



Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

TABLE OF CONTENTS

	<u>Page</u>
Management's Report	3
Independent Auditor's Report	4–6
Consolidated Statements of Operations and Comprehensive (Loss) Income	7
Consolidated Statements of Financial Position	8
Consolidated Statements of Changes in Equity	9
Consolidated Statements of Cash Flows	10
Notes to the Consolidated Financial Statements	11-49

MANAGEMENT'S REPORT

The accompanying consolidated financial statements are the responsibility of Bri-Chem Corp.'s ("Bri-Chem" or the "Company") management. They have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and include amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Company has developed and maintains a system of internal control to provide reasonable assurance that the Company's assets are safeguarded, transactions are authorized, and the consolidated financial statements are complete and accurate.

The consolidated financial statements are approved by the Board of Directors on the recommendation of the Audit Committee. Bri-Chem's consolidated financial statements are reviewed by the Audit Committee with management prior to the consolidated financial statements being approved by the Board of Directors. In addition, the Audit Committee has the duty to review the accounting principles and practices applied and followed by the Company during the fiscal year, including critical accounting policies and significant estimates and judgements underlying the consolidated financial statements as presented by management.

The shareholders have appointed Kingston Ross Pasnak LLP (KRP) as the external auditors of the Company and, in that capacity, they have audited the consolidated financial statements for the year ended December 31, 2024 and 2023. The Auditor's Report to the shareholders is presented herein. KRP has full and independent access to the Audit Committee to discuss their audit and related matters.

Don Caron
Chief Executive Officer

Tony Pagnucco
Chief Financial Officer

March 25, 2025



KINGSTON
ROSS
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March 25, 2025
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bri-Chem Corp.

Opinion

We have audited the consolidated financial statements of Bri-Chem Corp. (the Group), which comprise the statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of operations and comprehensive (loss) income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and 2023, and the consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit 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 Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the consolidated 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 Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$3,851,427 during the year ended December 31, 2024. 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories and cost of sales

We refer to financial statement summary of material accounting policies on inventories and related disclosure in Note 4.

(continues)

Independent Auditor's Report to the Shareholders of Bri-Chem Corp. *(continued)*

At the balance sheet date, the value of inventory amounted to \$24,301,999. Inventories were considered as a key audit matter due to the size of the balance and because inventory valuation involves management judgment. According to the financial statements' accounting principles inventories are measured at the lower of cost and net realizable value, with net realizable value approximated as the estimated selling price less all estimated costs of completion and necessary costs to complete the sale. The Company has specific procedures for identifying risk for obsolescence and measuring inventories at the lower of cost or net realizable value.

To address the risk for material misstatement on inventories, our audit procedures included, amongst other procedures:

- Assessing the compliance of Company's accounting policies over inventory with applicable accounting standards.
- Assessing the inventory valuation processes and practices.
- Assessing the analyses and assessment made by management with respect to slow moving and obsolete products.

We assessed the adequacy of the Company's disclosures related to inventories and cost of sales.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, which includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit 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 audit 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, 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 Consolidated Financial Statements

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

(continues)

Independent Auditor's Report to the Shareholders of Bri-Chem Corp. *(continued)*

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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 consolidated 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 circumstance, 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 Justin Rousseau.


Kingston Ross Pasmak LLP
Chartered Professional Accountants

Consolidated Statements of Operations and Comprehensive (Loss) Income
(Canadian dollars)

	Note	December 31 2024	December 31 2023
Sales	14	\$ 83,072,621	\$ 106,035,197
Cost of Sales	4	68,668,650	87,305,357
Gross margin		14,403,971	18,729,840
Expenses			
Salaries and benefits	12 & 17	7,201,763	7,511,612
Selling, general and administration	17	4,834,061	4,953,443
Interest on current portion of long-term debt		401,109	521,452
Depreciation on property and equipment and right of use assets	5 & 6	1,278,079	1,288,317
Bad debts	3	1,905,694	244,981
Interest on short-term operating debt		2,912,028	3,229,804
Interest on lease liability	6	60,294	130,007
Foreign exchange loss / (gain)		785,824	(556,662)
		19,378,852	17,322,954
(Loss) profit before income taxes		(4,974,881)	1,406,886
Income tax (recovery) expense			
Current	10	146,926	43,159
Deferred	10	(1,270,380)	454,316
		(1,123,454)	497,475
Net (loss) / profit		\$ (3,851,427)	909,411
Other comprehensive (loss) income			
Foreign currency translation adjustment		917,512	(774,704)
Total comprehensive (loss) income		\$ (2,933,915)	\$ 134,707
Net (loss) profit per share			
Basic	13	\$ (0.15)	\$ 0.03
Diluted	13	\$ (0.15)	\$ 0.03

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

Consolidated Statements of Financial Position
 (Canadian dollars)

	Note	December 31 2024	December 31 2023
Assets			
Current assets			
Inventories	4	24,301,999	28,849,552
Accounts receivable	3 & 15	\$ 17,935,856	\$ 24,943,378
Prepaid expenses and deposits		462,032	438,764
		42,699,887	54,231,694
Non-current assets			
Property and equipment	5	9,081,702	8,881,526
Deferred tax assets	10	5,572,183	3,912,145
Right-of-use assets	5	784,000	1,320,491
Other long-term assets		28,245	25,962
		\$ 58,166,017	\$ 68,371,818
Liabilities			
Current liabilities			
Bank indebtedness	7	\$ 16,824,694	\$ 23,266,351
Accounts payable and accrued liabilities	8	14,000,918	14,148,322
Current portion of long-term debt	9	6,740,451	206,819
Current portion of lease liabilities	6	555,004	640,179
Income tax payable	10	118,965	42,778
		38,240,032	38,304,449
Non-current liabilities			
Lease liabilities	6	317,049	794,056
Long-term debt	9	—	6,730,847
		38,557,081	45,829,352
Equity			
Share capital	11	33,939,875	33,939,875
Contributed surplus		4,045,560	4,045,175
Deficit		(16,438,168)	(12,586,741)
Accumulated other comprehensive loss		(1,938,331)	(2,855,843)
		19,608,936	22,542,466
		\$ 58,166,017	\$ 68,371,818

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

Consolidated Statements of Changes in Equity
(Canadian dollars)

		Share capital	Contributed surplus	Deficit	Accumulated other comprehensive (loss) / income	Total equity
Balance at January 1, 2023		\$ 33,939,875	\$ 4,043,442	\$ (13,496,152)	\$ (2,081,146)	\$ 22,406,019
Employee share-based payment options	12	—	1,733	—	—	\$ 1,733
Total comprehensive income		—	—	909,411	(774,697)	\$ 134,714
Balance at December 31, 2023		\$ 33,939,875	\$ 4,045,175	\$ (12,586,741)	\$ (2,855,843)	\$ 22,542,466
Employee share-based payment options	12	—	385	—	—	385
Total comprehensive (loss) income		—	—	(3,851,427)	917,512	(2,933,915)
Balance at December 31, 2024		\$ 33,939,875	\$ 4,045,560	\$ (16,438,168)	\$ (1,938,331)	\$ 19,608,936

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

Consolidated Statements of Cash Flows
(Canadian dollars)

	Note	December 31 2024	December 31 2023
Operating activities			
Net (loss) / profit		\$ (3,851,427)	\$ 909,411
Adjustments for:			
Depreciation on property and equipment and right-of-use assets		1,278,079	1,288,317
Amortization of debt related transaction costs		68,638	76,710
Foreign exchange loss (gain) on debt		(255,540)	(556,662)
Unrealized foreign exchange loss (gain)		43,767	23,917
Interest on debt and finance leases		3,304,793	3,881,263
Gain on disposal of equipment		—	(11,638)
Share-based payments	12	385	1,733
Recovery of deferred tax		(1,660,038)	448,350
Change in non-cash working capital	16	11,458,306	6,627,433
Total cash provided by operating activities		10,386,963	12,688,834
Financing activities			
Advances on bank indebtedness		70,687,522	43,351,128
Repayment on bank indebtedness		(76,696,603)	(50,736,154)
Interest paid on debt and finance leases		(3,104,736)	(3,881,263)
Repayment of obligations under finance lease	6	(641,880)	(539,787)
Repayment on long-term debt	9	(217,179)	(206,116)
Total cash used in financing activities		(9,972,876)	(12,012,192)
Investing activities			
Proceeds on sale of property and equipment		—	11,638
Purchases of property and equipment	5	(414,087)	(688,280)
Total cash used in investing activities		(414,087)	(676,642)
Net change in cash and cash equivalents		—	—
Cash and cash equivalents, beginning of the period		—	—
Cash and cash equivalents, end of the period		\$ —	\$ —

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Bri-Chem Corp. (“the Company” or “Bri-Chem”) is an independent wholesale supplier of drilling fluids and chemicals for the oil and gas industry that operates from warehouses located throughout Canada and the United States. The Company was incorporated under the laws of the Province of Alberta and its registered and primary place of business is 27075 Acheson Road, Acheson, Alberta T7X 6B1. Bri-Chem shares are listed on the Toronto Stock Exchange under the symbol “BRY”.

The consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations and meet its obligations in the normal course of business for the foreseeable future. For the year ended December 31, 2024, the Company incurred a net loss of \$3,851,427 (compared to a net profit of \$909,411 for the year ended December 31, 2023) and reported an accumulated deficit and other comprehensive losses of \$18,376,499 (December 31, 2023 - \$15,442,584). As of December 31, 2024, the available funds under the ABL facility stood at \$5,295,737. The Company breached its fixed charge coverage ratio covenant as described in Note 9.

The oil and gas sectors in both Canada and the US have faced increased uncertainty in recent years, due to factors such as declining rig counts, market access issues, oil price differentials, heightened regulation, and tariffs. Bri-Chem, with its significant presence in both countries, has proactively managed these uncertainties by adjusting operations as necessary to align with expected business activity. The decline in the US rig count (down 13% in 2024, following a 5% decrease in 2023, per Baker Hughes) has put additional pressure on independent oil producers, the Company’s target market. Although the change in the US administration has raised concerns about the future approval of oil projects, the Company does not anticipate that any new regulations will significantly impact future cash flows.

As highlighted above, these uncertainties raise doubt about the Company’s ability to continue as a going concern and whether it will be able to realize its assets and settle its liabilities in the normal course of business at the amounts presented in the financial statements. If the Company is unable to meet its obligations when due, or fulfill the terms of the ABL Facility and subordinated debenture agreements, the assumption of preparing these consolidated financial statements on a going concern basis may no longer be appropriate.

In response to these challenges, management is pursuing several strategies to improve liquidity and borrowing capacity. These may include restructuring efforts such as closing underperforming warehouses, continuing to reduce inventory, seeking additional debt or equity financing, and/or selling assets. The Company anticipates that these measures will provide the necessary resources under its ABL Facility to meet future obligations. Potential warehouse closures, restrained inventory purchases, and prudent working capital management should help the Company maintain its ability to continue as a going concern. However, there is no guarantee that these efforts will succeed.

Additionally, the Company continues to negotiate with its lenders for amendments to restrictive covenants. Failure to obtain a waiver of covenant compliance or similar relief by that date will result in a default under these agreements. Although the Company has successfully obtained such waivers in the past, there is no certainty that this will occur again. Any failure or delay in securing these amendments could significantly affect the Company's liquidity and its ability to continue as a going concern. If such an event occurs, the Company may need to seek alternative financing sources, delay capital expenditures, consider asset sales, or potentially curtail operations or seek relief under bankruptcy or insolvency laws.

Management is responsible for evaluating the Company's ability to continue as a going concern and ensuring that the financial statements are prepared accordingly, unless it intends to liquidate the Company, cease operations, or has no realistic alternative but to do so.

The Company's ability to continue as a going concern relies on its access to lending facilities, the generation of future profits, and the successful conversion of operating activities into cash. The financial statements do not account for any potential adjustments to assets, liabilities, revenues, or expenses that would be necessary if the Company were unable to continue as a going concern. These adjustments could be material.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

These financial statements have been prepared using the historical cost basis, except as otherwise indicate. The preparation of these financial statements required management to make significant judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses and are explained in the applicable notes.

These financial statements for the year ended December 31, 2024 were authorized for issue by the Board of Directors on March 25, 2025.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

B. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the assets, liabilities, results of operations and cash flows of the Company, and the following 100% owned subsidiaries:

- Bri-Chem Supply Ltd.,
- Sodium Solutions Inc.,
- Solution Blend Services Ltd.,
- Bri-Corp USA Inc, which has three wholly-owned subsidiaries (100%), Bri-Chem Supply Corp. LLC., Sun Coast Materials, LLC, and Bri-Chem Logistics, LLC.

Subsidiaries are entities over which the Company has control. The Company controls an entity when the Company has power over or rights to variable returns from its involvement with the entity and can affect those returns through its power over the entity. The proportion of the voting rights in the subsidiary undertakings held directly by the Company does not differ from the proportion of ordinary shares held.

Subsidiaries are consolidated from the date on which control is obtained by the Company. All inter-company transactions and balances are eliminated upon consolidation. There are no non-controlling interests related to the Company's subsidiaries.

The Company has applied uniform accounting policies throughout all consolidated entities and reporting dates of the subsidiaries are all consistent with the Company.

C. BUSINESS COMBINATIONS

The Company applies the acquisition method to account for business combinations. The assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies are measured at their fair values as of the date of acquisition. All identifiable assets acquired, and liabilities assumed, are recognized regardless of whether they have been previously recognized in the acquiree's prior financial statements. Acquisition related and restructuring costs are recognized separately from the business combination and included in net profit.

Goodwill is calculated as the excess of the sum of the fair value consideration, the recognized amount of any non-controlling interests, and the acquisition date fair value of any existing equity interests in the acquiree, over the acquisition date fair value of the identifiable net assets. If the acquisition date fair value of the identifiable net assets exceeds the sum above, the difference is recognized in net profit immediately, as a bargain purchase gain.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

D. FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's subsidiary Bri-Corp USA Inc., and its three subsidiaries Bri-Chem Supply Corp LLC, Sun Coast Materials, LLC, and Bri-Chem Logistics, LLC, use the United States dollar as their functional currency. Other subsidiaries use the Canadian dollar as their functional currency. The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of operations.

The results and financial position of all the Company's subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows: i) assets and liabilities are translated at the closing rate at the reporting date; ii) income and expenses are translated at the average exchange rates for the period; and iii) all resulting exchange differences are recognized in other comprehensive income and accumulated in equity.

E. SEGMENTED REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers and defined as components of the Company for which separate financial information is available and are evaluated regularly by the chief decision makers in allocating resources and assessing performance. The Company determines operating segments based on the geographic location and the type of products produced or sold.

F. REVENUE

Under the Company's standard contract terms, customers have a right of return within a reasonable period. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognized for those products expected to be returned. At the same time, the Company has a right to recover the product when customers exercise their right of return; so consequently, it recognizes a right to returned goods asset and a corresponding adjustment to cost of sales.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

The Company uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognized will not occur given the consistent level of returns over previous years. The Company recognizes revenue when it transfers control of a product or service to the customer as follows:

Drilling fluid and blended drilling fluid products

The Company's principal business activity is the wholesale distribution of drilling fluid and blended drilling fluid products including oil-based mud, for the North American oil and gas industry. Drilling fluids are a circulating fluid that can be made up of a single or blended chemical product that form an engineered fluid system used by customers to assist in the drilling of oil and gas wells. Revenue is recognized when control of the drilling fluid product has transferred to the customer which is the point at which it has been shipped from one of the Company's warehouses. Payment terms are net 30 days. Customer contracts do not have significant financing components or variable consideration.

G. INVENTORIES

Distribution goods are measured at the lower of cost and net realizable value. Net realizable value approximates the estimated selling price less all estimated costs of completion and necessary costs to complete the sale. Costs of items are assigned using the first-in first-out cost formula. Costs associated with freight, transportation and handling fees are included in the cost of inventory and expensed to cost of sales. Write-downs of inventory to net realizable value, if any, are included in cost of sales.

H. PROPERTY AND EQUIPMENT

Property and equipment are recorded at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Land has an indefinite useful life and, as such, is not subject to depreciation. Depreciation on property and equipment is calculated using either declining balance or straight-line methods to allocate its cost to its residual value over the estimated useful life of the asset as follows:

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

Property and equipment category	Depreciation method
Buildings	4 to 10% declining balance and 15 - 30 years straight-line
Motor vehicles	30% declining balance and 5 to 10 years straight-line
Manufacturing and other equipment	10 to 30% declining balance and 3 to 25 years straight-line
Office equipment	20% declining balance and 7 to 8 years straight-line
Computer equipment	20% declining balance and 3 to 5 years straight-line
Pavement and landscaping	8% declining balance and 10 to 25 years straight-line
Leasehold improvements	4 to 20 years straight-line

Material residual values and estimates of useful life are reviewed and updated as required, and at least annually. Subsequent costs are included in the asset's carrying amount, or, recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. At the same time, the carrying amount of the replaced asset is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized in net profit.

I. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are obligations to pay for goods or services that have been acquired in the common course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

J. LEASES

A lease liability and a right-of-use ("ROU") asset are recognized on the Company's statement of financial position, at the commencement of the lease. The lease asset is initially recognized at cost, which comprise the amount of the initial measurement of the lease liability, plus the initial direct costs incurred by the Company. A lease liability is initially measured at the present value of the minimum lease payments. A contract is a lease or contains a lease if it conveys the right to control the use of an asset for a time period in exchange for consideration. To identify a lease, the Company considers whether an explicit or implicit asset is specified in the contract and determines whether the Company obtains substantially all the economic benefits from the use of the underlying asset by assessing numerous factors, including but not limited to substitution rights and the right to determine how and for what purpose the asset is used.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

ROU assets are subsequently measured at cost and are depreciated over the shorter of the useful life of the asset or the lease term, while the lease liability is subsequently measured at amortized cost using the effective interest rate method, where the interest expense is amortized over the term of the lease as a constant percentage of the carrying value of the lease liability.

As most of the Company's lease contracts do not provide the lease implicit interest rate, nor can the lease implicit interest rate be readily determined, the Company uses its incremental borrowing rate as the discount rate for determining the present value of lease payments. The Company's incremental borrowing rate for a lease, is the rate that the Company would pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term. The Company uses the lease implicit rate when it is readily determinable.

The lease term for all of the Company's leases includes the non-cancellable period of the lease plus any period covered by the options to extend (or not to terminate) the lease term when it is reasonably certain that the Company will exercise that option.

K. CURRENT AND DEFERRED INCOME TAXES

Tax expense for the period comprises of current and deferred tax. Tax is recognized in net profit, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate, based on amounts expected to be paid to the tax authorities.

Deferred income tax is calculated using the liability method of tax allocation. Under this method, deferred tax assets and liabilities are determined based on the temporary differences between the accounting and income tax bases of an asset or liability. These are measured based on the tax jurisdictions enacted or substantively enacted income tax rates that will be in effect when the differences are expected to reverse. The effect on deferred tax assets and liabilities on a change in rates is included in the period during which the change is considered substantively enacted. Deferred tax assets are recorded in the financial statements if realization is considered probable.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset and they relate to income tax levied by the same tax authority and the same taxable entity or on different taxable entities, but the intent is to settle current tax assets and liabilities on a net basis or the tax assets and liabilities will be relieved simultaneously.

L. IMPAIRMENT

Assets are required to be tested for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget. Discount factors are determined individually for each cash generating unit (CGU) and reflect their respective risk profiles as assessed by management.

Prior impairments of non-financial assets (other than goodwill) may be reversed if the CGU's recoverable amount exceeds its carrying amount up to the amount the non-financial assets (other than goodwill) would be carried had no impairment been recognized originally.

For purposes of impairment testing, the Company has determined that each business entity is a cash-generating unit (CGU), and has identified the following CGUs:

- Bri-Chem Supply Ltd.,
- Sodium Solutions Inc.,
- Solution Blend Services Ltd.,
- Bri-Corp USA Inc.,
- Bri-Chem Supply Corp. LLC.,
- Sun Coast Materials, LLC, and;
- Bri-Chem Logistics, LLC.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

M. FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at fair value through net profit, are added to or deducted from the fair value of the financial asset or financial liability on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognized immediately in net profit.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and,
- Level 3 – Inputs are unobservable inputs for the asset or liability.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The Company's financial assets are comprised of accounts receivable and have been classified as amortized cost on initial recognition.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on accounts receivable that are measured at amortized cost. The amount of expected credit losses ("ECL") is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company recognizes lifetime ECL for its accounts receivables. The ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another company. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and recognizes a collateralized borrowing for the proceeds received. On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in net (loss) profit.

Financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. The Company's financial liabilities include bank indebtedness, accounts payable and accrued liabilities, lease liabilities and long-term debt, and they have been classified as amortized cost. These financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are carried subsequently at amortized cost using the effective interest method.

Warrants

Share warrants have been issued in connection with certain financing transactions. Where the issuance of the warrants is considered a directly attributable cost of completing a financing transaction, the fair value at issuance has been determined using the Black-Scholes pricing model and recognized as an adjustment to the carrying value of the relevant financial liability.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when the Company's obligations are discharged, cancelled, or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in net profit. When the Company exchanges with an existing lender one debt instrument for another one with substantially different terms, such an exchange is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognized in net profit within other gains and losses.

N. SHARE CAPITAL

Common shares are classified as equity. Incremental costs directly attributable to the issue of new common shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where the Company re-purchases the Company's equity share capital through a Normal Course Issuer Bid, the consideration paid, including any directly attributable incremental costs (net of income tax) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such common shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders. Issued and fully paid common shares are used in the determination of basic earnings per share. Non-converted warrants and in-the-money options are used in the determination of diluted earnings per share.

Basic earnings per share is calculated by dividing net profit of the Company by the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated by dividing net profit of the Company by the weighted average number of shares outstanding during the year, including potential dilutive shares.

O. SHARE-BASED PAYMENTS

The Company has established a stock option plan for the Executive and Board of Directors, and employees as described in Note 12. The Company uses the fair value method of accounting for stock options. The fair value of the option grants is calculated on the grant date for employees and executives using the Black-Scholes Option Pricing Model and is recognized as compensation expense over the vesting period of those granted options, adjusted for estimated forfeitures. The corresponding adjustment is recorded to contributed surplus. Compensation expense related to forfeited options is reversed on the forfeiture date provided the options have not vested. The fair value of the option grants to non-employees, including the Company's Board of Directors, is calculated based on the value of the services provided in exchange for the option issue, or where that fair value cannot be estimated reliably, they are measured at the fair value of the equity instruments granted on the date the Company receives the goods or services. When the options are exercised, the Company issues new shares.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

The proceeds received net of any directly attributable transaction costs, together with the related amount in contributed surplus, are added to share capital.

Forfeited or expired options are put back into the pool of available stock options for future grants. No adjustment is recorded for stock options that expire unexercised.

P. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized during the period necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred.

Q. EMPLOYEE BENEFITS

Employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. The Company recognizes a liability and an expense for short-term benefits such as bonuses if the Company has a legal obligation or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reasonably.

R. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognized when the Company has present obligations as a result of a past event and it is probable that it will lead to an outflow of economic resources from the Company that can be estimated reliably. The timing or amount of the liability may still be uncertain. Provisions are measured at the estimated amount required to settle the present obligation, taking into consideration the most reliable evidence available at the reporting date. Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. When a business combination is undertaken, the Company initially measures any of the acquired company's contingent liabilities at the acquisition date fair value. The contingent liabilities are subsequently measured at fair value. In the normal course of business, the Company enters into agreements that include indemnities in favour of third parties, such as engagement letters with advisers and consultants. The Company has also agreed to indemnify its directors and officers in accordance with the Company's corporate bylaws. Certain agreements do not contain any limits on the Company's liability and therefore it is not possible to estimate the Company's potential liability under these circumstances.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

In certain cases, the Company has recourse against third parties with respect to these indemnities. The company maintains insurance policies that may provide coverage against certain claims under these indemnities.

S. GOVERNMENT ASSISTANCE

The Company applied IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance in relation to receiving the Employee Retention Credit (“ERTC”) as part of the Canadian and United States federal government programs. Government assistance is recognized only when there is a reasonable assurance that (a) the Company will comply with any conditions attached to the grant and (b) the grant will be received. The government grants/subsidies are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes the expense for the related costs for which the grants and/or subsidies are intended to compensate. The Company has elected to present these amounts net of related expenses. Where government grants have been provided in the form of a forgivable loan, proceeds have been recorded as a liability until reasonable assurance of forgiveness has been obtained.

T. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

The preparation of these financial statements requires management to make estimates and assumptions about the future. Management continuously evaluates estimates and assumptions which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

a) Impairment

An evaluation of whether an asset is impaired involves consideration of whether indicators of impairment exist. Factors which could indicate an impairment exists include: significant underperformance of an asset relative to historical or projected operating results, significant changes in the way an asset is used, the carrying amount of the net assets of the entity being more than its market capitalization or significant negative industry or economic trends. In some cases, these events are clear. Management continually monitors the Company’s operating segments, the markets, and the business environment, and makes judgments and assessments about conditions and events in order to conclude whether a possible impairment exists.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

Estimates

When there is an indicator of impairment the recoverable amount of the asset is estimated to determine the amount of impairment, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount for property and equipment is the higher of fair value less costs to sell and value in use. In assessing fair value less costs to sell, the Company must estimate the price that would be received to sell the asset or CGU less any incremental costs directly attributable to the disposal. In assessing value in use, the estimated cash flows are discounted to their present value using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Judgements

The determination of CGUs is based on management judgement. The Company's CGU's are defined in significant accounting policy L. As the grouping of CGUs determines the level at which property and equipment, goodwill and intangible assets are tested for impairment, the grouping of CGUs can impact the outcome of impairment testing. Arriving at the estimated future cash flows involves significant judgements, estimates and assumptions, including those associated with the future cash flows of the CGU, determination of the CGU, and discount rates.

b) Loss allowance for expected credit loss

Estimates

The Company establishes a loss allowance for expected credit loss with respect to previously recognized revenue that remains uncollected. The Company assesses the accounts receivable portfolio on an individual customer and overall basis. The process of determining a loss allowance for expected credit loss for a customer consists of a review of historical collections and aging of the customer balances as well as considering the geographical location the customer is situated in and the economic environment of that location. The review involves judgement and estimation, and accordingly, the results of the exercise and corresponding actual write-offs can differ from estimated allowances.

c) Sales returns provision

Estimates

The Company has an internal policy whereby it accepts product returns from customers in certain subsidiaries. Provisions recorded for estimated product returns are based on historical experience, market conditions, and drilling activities.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

The allowance for sales returns is generally determined as a percentage of sales for each legal entity. Actual returns experienced may differ from estimate. The allowance for sales returns is presented in accounts payable and accrued liabilities in Note 8.

d) Inventory Obsolescence

Estimates

Inventories are measured at the lower of cost and net realizable value. In estimating the net realizable value, management considers evidence, such as aging of the inventory, current sales prices, vendor price lists, available at the time in determining the net realizable values of the inventories.

e) Stock-based compensation

Estimates

The Company uses the Black-Scholes Option Pricing Model for valuing its stock options to employees and directors at the date of issue. Management uses estimates of the expected life, the risk-free rate, expected volatility, and expected forfeiture rate when calculating the value of the options issued. These estimates may vary from actual experience and are updated at each reporting period based on information available at that time. The Company values options issued to non-employees based on available evidence of the value the transaction represents to the Company based on services provided in exchange for the option.

f) Leases

Judgements

The Company estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option by assessing relevant factors such as warehouse profitability. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the lease will be extended. The assessment of the lease term is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment and that is within the control of the lessee.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

U. NEW IFRS STANDARDS

Newly adopted accounting standards

In 2023 the Company adopted the amendment to IAS 1 – disclosure of material accounting policy information, in place of the disclosure of significant accounting policies.

Recent pronouncements not yet effective and that have not been adopted early

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

Amendments to IAS 1 – classification of liabilities as current or non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. No significant impact to the Company’s financial statements is expected.

3. ACCOUNTS RECEIVABLE

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

	December 31 2024	December 31 2023
Trade accounts receivable	\$ 19,566,012	\$ 25,348,774
Loss allowance for expected credit losses	(1,811,332)	(696,637)
Trade accounts receivable, net	17,754,680	24,652,137
Other receivables	181,176	291,241
Accounts receivable	\$ 17,935,856	\$ 24,943,378

The Company uses an expected credit loss model in determining provisions for trade and other receivables that measures lifetime expected credit losses based on historical loss rates, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The change in the loss allowance for expected credit loss is as follows:

	December 31 2024	December 31 2023
Balance, beginning of year	\$ 696,637	\$ 1,031,090
Bad debts	1,905,694	244,981
Receivables written off	(790,999)	(249,545)
(Recovery) of bad debts	—	(329,889)
Balance, end of year	\$ 1,811,332	\$ 696,637

Changes in the credit risk of existing trade receivables, including updated forward-looking information, led to adjustments in the lifetime ECL and an increase in the loss allowance. Significant changes in the credit risk totalled of financial assets during the period amounted to \$1,905,694.

The derecognition of trade receivables, including write-offs, was part of the entity's ongoing credit risk management process. The associated loss allowance was removed from the balance sheet upon derecognition. During the reporting period, the entity wrote off \$790,999 of financial assets that were deemed uncollectible. The entity continues to pursue recovery of the amounts written off through legal and other means.

The Company pledged its accounts receivables with a carrying amount of \$13,718,432 (December 31, 2023 - \$17,872,824) as collateral for the ABL Facility described in Note 7.

4. INVENTORIES

As at December 31, 2024 and December 31, 2023, all the Company's inventories related to distribution goods. As at December 31, 2024, the Company pledged inventory of \$19,489,667 (December 31, 2023 - \$28,538,233) as collateral for the ABL Facility described in Note 7 and provisions of \$147,297 (December 31, 2023 - \$30,000) were recorded against inventory.

For the year ended December 31, 2024, a total of \$68,668,650 of inventories were included in net profit (December 31, 2023 - \$87,305,357 included in net profit) as cost of sales.

For the year ended December 31, 2024, a total of \$647,690 of inventory write-downs were included in net loss (December 31, 2023 - \$266,249 included in net profit) as cost of sales relating to various slow-moving products that were sold below net-realizable-value.

5. PROPERTY AND EQUIPMENT AND RIGHT OF USE ASSETS

	Land	Buildings	Motor vehicles	Manufacturing and other equipment	Office equipment	Computer equipment	Pavement and landscaping	Leasehold improvements	Total property and equipment	Right-of-use-assets (1)	Total property and equipment and right-of use assets
Cost											
Balance at January 1, 2023	\$ 2,586,354	\$ 7,396,622	\$ 1,446,721	\$ 9,344,013	\$ 266,437	\$ 1,449,796	\$ 558,937	\$ 278,778	\$ 23,327,658	\$ 2,106,226	\$ 25,433,884
Additions	—	221,778	211,872	216,187	9,020	25,361	—	—	684,218	333,957	1,018,175
Translation adjustment	(28,930)	(78,004)	(18,709)	(115,900)	(1,324)	(1,172)	(8,912)	295	(252,656)	(52,530)	(305,186)
Disposals	—	—	(7,467)	(12,401)	—	—	—	—	(19,868)	—	(19,868)
Balance at December 31, 2023	\$ 2,557,424	\$ 7,540,396	\$ 1,632,417	\$ 9,431,899	\$ 274,133	\$ 1,473,985	\$ 550,025	\$ 279,073	\$ 23,739,352	\$ 2,387,653	\$ 26,127,005
Additions	—	39,222	145,168	205,259	—	24,448	—	—	414,097	61,149	475,246
Translation adjustment	105,418	295,484	77,961	433,209	4,826	17,023	32,491	9,550	975,962	(245,484)	730,478
Disposals	—	—	—	—	—	—	—	—	—	203,779	203,779
Balance at December 31, 2024	\$ 2,662,842	\$ 7,875,102	\$ 1,855,546	\$ 10,070,367	\$ 278,959	\$ 1,515,456	\$ 582,516	\$ 288,623	\$ 25,129,411	\$ 2,407,097	\$ 27,536,508
Accumulated depreciation											
Balance at January 1, 2023	\$ —	\$ 2,554,178	\$ 1,213,735	\$ 8,194,551	\$ 266,434	\$ 1,430,697	\$ 418,005	\$ 278,773	\$ 14,356,373	\$ 474,412	\$ 14,830,785
Translation adjustment	—	(22,237)	(14,877)	(94,976)	(1,324)	(4,412)	(7,562)	(2,619)	(148,007)	(26,424)	(174,431)
Depreciation for the year	—	295,441	60,170	250,206	774	21,946	38,101	—	666,638	619,174	1,285,812
Disposals	—	—	(7,619)	(9,559)	—	—	—	—	(17,178)	—	(17,178)
Balance at December 31, 2023	\$ —	\$ 2,827,382	\$ 1,251,409	\$ 8,340,222	\$ 265,884	\$ 1,448,231	\$ 448,544	\$ 276,154	\$ 14,857,826	\$ 1,067,162	\$ 15,924,988
Translation adjustment	—	86,011	56,802	374,036	4,826	16,438	28,787	9,550	576,450	111,227	687,677
Depreciation for the year	—	281,472	69,221	220,436	715	21,644	19,945	—	613,433	664,646	1,278,079
Disposals	—	—	—	—	—	—	—	—	—	(219,938)	(219,938)
Balance at December 31, 2024	\$ —	\$ 3,194,865	\$ 1,377,432	\$ 8,934,694	\$ 271,425	\$ 1,486,313	\$ 497,276	\$ 285,704	\$ 16,047,709	\$ 1,623,097	\$ 17,670,806
Net book value at											
December 31, 2023	\$ 2,557,424	\$ 4,713,014	\$ 381,008	\$ 1,091,677	\$ 8,249	\$ 25,754	\$ 101,481	\$ 2,919	\$ 8,881,526	\$ 1,320,491	\$ 10,202,017
Net book value at December 31, 2024	\$ 2,662,842	\$ 4,680,237	\$ 478,114	\$ 1,135,673	\$ 7,534	\$ 29,143	\$ 85,240	\$ 2,919	\$ 9,081,702	\$ 784,000	\$ 9,865,702

(1) Right of Use assets includes warehouse facility and forklift leases

The Company's carrying cost for property and equipment include \$6,269,335 (2023 - \$4,523,865) of fully depreciated property and equipment that is still in use.

6. LEASE LIABILITIES

The Company leases buildings for its office and warehouse space requirements, and also leases manufacturing and other equipment. The leases for buildings typically run for a period of one year to four years, while the leases for manufacturing and other equipment typically run for one year to three years. Some leases include an option to renew or extend the lease for an additional period of the same duration or some other specified term at the end of the contract term. The Company recognizes a lease liability and a right-of-use (“ROU”) asset at the commencement of the lease.

ROU assets recognized from the Company’s lease arrangements are presented on the statements of financial position within right-of-use assets. The carrying amount of these ROU assets as at December 31, 2024 was \$784,000 (2023 - \$1,320,491).

Maturity analysis - contractual undiscounted cash flows	December 31 2024	December 31 2023
Less than one year	\$ 595,681	\$ 724,977
One year to five years	330,569	844,526
More than five years	—	—
Total undiscounted lease liabilities	\$ 926,250	\$ 1,569,503
Lease liabilities		
Current portion of lease liabilities	\$ 555,004	\$ 640,179
Long-term portion of lease liabilities	317,049	794,056
Total lease liabilities	\$ 872,053	\$ 1,434,235
Opening balance	\$ 1,434,235	\$ 1,730,301
Additions	61,149	341,529
Accretion of lease liabilities	(701,709)	(582,870)
Foreign currency translation adjustment	78,378	(54,725)
Ending balance	\$ 872,053	\$ 1,434,235

Information about the leases for which the Company is a lessee is presented below:

	December 31 2024	December 31 2023
Amounts recognized in profit		
Expenses related to short-term leases	\$ 282,430	\$ 192,407
Interest on lease liabilities	60,294	130,007
Lease amounts recognized in profit or loss	\$ 342,724	\$ 322,414

The interest rates implicit in the leases were not readily determinable, so the Company used incremental borrowing rates (IBR) ranging between 6.90% and 10.24% for the year ended 2024, and 7.16% and 9.75% for the year ended 2023 to calculate the present value of the lease payments.

7. BANK INDEBTEDNESS

Bank indebtedness recorded in the consolidated statements of financial position is as follows:

	December 31 2024	December 31 2023
ABL Facility	\$ 13,407,764	\$ 22,157,164
BCAP Loan	3,877,315	4,571,759
Cash and cash equivalents	(460,385)	(3,462,572)
	\$ 16,824,694	\$ 23,266,351

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

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

7. BANK INDEBTEDNESS (CONT'D)

The Company maintains an ABL Facility with a borrowing availability of \$37,500,000 (2023 - \$37,500,000). The ABL Facility is secured by the Company's accounts receivable and inventory. On May 15, 2024, the Company amended its ABL Facility agreement to implement a revised cumulative EBITDA covenant, in addition to increasing the availability block to \$3.5M (2023 – 2.0M). The agreement matures on April 30, 2026. In addition, the interest rate will be determined on a tiered system based on the ratio of the average consecutive five day total excess availability to the average daily borrowing base, as outlined in the table below:

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

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

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities recorded in the consolidated statements of financial position are as follows:

	December 31 2024	December 31 2023
Trade accounts payable	\$ 11,180,979	\$ 11,025,443
Accrued liabilities	1,488,477	1,444,157
Allowance for sales returns	1,331,462	1,678,722
	\$ 14,000,918	\$ 14,148,322

9. TERM DEBT

	December 31 2024	December 31 2023
Canadian Western Bank Facility 20 year, \$6M term loan, bearing an interest rate of 5.61% per annum on a five year term, repayable monthly payments of \$41,634. Loan matures May 1, 2042. Canadian Western Bank 20 year \$1.319M term loan, bearing a fixed interest rate of 6.62% on a two year term. Loan matures Oct 1, 2042	\$ 6,784,818	\$ 7,001,997
Less: transaction costs	44,367	64,331
	6,740,451	6,937,666
Less: current portion	6,740,451	206,819
	\$ —	\$ 6,730,847
Changes in financing activities		
	December 31 2024	December 31 2023
Long-term debt balance January 1	\$ 6,937,666	\$ 7,123,674
Cash movements		
Debt repayments	(217,179)	(206,116)
Debt advances	—	—
Loss on Extinguished Debt	—	—
Non-cash movements		
Amortization of non-cash interest	19,964	20,108
	\$ 6,740,451	\$ 6,937,666

Canadian Western Bank

On May 9, 2022, the Company signed an agreement with Canadian Western Bank (“CWB”) to refinance its subordinated debt. The financing consists of a \$6 million, 20 year fixed term loan and bears a current 5 year fixed interest rate of 5.61% per annum. On October 24, 2022 a second tranche of financing was signed with CWB for the purchase of a warehouse facility, located in Midland Texas, in the amount of \$1,319,000. The second tranche financing consists of a 20 year term loan and bears a current 2 year fixed interest rate of 6.62% per annum. This loan is secured by a first demand collateral mortgage over all owned lands and premises; assigned by the Company to CWB of all risk insurance in the amounts and from an insurer acceptable to CWB, on all Company real property, without limitation lands, buildings, fixtures and equipment owned by the Company, showing CWB as first loss payee. The CWB Term Loan includes a tangible net worth covenant of \$9,295,000 and a fixed charge coverage ratio covenant of no less than 1.10, both tested annually. Transaction costs of \$91,793.81 were incurred as part of the refinancing, and are being amortized over the term of the agreement.

9. TERM DEBT (CONT'D)

At December 31, 2024, the CWB Debt agreement, as written, contained certain financial covenants to maintain:

- (i) A tangible net worth greater than 9,250,000 December 31, 2024;
- (ii) A fixed charge coverage ratio at December 31, 2024

At December 31, 2024, the Company was not in compliance with the fixed charge coverage ratio covenant. The failure to meet these covenants constitutes a breach under the terms of the debt agreements. As a result, the lenders have the right to demand immediate repayment of the outstanding amounts, the full principal amount of the Term loan is classified as a current liability on the Company's statement of financial position.

As of the date of issuance of these financial statements, no waiver has been provided. As a result, as at December 31, 2024, the full principal amount of the Term loan was classified as a current liability on the Company's statement of financial position.

10. INCOME TAXES

The provision for income taxes differs from what would be expected by applying statutory rates. A reconciliation of the difference is as follows:

	December 31 2024	December 31 2023
Statutory income tax rate at 23% (2023 - 23%) for the years ended:	\$ (1,142,394)	\$ 338,222
Increase (decrease) resulting from:		
Tax rate differential	(49,677)	10,743
Adjustment relating to prior periods	(13,872)	15,468
Other	—	—
Impact of change in tax rates	18,943	108,354
Impact of permanent differences	103,215	(180,369)
Impact of fluctuations in foreign exchange rates	(302)	(1,036)
Change in recognition of deferred tax assets	(34,713)	204,653
Expected tax expense	\$ (1,118,800)	\$ 496,035
Provision for income taxes:		
Current period tax expense	\$ 147,972	\$ 43,159
Adjustment for prior periods	\$ (1,046)	\$ —
	\$ 146,926	\$ 43,159
Tax expense comprises:		
Current tax (recovery) expense		
Current period tax	\$ 146,926	\$ 43,159
Origination and reversal of temporary differences	\$ (1,172,118)	\$ 223,452
Tax rate differential	\$ (49,677)	10,743
Adjustment for prior period	\$ (13,872)	15,468
Change in recognition of deferred tax assets	\$ (34,713)	204,653
	(1,270,380)	454,316
Total tax expense (recovery)	\$ (1,123,454)	\$ 497,475

10. INCOME TAXES (CONT'D)

The deferred tax asset recorded in the consolidated statement of financial position is as follows:

	December 31 2024	December 31 2023
Accounts receivable	\$ 391,785	139,385
Inventory	807,554	900,496
Intangible assets	483,313	580,819
Interest	551,390	171,717
Accrued liabilities	52,847	68,737
Lease liabilities	195,280	325,487
Non-capital losses and tax credits	3,323,756	2,126,990
Prepaid expenses	(15,267)	(17,876)
Property, equipment, and right of use assets	(218,475)	(383,610)
Total deferred tax assets and liabilities	\$ 5,572,183	\$ 3,912,145

For the year ended December 31, 2024, the Company did not recognize deferred tax assets in respect of \$1,449,716 (2023 - \$319,970) Canadian deductible temporary differences as their realization was not considered probable. No US deductible temporary differences were unrecognized in 2024 (2023 - nil).

The Company has Canadian non-capital losses of \$22,674,042 (2023 - \$23,897,823) which expire between 2032 and 2047. The Company has US non-capital losses of \$13,888,423 (2023 - \$8,835,731) available to reduce future taxable income, with \$282,071 expiring between 2035 and 2037 and \$13,606,352 which have an indefinite life.

11. SHARE CAPITAL

Authorized

Unlimited number of voting common shares no par value.

Unlimited number of preferred shares issued in series.

Issued, fully paid and outstanding

	Number	Amount
Balance, January 1, 2024	26,432,981	\$ 33,939,875
Balance, December 31, 2024	26,432,981	\$ 33,939,875
Balance, January 1, 2023	26,432,981	\$ 33,939,875
Balance, December 31, 2023	26,432,981	\$ 33,939,875

Cumulative share issuance costs of \$1,643,188, net of tax, are included in share capital. For the year ended December 31, 2024 and 2023, no shares were issued.

12. SHARE-BASED PAYMENTS

Share-based payment plan

The Company's Stock Option Plan (the "Plan") provides for the granting of stock options to directors, officers, consultants and employees of the Company and its affiliates. The expiry date and price payable upon the exercise of any option granted are fixed by the Board of Directors at the time of grant, subject to regulatory requirements. Options granted under the plan are vested under such times as determined by the Board of Directors, which are typically one to three years, subject to regulatory requirements. On May 14, 2012 the directors of the Company approved a new Plan.

Under this Plan, the maximum number of common share issuable pursuant to the new Plan together with all other share-based compensation arrangements of the Company is a rolling maximum equal to 10% of total outstanding common shares on a non-dilutive basis. Upon exercise, cancellation or expiration of any options, the common shares subject to such options shall be available for other options to be granted from time to time. As at December 31, 2024, the Plan permits the authorization to grant stock options up to a maximum of 2,823,298 common shares of the Company (December 31, 2023 - 2,823,298). All share-based employee remuneration would be settled in equity.

12. SHARE-BASED PAYMENTS (CONT'D)

Options to employees and directors

Options outstanding at December 31, 2024 consisted of the following:

			Number of options	Weighted average exercise price	Weighted average contractual life (years)
Outstanding, January 1, 2024			310,000	\$ 0.45	2.5
Issued			—	—	—
Expired			(180,000)	(0.76)	—
Cancelled			—	—	—
Outstanding, December 31, 2024			130,000	\$ 0.01	2.1
Options exercisable, December 31, 2024			130,000	\$ 0.01	2.1
Outstanding, January 1, 2023			490,000	\$ 0.85	1.60
Issued			—	\$ -	-
Expired			(180,000)	(0.40)	—
Cancelled			—	—	—
Outstanding, December 31, 2023			310,000	\$ 0.45	2.5
Options exercisable, December 31, 2023			310,000	\$ 0.45	2.5

Month and year of grant	Options outstanding	Options vested	Vesting period	Exercise price	Remaining life (years)	Expiry date
August 2015	30,000	30,000	2018	\$ 0.44	0.5	2025
May 2021	100,000	100,000	2024	\$ 0.12	6.5	2031
	130,000	130,000				

During the years ended December 31, 2024, and December 31, 2023, no stock options were granted under the plan. During the year ended December 31, 2024, \$385 (December 31, 2023 - \$1,733) of compensation expense was recognized in relation to the share-based payment plan to employees and directors.

13. NET (LOSS) / PROFIT PER SHARE

Both basic and diluted profit per share were calculated using net profit attributable to shareholders of the Company as the numerator.

	December 31 2024	December 31 2023
Net (loss) profit	\$ (3,851,427)	\$ 909,411
Basic weighted average number of ordinary shares	26,432,981	26,432,981
Dilutive options issued and outstanding	100,000	100,000
Operating profit / (loss) ⁽¹⁾	26,532,981	26,532,981
Basic (loss) profit per share	\$ (0.15)	\$ 0.03
Diluted (loss) profit per share	(0.15)	\$ 0.03

For the years ended December 31, 2024 and December 31, 2023 there were no warrants exercised.

14. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Chief Executive Officer and Chief Financial Officer. The chief operating decision-makers consider the business from both a geographic and a product perspective. From a geographic perspective, management considers the performance in Canada and the USA. From a product perspective, management considers the fluids distribution, and fluids blending & packaging markets in these geographies. The chief operating decision-makers assess the performance of the operating segments based on EBITDA. This measurement basis excludes from net profit the effects of interest, taxes, amortization and depreciation, and the effect of equity-settled share-based payments. Corporate overhead costs, interest income and expenditure, excluding interest expense on finance leases, are not allocated to segments, as these types of activity are driven by the central treasury function, which manages the cash position of the Company. The amounts provided to the chief operating decision-makers with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

14. SEGMENT REPORTING (CONT'D)

The Company has five reportable segments: Fluids Distribution Canada, Fluids Distribution USA, Fluids Blending & Packaging Canada, Fluids Blending & Packaging USA, and Other. The Other segment represents insignificant segments and all remaining costs not directly attributable to an operating segment, such as corporate overhead. Revenues between Fluids Blending & Packaging Canada and Fluids Distribution Canada are recorded at market value.

The revenue from external parties reported to the chief operating decision-makers is measured in a manner consistent with that in the consolidated statement of operations. Selected financial information by reportable segment is as follows:

For the year ended December 31, 2024	Fluids Distribution			Fluids Blending & Packaging			Other	Consolidated
	Canada	USA	Total	Canada	USA	Total		
Total revenues	\$ 10,504,225	\$ 47,669,085	\$ 58,173,310	\$ 19,343,078	\$ 7,389,888	\$ 26,732,966	\$ —	\$ 84,906,276
Revenues from internal customers	732,338	(10,214)	\$ 722,124	1,111,531	—	\$ 1,111,531	—	1,833,655
Revenues from external customers	9,771,887	47,679,299	57,451,186	18,231,547	7,389,888	25,621,435	—	83,072,621
Cost of sales	9,557,513	39,397,898	48,955,411	13,571,601	6,141,638	19,713,239	—	68,668,650
Operating profit / (loss) ⁽¹⁾	(1,972,632)	(2,019,783)	(3,992,415)	778,499	(793,892)	(15,393)	3,684,437	(323,371)
Amortization and depreciation	102,282	800,913	903,195	69,516	105,657	175,173	199,711	1,278,079
Interest	8,962	55,228	64,190	—	(5,798)	(5,798)	3,315,039	3,373,431
Income tax expense / (recovery)	—	2,190	2,190	105,432	34,473	139,905	(1,265,549)	(1,123,454)
Segment profit (loss)	\$ (2,083,876)	\$ (2,878,114)	\$ (4,961,990)	\$ 603,551	\$ (928,224)	\$ (324,673)	\$ 1,435,236	\$ (3,851,427)
Segment assets	\$ 10,191,863	\$ 28,796,943	\$ 38,988,806	\$ 6,310,807	\$ 2,614,575	\$ 8,925,382	\$ 10,251,829	\$ 58,166,017
Capital expenditures	\$ 1,308	\$ 143,276	\$ 144,584	\$ 116,324	\$ 106,700	\$ 223,024	\$ 46,479	\$ 414,087

For the year ended December 31, 2023	Fluids Distribution			Fluids Blending & Packaging			Other	Consolidated
	Canada	USA	Total	Canada	USA	Total		
Total revenues	\$ 14,872,276	\$ 63,991,002	\$ 78,863,278	\$ 19,726,978	\$ 11,446,742	\$ 31,173,720	\$ —	\$ 110,036,998
Revenues from internal customers	633,628	—	\$ 633,628	3,368,173	—	\$ 3,368,173	—	4,001,801
Revenues from external customers	14,238,648	63,991,002	78,229,650	16,358,805	11,446,742	27,805,547	—	106,035,197
Cost of sales	11,952,547	53,487,518	65,440,065	12,657,499	9,207,793	21,865,292	—	87,305,357
Operating profit / (loss) ⁽¹⁾	791,907	2,915,183	3,707,090	141,546	844,480	986,026	1,883,350	6,576,466
Amortization and depreciation	33,103	834,892	867,995	55,020	169,814	224,834	195,488	1,288,317
Interest	903,195	128,925	1,032,120	237,793	15,625	253,418	2,595,725	3,881,263
Income tax expense / (recovery)	—	393	393	(19,061)	1,081	(17,980)	515,062	497,475
Segment profit (loss)	\$ (144,391)	\$ 1,950,973	\$ 1,806,582	\$ (132,206)	\$ 657,960	\$ 525,754	\$ (1,422,925)	\$ 909,411
Segment assets	\$ 12,345,731	\$ 37,589,083	\$ 49,934,814	\$ 6,836,709	\$ 2,383,968	\$ 9,220,677	\$ 9,216,327	\$ 68,371,818
Capital expenditures	\$ 81,223	\$ 301,814	\$ 383,037	\$ 247,755	\$ 15,980	\$ 263,735	\$ 41,508	\$ 688,280

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

14. SEGMENT REPORTING (CONT'D)

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

	December 31 2024	December 31 2023
Revenue		
Canada	\$ 28,003,434	\$ 30,597,453
United States	55,069,187	75,437,744
	\$ 83,072,621	\$ 106,035,197
Non-current assets		
Canada	\$ 4,046,862	\$ 9,615,731
United States	11,419,268	4,524,393
	\$ 15,466,130	\$ 14,140,124

During the year ended December 31, 2024 one customer of the Company's USA Fluids distribution represented \$13,775,916 (2023 - \$15,778,290) or 16.5% (2023 – 14.9%) of the consolidated revenues.

	December 31 2024	December 31 2023
Revenue from contracts with customers		
Sale of drilling fluids and blended drilling fluid products	\$ 82,535,466	\$ 105,242,082
Freight revenue	537,156	793,115
Total revenue	\$ 83,072,622	\$ 106,035,197

The timing of recognition for all revenue from contracts with customers is at a point in time.

15. FINANCIAL INSTRUMENTS

A. CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	Note	December 31 2024	December 31 2023
Financial Assets - Amortized Cost			
Accounts receivable	3	\$ 17,935,856	\$ 24,943,378
Financial Liabilities - Amortized Cost			
Bank indebtedness	7	16,824,694	23,266,351
Accounts payable and accrued liabilities	8	14,000,918	14,148,322
Long-term debt	9	6,740,451	6,937,666
		\$ 37,566,063	\$ 44,352,339

15. FINANCIAL INSTRUMENTS (CONT'D)

All of the Company's financial instruments are initially recognized at fair value. Financial instruments are classified as being measured at "amortized cost", "fair value through profit or loss" (FVTPL) or "fair value through other comprehensive income" (FVTOCI) based on the substance of the instrument contract and the business objective for holding the financial instrument. Financial instruments are classified as being measured at amortized cost if the Company holds the financial instrument only to collect contractual cash flows and if the cash flows are principal and interest payments only. The effective interest method is used to amortize financial liabilities measured under amortized cost.

Financial instruments are classified as being measured at FVTOCI if the cash flows are for the payment of principal and interest, and the Company's objective is to collect the contractual cash flows and sell the financial instrument. While the standard allows the Company to designate some equity instruments as being measured at FVTOCI, the Company has not classified any financial instruments under FVTOCI. All other financial instruments that do not meet the classification criteria to be measured at amortized cost or at FVTOCI, such as derivatives, are classified as being measured at FVTPL. While the standard allows the Company to designate a financial instrument as being measured at FVTPL at initial recognition, the Company has not classified any financial instrument under FVTPL.

The Company derecognizes a financial asset when the contractual right to the cash flows from the asset expires, or it transfers the right to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset, and the net amount presented in the balance sheet when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following financial assets and liabilities recognized at amortized cost:

Accounts receivables

The Company's financial assets have fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value, adjusted for any directly attributable transaction costs. Subsequent to initial recognition, accounts receivables are measured at amortized cost using the effective interest method, less any impairment losses recognized using the Expected Credit Loss model required under IFRS 9.

15. FINANCIAL INSTRUMENTS (CONT'D)

Bank indebtedness, accounts payable and accrued liabilities, and long-term debt

Financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Financial liabilities, including the ABL Facility, BCAP Loan and CWB Financing, are subsequently measured at amortized cost using the effective interest method. Transaction costs incurred with respect to these facilities are deferred and amortized using the straight-line method over the term of the facility against the related debt.

B. FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company is exposed to various risks in relation to financial instruments. These risks include credit risk, interest rate risk, currency risk, and liquidity risk. The Company's risk management function is performed by management, with input from the Board of Directors. The Company seeks to minimize the effects of the identified risks by focusing on actively securing short to medium-term cash flows and minimizing exposures to capital markets. The Company does not enter or trade financial instruments, including derivative financial instruments, for speculative purposes.

Credit risk

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

Under IFRS 9 "Financial Instruments" the Company is required to review impairment of its trade and other receivables at each reporting period and to review its loss allowance for expected future credit losses. The Company records a loss allowance for expected credit loss if an account is determined to be uncollectible. Any provisions recorded by the Company are reviewed regularly to determine if any of the balances provided for should be written off. The loss allowance for expected credit loss could materially change as a result of fluctuations in the financial position of the Company's customers. The Company completes a detailed review of its historical credit losses, current and future creditworthiness of customers as part of its impairment assessment. The Company has had minimal historical impairment losses on its trade receivables, due in part to its credit management processes. As such, the Company assesses impairment losses on an individual customer account basis, rather than recognize a loss allowance on all outstanding trade and other receivables.

15. FINANCIAL INSTRUMENTS (CONT'D)

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

	Gross accounts receivable	Loss allowance for expected credit loss	Net accounts receivable
December 31, 2024			
Current	5,674,281	\$ —	\$ 5,674,281
31 to 60 days	5,349,301	—	5,349,301
61 to 90 days	3,512,490	—	3,512,490
91 to 120 days	1,687,678	—	1,687,678
Over 120 days	3,342,261	(1,811,332)	1,530,929
Total	\$ 19,566,012	\$ (1,811,332)	\$ 17,754,680
December 31, 2023			
Current	\$ 8,412,449	\$ —	\$ 8,412,449
31 to 60 days	6,065,911	—	6,065,911
61 to 90 days	4,724,151	—	4,724,151
91 to 120 days	1,662,601	—	1,662,601
Over 120 days	4,483,662	(696,637)	3,787,025
Total	\$ 25,348,774	\$ (696,637)	\$ 24,652,137

Concentration risk in accounts receivable

The entity has a significant concentration of credit risk in its accounts receivable and revenue. As of the reporting date, 45% of the total trade receivables are due from the top five customers. Additionally, one customer represents 16.5% of the total revenue for the reporting period. These customers operate primarily in the oil and gas industries.

Concentration Risk in Accounts Receivable	December 31 2024	December 31 2023
Gross accounts receivable	\$ 19,566,012	\$ 25,348,774
Receivables due from top 5 customers	8,797,490	12,099,058
	45.0%	47.7%

Interest rate risk

The Company is exposed to interest rate risk for borrowings on its ABL Facility and BCAP Loan to the extent that the prime interest rate changes. Based on outstanding borrowings under the ABL Facility, and BCAP as at December 31, 2024, a 25-basis point increase or decrease in the prime interest rate would impact net profit by approximately \$43,152 (December 31, 2023 - impact net profit by approximately \$79,096). The Company's long-term debt on the CWB Term Loan has a fixed interest rate and is therefore not directly exposed to interest rate risk; however, it is subject to interest rate fluctuations relating to refinancing as required.

Currency risk

The Company and its US subsidiaries are subject to foreign currency risk due to its accounts receivable, accounts payable and accrued liabilities, bank indebtedness, long-term debt and lease liabilities denominated in foreign currencies.

15. FINANCIAL INSTRUMENTS (CONT'D)

Therefore, there is a risk of profits fluctuations arising from changes in and the degree of volatility of foreign exchange rates arising on foreign monetary assets and liabilities. An analysis of currency risk for the Company is as follows:

	Foreign currency denominated monetary financial assets	Foreign currency denominated monetary financial liabilities ⁽¹⁾	Position
Balance at December 31, 2024			
USD denominated (USD)	\$ 8,705,542	\$ (26,965,880)	\$ (18,260,338)
Currency translation at December 31, 2024 currency exchange rate (1.4389) (CAD)	12,526,404	(38,801,205)	(26,274,801)
Assuming CAD currency weakens against USD currency by 5% (1.5108) (CAD)	13,152,724	(40,741,265)	(27,588,541)
Impact (CAD)	\$ 626,320	\$ (1,940,060)	\$ (1,313,740)

(1) Foreign currency denominated monetary financial liabilities includes US dollar cash and cash equivalents recorded within bank indebtedness as discussed in Note 7.

For the period ended December 31, 2024, a 5% increase or decrease in the Canadian dollar relative to the US dollar would have impacted net profit by \$1,313,740 (December 31, 2023 - impacted net profit by \$1,972,563) mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated monetary assets and liabilities held in Canadian entities.

Liquidity risk

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

The Company's liquidity and cash flow from operations has been impacted by external factors including further volatility in crude oil prices due to macro-economic uncertainty. Depending on the oil and gas market growth, management has stress tested the Company's liquidity position to meet all commitments as well as created various levels of mitigation actions to respond to sudden reductions in revenue.

The impact that a decline in commodity pricing will have on the Company's business or financial results cannot be reasonably estimated at this time, which in turn could lead to the non-compliance of certain lending covenant on the Company's Credit Facilities, which if not amended or waived, could limit, in part, or in whole, the Company's access to the Credit Facilities and could accelerate repayment.

Cash flows related to bank indebtedness and accounts payable and accrued liabilities included below may occur at different times or amounts. A maturity analysis of the Company's outstanding obligations at December 31, 2024 is as follows:

15. FINANCIAL INSTRUMENTS (CONT'D)

December 31, 2024	Bank indebtedness	Accounts payable and accrued liabilities	Long-term debt	Lease liabilities ⁽¹⁾	Total
2025	\$ 16,824,694	\$ 13,560,918	6,740,451	555,004	37,681,067
2026	—	—	—	271,131	271,131
2027	—	—	—	45,918	45,918
2028	—	—	—	—	—
2029	—	—	—	—	—
Thereafter	—	—	—	—	—
Total	\$ 16,824,694	\$ 13,560,918	\$ 6,740,451	\$ 872,053	\$ 37,998,116

(1) Includes interest

C. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of the Company's financial instruments approximates 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. The carrying amount of accounts receivable, accounts payable and accrued liabilities approximate their fair value due to their short-term maturities. The fair values of the Company's Credit Facilities are not materially different from their carrying amounts, since the interest payable on those borrowings is close to current market rates.

16. SUPPLEMENTAL CASH FLOW INFORMATION

	December 31 2024	December 31 2023
Accounts receivable	\$ 7,005,239	\$ 5,975,664
Inventories	4,547,552	3,014,418
Prepaid expenses and deposits	(23,266)	180,340
Accounts payable and accrued liabilities	(147,406)	(2,279,930)
Income taxes payable/receivable	76,187	(14,678)
Foreign exchange	—	(248,381)
Change in non-cash working capital	\$ 11,458,306	\$ 6,627,433
Interest paid	\$ 3,104,736	\$ 3,881,263

17. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The following table summarizes expenses related to key management personnel:

	December 31 2024	December 31 2023
Salaries including bonuses (included within salaries and benefits)	\$ 737,348	\$ 801,527
Directors' fees (included within salaries and benefits)	145,500	144,000
Total remuneration	\$ 882,848	\$ 945,527

The remuneration of directors and key executives is determined by the executive compensation committee having regard to the performance of individuals and market trends.

Transactions with related entities

For the year ended December 31, 2024, the Company incurred shared office costs of \$24,000 (December 31, 2023 - \$24,000) in Selling, general, and administration expenses that were paid to a related company controlled by an officer of Bri-Chem. These services are provided in the normal course of business and are at market rates.

18. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The total capital structure of the Company is as follows:

	December 31 2024	December 31 2023
Bank indebtedness	\$ 16,824,694	\$ 23,266,351
Term debt	6,740,451	6,937,666
Lease Liabilities	872,053	1,434,235
Equity	19,608,936	22,542,466
Total capital	\$ 44,046,134	\$ 54,180,718

Management has several objectives when managing the capital structure of the Company which include:

Safeguarding the entity's ability to continue as a going concern so that it continues to provide adequate returns to shareholders; maintaining balance sheet strength so that the Company's strategic objectives are met; and maintaining investor, creditor, and market confidence to sustain future development of the business.

The Company manages its capital structure based on current economic conditions, the risk characteristics of the underlying assets, and planned capital requirements within guidelines approved by its Board of Directors. Total capitalization is adjusted by drawing on existing

debt facilities, issuing new debt or equity securities when opportunities are identified, and through disposition of underperforming assets to reduce debt when required.

As at December 31, 2024, the Company had \$5,295,737 (December 31, 2023 - \$6,525,601) of undrawn credit on the ABL Facility and BCAP loan. Aside from the capital requirements associated with its ABL Facility, BCAP Loan and CWB Term Loan as disclosed in Notes 7 and 9, the Company is not subject to any other external capital requirements.

19. GOVERNMENT ASSISTANCE

During the year 2024, the Company has recognized no proceeds from the Employee Retention Credit (“ERTC”), (2023 - \$321,605). The amount has been recognized as a reduction to Salaries and Benefits in the Consolidated Statement of Operations. There are no unfulfilled conditions attached to the subsidy recognized in income.

20. SUBSEQUENT EVENT

On February 27, 2025 the Company amended its ABL facility agreement with CIBC to maintain a prescribed minimum cumulative EBITDA covenant, commencing January 30, 2025. The fixed charge ratio covenant will not be reinstated until the Company achieves a ratio of 1.0 for two consecutive months.

On March 24, 2025 the Company obtained a waiver from CWB for the annually tested cash flow coverage ratio covenant for the period ending December 31, 2024. The waiver is limited to the breach and shall not be construed to mean a permanent waiver of the breach or any other terms, covenants or obligations under the CWB Debt Agreement.

(signed) “Don Caron”
Don Caron, Director

(signed) “Eric Sauze”
Eric Sauze, Director