration, development or ongoing production of a mineral property interest. The net present value of future restoration cost estimates arising from the decommissioning, restoration and rehabilitation are capitalized to related assets with a corresponding increase in the restoration provision in the period incurred. Discounting using risk free rates that reflect the time value of money are used to calculate the net present value.

The capitalized restoration costs are charged against income and loss over the economic life of the related asset, through depreciation on a unit of production method. The restoration provision is accreted to net present value each reporting period with the unwinding of the restoration provision being charged to accretion expense in the statement of net loss and comprehensive loss. Actual costs incurred to settle the site restoration obligation are charged against the provision. Any difference between the actual costs incurred and the provision is recognized as a gain or loss in the statement of net loss and comprehensive loss in the period in which the settlement occurs.

The Company's estimates of restoration costs could change as result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to related assets with a corresponding entry to the restoration provision. The changes are recorded in the statement of net loss and comprehensive loss if the related assets are fully depreciated or impaired.

**k) Taxes**

Taxes on the profit or loss for the years presented comprise current and deferred tax. Tax is recognized in profit or loss except to the extent that relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax legislation enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities using the tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

**l) Share-based payments**

The Company has a stock option plan whereby employees (including officers), directors and consultants of the Company receive remuneration in the form of stock options granted under the plan for rendering services to the Company. Stock options granted during the year are accounted for in accordance with the fair value method of accounting for share-based payments. The fair value for these options is estimated at the date of grant using the Black-Scholes Option Pricing Model. The Company is also required to estimate the expected future forfeiture rate of options in its calculation of share-based payments. The cost of options is recognized, together with a corresponding increase in share-based payment reserves, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant option holder becomes fully entitled to the award (the "vesting date"). The cumulative expense recognized for option grants at each reporting date until the vesting date reflects the portion of the vesting period that passed and the Company's best estimate of the number of options that will ultimately vest on the vesting date. The Company records share-based compensation expense and share-based payment reserves for all stock options granted which represents the movement in cumulative expense recognized as at the beginning and end of that period. Any consideration received on the exercise of stock options is credited to capital stock.

Where the terms of a stock option award are modified, the minimum expense recognized in share-based payment reserve is the expense as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the option or is otherwise beneficial to the option holder as measured at the date of modification.

Where an option is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognized for the award is recognized immediately.

**m) Royalties**

Royalty payments for kaolin quarried and processed under the Quarrying Regulations are recorded to operating expenses as incurred. Royalty payments are not payable until after the Company has recovered 150% of initial costs of exploration and development.

**n) Loss per common share**

Basic loss per common share amount is calculated using the weighted average number of shares outstanding during the year. Diluted per common share amounts are calculated based on the treasury-stock method, which assumes that any proceeds obtained on the exercise of in-the-money options would be used to purchase shares at the average market price. The weighted average number of basic shares outstanding is then adjusted by the net change.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

**4. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS**

The Company has reviewed amended accounting pronouncements and determined that the following pronouncements did not have a material impact on its financial statements:

**a) Amendments to IAS 12 Income Taxes**

Effective January 1, 2023, amendments to IAS 12 require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

**b) Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**

Effective January 1, 2023, amendments to IAS 8 replace the definition of a change in accounting estimate with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendments clarify that a change in an accounting estimate that results from new information or new developments is not the correction of an error.

**c) Amendments to IAS 1 Presentation of Financial Statements**

Effective January 1, 2023, amendments to IAS 1 require that a company disclose its material accounting policies rather than its significant accounting policies and explain how a company can identify material accounting policies.

Effective January 1, 2024, amendments to IAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability with covenants as current or non-current and related disclosure. This amendment is not expected to have a material impact on the financial statements, as the Company has no debt subject to covenants.

**5. INVENTORY**

The Company has inventory as follows:

	December 31, 2024		December 31, 2023	
Metakaolin	\$	144,196	\$	23,840
Spare parts		272,083		268,950
Fuels, coal and other		16,308		16,338
	\$	432,587	\$	309,128

Cost of goods sold on the statement of loss and comprehensive loss includes \$94,955 (2023 - \$5,379) related to the cost of inventory from metakaolin sales, including inventory adjustments. Included in operating expenses is \$46,931 (2023 - \$19,017) related to cost of fuel used in the general operations of the plant.

**6. PREPAID EXPENSES AND DEPOSITS**

	December 31, 2024		December 31, 2023
Prepaid expenses	\$	31,726	\$ 21,787
Deposits	\$	-	223,361
	\$	31,726	\$ 245,148

The Company made deposits on long lead-time items necessary for the upgrades to its calcination process in December of 2023.

**7. PROPERTY, PLANT AND EQUIPMENT**

Included in land and buildings is land with a cost of \$486,257 (2023 - \$486,257).

Cost	Land and buildings	Plant and equipment	Computer equipment, office furniture	Vehicles	Assets under construction	Total
Balance December 31, 2022	\$ 28,946,657	34,099,196	58,234	40,644	-	63,144,731
Additions	-	85,957	-	-	795,163	881,120
Balance December 31, 2023	\$ 28,946,657	34,185,153	58,234	40,644	795,163	64,025,851
Additions	17,867	7,310,750	11,937	883	-	7,341,437
Disposals	-	(49,051)	-	-	-	(49,051)
Transfers	-	795,163	-	-	(795,163)	-
<b>Balance December 31, 2024</b>	<b>\$ 28,964,524</b>	<b>42,242,015</b>	<b>70,171</b>	<b>41,527</b>	<b>-</b>	<b>71,318,237</b>

**Depreciation and impairment losses**

Balance December 31, 2022	\$ 28,460,400	34,099,196	58,234	40,644	-	62,658,474
Depreciation	-	21,489	-	-	-	21,489
Balance December 31, 2023	\$ 28,460,400	34,120,685	58,234	40,644	-	62,679,963
Depreciation	74	92,225	1,755	-	-	94,054
Disposals	-	(49,051)	-	-	-	(49,051)
<b>Balance December 31, 2024</b>	<b>\$ 28,460,474</b>	<b>34,163,859</b>	<b>59,989</b>	<b>40,644</b>	<b>-</b>	<b>62,724,966</b>

**Carrying amounts**

<b>At December 31, 2024</b>	<b>\$ 504,050</b>	<b>8,078,156</b>	<b>10,182</b>	<b>883</b>	<b>-</b>	<b>8,593,271</b>
At December 31, 2023	\$ 486,257	64,468	-	-	795,163	1,345,888

During 2023, the Company began performing upgrades and improvements to its calcination process, in order to restart plant operations in December 2024. As of December 1, 2024 these process improvements were available for use and began depreciating.

During 2024, accrued interest of \$204,519 was included in the additions of plant and equipment (2023 – \$nil).

As of December 31, 2024, and December 31, 2023 no indicators of impairment or impairment reversal were identified.

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	December 31, 2024		December 31, 2023
Accounts payable	\$	520,026	\$ 367,950
Accrued liabilities	\$	104,948	\$ 97,342
	\$	624,974	\$ 465,292

**9. NOTES PAYABLE**

The Company has the following notes payable:

	<b>December 31, 2024</b>		December 31, 2023
Kasten Energy Inc. ("Kasten")	\$	<b>1,139,561</b>	\$ 1,139,561

The note has no fixed terms of repayment and interest has not been paid since its inception. The Company has received an opinion from its legal counsel that any claims in respect of the note are statute barred under the Limitations Act (Alberta). That opinion is disputed. The Company intends to engage in discussions to address the matter. The claim in relation to the note is further described in Note 21.

**10. PROMISSORY NOTES PAYABLE**

On December 1, 2023, the Company entered into an interim line of credit agreement with its majority shareholder, SAM Holdings Ltd., which was utilized to fund a capital program. The interim line of credit bears interest at 5.0% annum, with the principal and interest payable on the closing of a financing. In the absence of such financing, all principal and interest outstanding shall be payable April 1, 2026. The interim line of credit is secured by a General Security Agreement over the Company's assets. On July 22, 2024, the interim line of credit agreement was amended and increased to \$10,000,000. The funds advanced under the amended interim line of credit agreement may also be used to fund operating expenses and general and administrative costs. During 2024, the Company drew down \$1,000,000 on January 2<sup>nd</sup>, March 1<sup>st</sup>, March 15<sup>th</sup>, April 17<sup>th</sup>, May 17<sup>th</sup>, June 17<sup>th</sup>, July 16<sup>th</sup>, August 19<sup>th</sup>, September 18<sup>th</sup>, and November 18<sup>th</sup> by way of promissory notes.

The Company has the following promissory notes payable:

	<b>December 31, 2024</b>		December 31, 2023
Balance, beginning of year	\$	-	\$ -
Drawings	\$	<b>10,000,000</b>	\$ -
Discount	\$	<b>(1,710,282)</b>	\$ -
Accrued interest	\$	<b>286,575</b>	\$ -
Accretion expense	\$	<b>501,576</b>	\$ -
Balance, end of year	\$	<b>9,077,869</b>	\$ -

Accrued interest of \$204,519 was included in the additions of plant and equipment and \$82,056 was included in interest on promissory notes on the statements of net loss and comprehensive loss.

The Company determined the fair value of the promissory note to be \$8,289,718 at initial recognition using a market rate of 15%. The fair value of promissory notes payable was determined using level 2 inputs for corporate bond yields.

## 11. DECOMMISSIONING OBLIGATION

The Company's decommissioning obligation results from ownership of a processing facility and mine property in southern Saskatchewan. The Company has completed construction of the plant and preparation of the mine and commissioned the facility. A third-party assessment of costs to decommission the plant and clean the plant site amounted to \$2,316,771 (2023 – \$2,248,747), to be incurred by 2034. Current year revaluations of asset retirement obligation due to inflation factors and discount rate changes as required by IFRS resulted in revisions of \$(359,841) (2023 – \$18,925). These revisions are due to the updated assessment, inflation factor of 2% (2023 – 3%) and an increase in the risk-free interest rate to 3.36% (2023 – 3.21%). The amounts are subject to measurement uncertainty with respect to estimated costs, the actual timing of reclamation, the inflation rate and the discount rates used.

	December 31, 2024	December 31, 2023
Balance, beginning of year	\$ 2,474,910	2,375,704
Change in estimate	(359,841)	18,925
Accretion	81,580	80,281
Balance, end of year	\$ 2,196,649	2,474,910

## 12. SHARE CAPITAL

### Authorized:

Unlimited number of Class A common shares without par value and voting  
Unlimited number of Class B common shares without par value and non-voting  
Unlimited number of preferred shares

### Common shares issued:

	Number of shares	Amount
Class A common shares, December 31, 2022, 2023 and 2024	34,026,300	\$ 77,902,637
	Number of shares	Amount
Class B non-voting common shares, December 31, 2022, 2023 and 2024	326,499,700	\$ -

## 13. NATURE OF EXPENSES

The Company's operating expenses can be disaggregated by nature into the following categories:

	December 31, 2024	December 31, 2023
Salaries and wages	835,470	186,165
Utilities and plant costs	553,639	135,754
Consulting and professional fees	250,135	214,245
Property taxes	156,729	147,521
Repairs and maintenance	137,220	15,638
Insurance	59,735	99,810
Fuel [note 5]	46,931	19,017
<b>Total operating expenses</b>	<b>\$ 2,039,859</b>	<b>848,150</b>

The Company's general and administration expenses can be disaggregated by nature into the following categories:

	December 31, 2024	December 31, 2023
Consulting and professional fees	459,808	483,404
Office and communications	52,665	15,878
Filing fees	36,990	32,250
Other	20,395	3,495
Travel	15,797	25,401
Bank fees	4,322	4,538
<b>Total general and administration expenses</b>	<b>\$ 589,977</b>	<b>564,966</b>

#### 14. SHARE-BASED COMPENSATION

The Company has established a stock option plan ("the Plan") for its officers, directors, employees, and contractors. The Plan is designated and administered by the Company's Board of Directors. The exercise price is determined by the Company's Board of Directors, at the time the option is granted, and is priced based on the closing market price of the common shares on the last trading day prior to grant date.

On December 19, 2023, the Company granted 2,950,000 stock options to officers, directors, employees and contractors of the Company. These options are exercisable at a price of \$0.125 per common share. Each option granted under the Plan is for a maximum term of four years and expires on December 19, 2027. On October 8, 2024, the Company issued an additional 300,000 stock options at an exercise price of \$0.155 per common share. These options expire on October 8, 2028.

One third of the options granted vest and are exercisable each year commencing one year after the date of grant. The Company recognized \$100,947 (2023 - \$3,506) of share-based compensation on the statements of net loss and comprehensive loss for the stock options that were granted.

The assumptions used were as follows:

	October 8, 2024	December 19, 2023
Share price	\$ 0.155	\$0.125
Exercise price	\$ 0.155	\$0.125
Risk-free rate	3.07%	3.78%
Expected dividend yield	0.00%	0.00%
Expected forfeitures	10.00%	10.00%
Expected volatility	132.52%	155.07%
Expected life in years	4.0	4.0

Stock option transactions are summarized as follows:

	Number of options	Weighted average exercise price
December 31, 2022	-	-
Options granted	2,950,000	\$0.125
December 31, 2023	2,950,000	\$0.125
Options granted	300,000	\$0.155
December 31, 2024	\$ 3,250,000	\$0.128

As of December 31, 2024, the number of options that are vested and exercisable is 983,333 (2023 – Nil).

## 15. CAPITAL MANAGEMENT

As part of the management of capital, the Company prepares annual operating and capital budgets and may from time-to-time issue new equity or debt in order to finance its capital expenditures. The Company has not declared or paid any dividends on its outstanding shares and any decision to pay dividends in the future would be based upon the financial condition of the Company. The Company may elect to alter its capital structure through the issuance of new shares, issuance of new debt, refinancing of existing debt or by acquiring or disposing of assets.

The capital structure, as disclosed on the statements of financial position, consists of cash, promissory notes payable, and shareholders' deficiency.

	December 31, 2024		December 31, 2023	
Cash	\$	570,689	\$	10,064
Notes payable	\$	1,139,561	\$	1,139,561
Promissory notes payable	\$	9,077,869	\$	-
Shareholders' deficiency	\$	(3,384,857)	\$	(2,113,937)

## 16. LOSS PER SHARE

Loss per share is calculated using the weighted average number of shares outstanding. The weighted average number of shares outstanding for the year ended December 31, 2024 is 360,526,000 (2023 – 360,526,000). Stock options are reflected in diluted earnings per share by application of the treasury method, unless they are anti-dilutive in nature.

	December 31, 2024		December 31, 2023	
Basic and diluted weighted average shares outstanding		360,526,000		360,526,000

## 17. TAXES

The following table summarizes the Company's tax recovery:

	2024		2023	
Loss before taxes	\$	(1,371,867)	\$	(1,459,279)
Statutory tax rate		23.00%		23.00%
Expected tax recovery		315,529		335,634
Non-deductible expenditures		(23,622)		(1,038)
Change in deferred tax asset not recognised		(291,907)		(334,596)
Tax recovery	\$	-	\$	-

The following table summarizes the principal components of the net deferred tax asset (liability):

	2024		2023	
Promissory note payable	\$	(290,089)	\$	-
Non-capital losses		290,089		-
Net deferred tax asset (liability)	\$	-	\$	-

The components of the unrecognized deductible temporary differences are as follows:

	2024		2023	
Non-capital losses	\$	61,792,958	\$	60,339,590
Property, plant and equipment		18,264,596		18,170,542
Decommissioning obligations		2,196,649		2,474,910
	\$	82,254,203	\$	80,895,042

The Company has not recognized a deferred tax asset in respect of non-capital losses of approximately \$61,792,958 (2023 – 60,339,590) that are available to offset future taxable income. The non-capital losses will expire as follows:

2032	\$	11,949,769
2033		14,785,331
2034		12,211,068
2035		10,657,924
2036		8,474,685
2041		588,730
2042		338,563
2043		1,333,520
2044		1,453,368
	<b>\$</b>	<b>61,792,958</b>

The Company has undepreciated capital cost and resource tax pools of \$26,857,613 (2023 - \$19,495,341) which are available for deduction against future taxable income. The realization of tax benefits related to these future potential tax deductions is uncertain and cannot be viewed as probable. Accordingly, no deferred tax asset has been recognized.

## 18. RELATED PARTY TRANSACTIONS

During 2024, the Company obtained consulting services from SWAT Contractors Ltd. ("SWAT"). SWAT is controlled by a director of the Company. The Company obtained these services for the purpose of developing business opportunities with new and existing clients. The Company incurred \$218,724 (2023 – \$220,271) of consulting services during the year. As of December 31, 2024, a payable of \$26,472 (2023 – \$57,746) is due to SWAT. Amounts due to SWAT are non-interest bearing and are at arms length terms.

As of December 31, 2024, included in accounts payable and accrued liabilities is a payable of \$Nil (2023 - \$6,150) is due to Koplovich Consulting Group Ltd. ("KCG"). KCG is controlled by an officer of the Company. Amounts due to KCG are non-interest bearing and are at arms length terms.

The remuneration of directors and executive officers during the year is as follows:

	December 31, 2024	December 31, 2023
Consulting services	218,724	220,271
Share based compensation	66,743	2,318
	<b>\$ 285,467</b>	<b>\$ 222,589</b>

## 19. CHANGE IN NON-CASH WORKING CAPITAL

	December 31, 2024	December 31, 2023
Accounts receivable	29,675	(19,295)
Financial receivable	-	582,548
Inventory	(123,459)	(12,725)
Prepaid expenses and deposits	213,422	(230,801)
Promissory notes payable	82,056	-
Accounts payable and accrued liabilities	159,682	98,325
<b>Total</b>	<b>361,376</b>	<b>418,052</b>
Investing activities	227,767	(29,366)
Operating activities	133,609	447,418

## 20. FINANCIAL INSTRUMENTS

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

### a) Fair Values

The Company's financial instruments consist of cash, accounts receivable, deposits, accounts payable and accrued liabilities, and promissory notes payable. The fair value of accounts receivable, accounts payable and accrued liabilities, approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

The Company's cash is classified as FVTPL and measured using level 1 inputs within the fair value hierarchy, as described below. Upon initial recognition, the fair value of promissory notes payable was determined using level 2 inputs based on corporate bond yields, as described below:

Level 1 – Unadjusted quotes prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Inputs to the valuation methodology included quoted prices for identical assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Inputs to the valuation methodology are not based on observable market data.

### b) Risk Management

The Company's risk management program focuses on minimizing the potential adverse effects on the Company's financial performance. The Company manages risks and risk exposure through a combination of a system of internal and disclosure controls, as well as insurance and sound business practices.

Risk management is primarily the responsibility of the Company's corporate finance function. Any significant risks are monitored and when appropriate, actions will be taken according to the Company's policies established related to that purpose. In addition, as required, the risks are reviewed with the Company's Board of Directors.

### c) Interest Rate Risk

The Company defines interest rate risk as the financial risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company currently maintains cash balances and notes payable. The Company's current policy is to invest any excess cash not required for operations in guaranteed investment certificates with short-term maturities. The Company's sensitivity to interest rate risk on its guaranteed investment certificates is immaterial as the funds available for investment are minimal due to the funds being needed to fund ongoing operations. Any change in interest rates would not result in any material change in expected interest income. Interest rate risk on promissory notes is mitigated through fixed interest rates.

### d) Credit Risk

Credit risk is defined as the financial risk associated with non-performance of contractual obligations by counterparties. Credit risk arises from cash held with the Company's bank along with credit exposure to customers and other outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The Company's objective for managing the counterparty credit risk is to prevent losses on its financial assets. The Company is not yet in full commercial production, but upon full commercial production will assess the credit quality of its counterparties, taking into consideration their financial position, past payment histories and other factors. Management regularly monitors counterparty credit limits and perform credit reviews. The Company's current sensitivity to credit risk is managed by dealing with reputable customers. Prior to significant commercial sales, relatively minimal supplies are required, with the Company's counterparty credit risk limited to government agencies and select companies that do not present any material concerns.

The Company's financial assets consist of accounts receivable of \$25,923 of which \$Nil (2023 - \$3,258) are over 90 days past due. The allowance for expected credit losses as at December 31, 2024 is \$Nil (2023 - \$Nil). Approximately 96% (2023 – 96%) of the Company's metakaolin sales in 2024 were with 12 (2023 – five) customers.

**e) Foreign Currency Exchange Risk**

The Company currently operates in Canada and deals periodically with suppliers and customers in the United States. The functional currency of the Company and reporting currency is the Canadian dollar. Current dealings with suppliers and customers in the United States are minimal. The Company has not entered into any derivative agreements to mitigate this risk.

As at December 31, 2024, the Company had \$Nil (2023 - \$Nil) in US receivables and \$Nil (2023 – \$19,301) in US payables. A 1% change in the exchange rate at December 31, 2024 of the US dollar is estimated to have no effect on the net loss and comprehensive loss for the fiscal year.

**f) Liquidity Risk**

The Company defines liquidity risk as the financial risk that the Company will encounter difficulties meeting its obligations associated with financial liabilities. The Company's objective for managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The matters and conditions noted in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The following table outlines the expected maturity of the Company's financial liabilities into relevant maturity groupings:

		Less than 1 year	1 to 2 years	Over 3 years
Accounts payable and accrued liabilities	\$	624,974	-	-
Notes payable		1,139,561	-	-
Promissory notes payable		-	10,785,205	-
<b>Total</b>	<b>\$</b>	<b>1,764,535</b>	<b>10,785,205</b>	<b>-</b>

At December 31, 2024, the Company had a working capital deficit of \$703,610 (2023 - \$984,915). The Company's account payables and accrued liabilities are \$624,974 (2023 - \$465,292) of which \$20,163 was 90 days overdue (2023 - \$9,461).

The Company has demand notes payable in the amount of \$1,139,561 as described in Note 9 and Note 21.

**21. CONTINGENCY**

The Company received a Statement of Claim on January 11, 2023 in which Kasten Energy Inc. claims repayment of a loan made effective April 4, 2011 in an amount of \$1,139,561 plus interest, plus punitive damages of \$113,000, plus costs on a solicitor and client basis. The Company has filed a Statement of Defense on January 27, 2023, which states the claim is statute barred by virtue of the Limitations Act. The likelihood of Kasten Energy Inc.'s claim being successful cannot be assessed at this time. Management is of the view that it is improbable there will be a material financial impact to the Company as a result of this claim. Consequently, no provision has been recorded in these financial statements.

**22. SUBSEQUENT EVENTS**

On February 1, 2025, the Company and SAM Holdings Ltd. agreed that the \$10,000,000 limit on the line of credit shall be increased to \$15,000,000. The funds advanced under the amended interim line of credit agreement may also be used to fund operating expenses and general and administrative costs.

On February 18, 2025, the Company drew on an interim line of credit agreement with its major shareholder SAM Holdings Ltd., by way of a promissory note. The promissory note is in the amount of \$1,000,000. The promissory note bears interest at 5.0% per annum. The principal and interest is payable on the maturity date, April 1, 2026.