BRI-CHEM

Interim Condensed Consolidated Financial Statements (Unaudited)

Q3 2024

September 30, 2024
(Expressed in Canadian Dollars)

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

	Note	Three months ended September 30 2024	Three months ended September 30 2023	Nine months ended September 30 2024	Nine months ended September 30 2023
Sales		**$ 21,975,494**	$ 26,829,832	**$ 62,452,485**	$ 79,260,004
Cost of sales		**18,157,907**	21,936,100	**50,757,662**	64,798,334
Gross margin		**3,817,587**	4,893,732	**11,694,823**	14,461,670
Expenses					
Salaries and benefits		**1,881,280**	1,885,737	**5,571,347**	5,582,731
Selling, general and administration		**1,395,162**	1,502,874	**4,449,088**	4,225,788
Depreciation on property and equipment		**307,310**	319,811	**964,772**	955,294
		3,583,752	3,708,422	**10,985,207**	10,763,813
Operating earnings		**233,835**	1,185,310	**709,616**	3,697,857
Financing costs		**787,982**	1,005,081	**2,669,787**	2,880,015
Foreign exchange gain (loss)		**(46,019)**	454,153	**823,714**	14,723
		741,963	1,459,234	**3,493,501**	2,894,738
Net (loss) earnings before income taxes		**(508,128)**	(273,924)	**(2,783,885)**	803,119
Income tax expense (recovery)					
Current		**41,053**	19,234	**115,959**	(8,708)
Deferred		**(280,354)**	82,652	**(637,039)**	369,448
		(239,301)	101,886	**(521,080)**	360,740
Net (loss) earnings		**$ (268,827)**	(375,810)	**$ (2,262,805)**	442,379
Other comprehensive income (loss)					
Foreign currency translation adjustment		**(79,145)**	638,865	**967,790**	(69,737)
Total comprehensive (loss) income		**$ (347,972)**	$ 263,055	**$ (1,295,015)**	$ 372,642
Net (loss) earnings per share					
Basic	**7**	**$ (0.01)**	$ (0.01)	**$ (0.09)**	$ 0.02
Diluted	**7**	**$ (0.01)**	$ (0.01)	**$ (0.09)**	$ 0.02

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

Interim Condensed Consolidated Statements of Financial Position
(Canadian dollars)
(unaudited)

	Note	September 30 2024	December 31 2023
Assets			
Current assets			
Inventories		23,998,865	28,849,552
Accounts receivable	4	$ 18,076,944	$ 24,943,378
Prepaid expenses and deposits		572,733	438,764
Income tax receivable		$ —	$ —
		42,648,542	54,231,694
Non-current assets			
Property and equipment		8,898,114	8,881,526
Deferred tax assets		4,626,829	3,912,145
Right-of-use assets		900,920	1,320,491
Other long-term assets		26,498	25,962
		$ 57,100,903	$ 68,371,818
Liabilities			
Current liabilities			
Bank indebtedness	5	$ 14,944,348	$ 23,266,351
Accounts payable and accrued liabilities		13,033,779	14,148,322
Current portion of lease liabilites		607,675	640,179
Current portion of long-term debt	6	227,914	206,819
Income tax payable		94,543	42,778
		28,908,259	38,304,449
Non-current liabilities			
Long-term debt	6	6,563,670	6,730,847
Lease liabilities		381,138	794,056
		35,853,067	45,829,352
Equity			
Share capital		33,939,875	33,939,875
Contributed surplus		4,045,560	4,045,175
Deficit		(14,849,546)	(12,586,741)
Accumulated other comprehensive loss		(1,888,053)	(2,855,843)
		21,247,836	22,542,466
		$ 57,100,903	$ 68,371,818

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

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

	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive (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	—	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	—	385	—	—	385
Total comprehensive (loss) income	—	—	(2,262,805)	967,790	(1,295,015)
Balance at September 30, 2024	**$ 33,939,875**	**$ 4,045,560**	**$ (14,849,546)**	**$ (1,888,053)**	**$ 21,247,836**

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

Interim Condensed Consolidated Statements of Cash Flows
(Canadian dollars)
(unaudited)

For the nine months ended	Note	September 30 2024	September 30 2023
Operating activities			
Net earnings		**$ (2,262,805)**	$ 442,379
Adjustments for:			
Depreciation on property and equipment		**964,772**	955,294
Amortization of debt related transaction costs		**51,588**	54,486
Foreign exchange loss (gain) on debt		**640,787**	(6,332)
Unrealized foreign exchange loss (gain)		**56,047**	28,560
Interest on debt and finance leases	**10**	**2,618,199**	2,375,071
Gain on disposal of equipment		**—**	(14,480)
Stock-based compensation		**385**	1,444
Tax (recovery) expense		**(662,919)**	363,482
Change in non-cash working capital	**10**	**10,468,074**	1,635,083
Total cash provided by operating activities		**11,874,128**	5,834,987
Financing activities			
(Repayment) / advances on bank indebtedness		**(8,586,027)**	(2,641,486)
Interest paid on debt and finance leases		**(2,413,335)**	(2,148,278)
Repayment of obligations under finance lease		**(324,134)**	(447,553)
Repayment of long-term debt		**(161,165)**	(153,198)
Total cash (used in) financing activities		**(11,484,661)**	(5,390,515)
Investing activities			
Proceeds on sale of property and equipment		**—**	14,480
Purchases of property and equipment		**(389,467)**	(458,952)
Total cash (used in) investing activities		**(389,467)**	(444,472)
Net change in cash and cash equivalents		**—**	—
Cash and cash equivalents, beginning of the period		**—**	—
Cash and cash equivalents, end of the period		**$ —**	$ —

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

1. DESCRIPTION OF BUSINESS

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

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

2. BASIS OF PRESENTATION

a) Statement of Compliance

These unaudited interim condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board. The unaudited interim condensed consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2023 and notes thereto as filed on SEDAR at www.sedarplus.ca. However, selected notes are included that are significant to understanding the Company's financial position and performance since the last annual consolidated financial statements.

These unaudited interim condensed financial statements were approved for issuance by Bri-Chem's Board of Directors on November 12, 2024, and are presented in Canadian dollars, which is Bri-Chem's functional currency.

b) Principles of Consolidation

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

c) Going Concern

These interim condensed consolidated financial statements were prepared on a going concern basis which contemplates the realization of assets and satisfaction of liabilities in the normal course of business for the foreseeable future. For the 9 months ended September 30, 2024, the Company realized a net loss of $2,262,805 (September 30, 2023 – net earnings of $442,379) and accumulated deficit and other comprehensive loss of $16,737,599 (September 30, 2023 – $15,204,656).

2. BASIS OF PRESENTATION (CONT'D)

c) Going Concern (Cont'd)

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

The Company's ability to continue as a going concern is dependent on its ability to access it's lending facilities, generate future net profit, and realize cash from operating activities. As of September 30, 2024 the Company is in compliance with all its covenants. The Company's ability to continue as a going concern could be impacted if the Company is unable to secure a renewal or obtain a similar facility from another lender. These financial statements do not reflect the adjustments and classifications to assets, liabilities, revenues, and expenses that would be necessary if the Company were unable to continue as a going concern. Such adjustments could be material.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 2 to the audited financial statements for the fiscal year ended December 31, 2023, have been consistently followed in preparation of these interim condensed consolidated financial statements.

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

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

Amendments to IAS 21 – Lack of Exchangeability

The amendments to IAS 21 provide additional guidance on when a currency is exchangeable and on how to determine the exchange rate when it is not. The amendments also require the disclosure of additional information when a currency is not considered exchangeable. The amendments are applied prospectively for annual periods beginning on or after 1 January 2025, with early application permitted. No significant impact to the Company's financial statements is expected.

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

Implementation of IFRS 18 – Presentation and Disclosure of Financial Statements

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

Implementation of IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information - and IFRS S2 – Climate-related Disclosures

The adoption of IFRS S1 and S2 will introduce new requirements surrounding sustainability and climate-related disclosures for annual reporting purposes. The Canadian Sustainability Standards Board proposed Canadian-specific modifications to the standards issued by the International Sustainability Standards Board in June 2023. The Canadian specific versions of IFRS S1 and S2 are expected to be available for voluntary adoption starting January 1, 2025. The Canadian Securities Administrators have not yet confirmed whether the new standards will be mandatory for Canadian reporting issuers. The Corporation is currently assessing the expected impact of adopting these standards.

4. ACCOUNTS RECEIVABLE

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

	September 30 2024	December 31 2023
Trade accounts receivable	**$ 19,310,372**	$ 25,348,774
Allowance for doubtful accounts	**(1,573,366)**	(696,637)
Trade accounts receivable, net	**17,737,006**	24,652,137
Other receivables	**339,938**	291,241
Accounts receivable	**$ 18,076,944**	$ 24,943,378

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

	September 30 2024	December 31 2023
Balance, beginning of year	**$ 696,637**	$ 1,031,090
Bad debts	**969,928**	244,981
Receivables written off	**(93,199)**	(249,545)
(Recovery) of bad debts	**—**	(329,889)
Balance, end of quarter	**$ 1,573,366**	$ 696,637

4. ACCOUNTS RECEIVABLE (CONT'D)

The Company pledged its accounts receivables with a carrying amount of $15,062,756 (December 31, 2023 - $17,872,824) as collateral for the ABL Facility described in Note 5.

5. BANK INDEBTEDNESS

	September 30 2024	December 31 2023
ABL Facility	$ 11,493,798	$ 22,157,164
BCAP Loan	4,050,926	4,571,759
Cash and cash equivalents	(600,376)	(3,462,572)
	$ 14,944,348	$ 23,266,351

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

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

The Company maintains an ABL Facility with a borrowing availability of $37,500,000. On May 15, 2024, the Company amended it's ABL Facility agreement to implement a revised cumulative EBITDA covenant, in addition to increasing the availability block from $2.5M to $3.5M. As of September 30, 2024, the Company was in compliance with its covenant, tested monthly through the ABL facility. The agreement matures on October 31, 2024. In addition, the interest rate will be determined on a tiered system based on the ratio of the average consecutive five day total excess availability to the average daily borrowing base, as outlined in the table below:

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

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

6. LONG-TERM DEBT

	September 30 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 $1.319M term loan, bearing a fixed interest rate of 6.62% on a two year term. Loan matures Oct 1, 2042	**$ 6,840,832**	$ 7,001,997
Less: transaction costs	**49,248**	64,331
	6,791,584	6,937,666
Less: current portion	**227,914**	206,819
	$ 6,563,670	$ 6,730,847

Changes in financing activities

	September 30 2024	December 31 2023
Long-term debt balance January 1	**$ 6,937,666**	$ 7,123,674
Cash movements		
Debt repayments	**(161,165)**	(206,116)
Debt advances	**—**	—
Loss on Extinguished Debt	**—**	—
Non-cash movements		
Amortization of non-cash interest	**15,083**	20,108
	$ 6,791,584	$ 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 cash flow coverage ratio covenant of no less than 1.10, both tested annually. Transaction costs of $91,794 were incurred as part of the refinancing, and are being amortized over the term of the agreement.

6. LONG-TERM DEBT (CONT'D)

The CWB Term Loan is secured by the following: an unlimited corporate guarantee supported by a general security agreement from all entities within the group, only to a prior charge from the ABL facility, first demand collateral mortgage over all owned lands and only to a prior charge from the ABL facility, first demand collateral mortgage over all owned lands and premises; assigned by the Company to 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. Transaction costs of $3,500 were incurred as part of this amendment and are being amortized over the term of the agreement.

7. NET (LOSS) EARNINGS PER SHARE

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

For the three months ended	**September 30 2024**	September 30 2023
Net (loss) earnings attributable to the shareholders of the Company	**$ (268,827)**	$ (375,810)
Basic weighted average number of ordinary shares	**26,432,981**	26,432,981
Warrants and options issued and outstanding	**100,000**	100,000
Weighted average number of ordinary shares	**26,532,981**	26,532,981
Basic (loss) earnings per share	**(0.01)**	(0.01)

For the nine months ended	**September 30 2024**	September 30 2023
Net (loss) earnings attributable to the shareholders of the Company	**$ (2,262,805)**	$ 442,379
Basic weighted average number of ordinary shares	**26,432,981**	26,432,981
Dilutive options issued and outstanding	**100,000**	100,000
Diluted weighted average number of ordinary shares	**26,532,981**	26,532,981
Basic (loss) earnings per share	**$ (0.09)**	$ 0.02
Diluted (loss) earnings per share	**(0.09)**	$ 0.02

8. SEGMENT REPORTING

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

8. SEGMENT REPORTING (CONT'D)

For the three months ended September 30, 2024	Fluids Distribution Canada	Fluids Distribution USA	Fluids Distribution Total	Fluids Blending & Packaging Canada	Fluids Blending & Packaging USA	Fluids Blending & Packaging Total	Other	Consolidated
Total revenues	$ 4,068,045	$ 11,720,778	$ 15,788,823	$ 4,997,406	$ 1,823,946	$ 6,821,352	$ —	$ 22,610,175
Revenues from internal customers	252,124	—	252,124	382,559	(2)	382,557	—	634,681
Revenues from external customers	3,815,921	11,720,778	15,536,699	4,614,847	1,823,948	6,438,795	—	21,975,494
Cost of sales	3,658,032	9,818,740	13,476,772	3,305,131	1,376,004	4,681,135	—	18,157,907
Operating earnings / (loss) [(1)]	(487,981)	(332,544)	(820,525)	328,752	(121,913)	206,839	1,200,850	587,164
Amortization and depreciation	26,381	196,680	223,061	18,166	16,237	34,403	49,846	307,310
Interest	2,151	8,427	10,578	—	(8)	(8)	777,412	787,982
Income tax expense (recovery)	—	274	274	35,405	4,316	39,721	(279,296)	(239,301)
Segment profit (loss)	$ (516,513)	$ (537,925)	$ (1,054,438)	$ 275,181	$ (142,458)	$ 132,723	$ 652,888	$ (268,827)
Segment assets	12,141,350	27,472,963	39,614,313	5,971,156	2,614,785	8,585,941	8,900,649	$ 57,100,903
Capital expenditures	$ —	$ 11,319	$ 11,319	$ 14,715	$ 12,231	$ 26,946	$ —	$ 38,266

For the nine months ended September 30, 2024	Fluids Distribution Canada	Fluids Distribution USA	Fluids Distribution Total	Fluids Blending & Packaging Canada	Fluids Blending & Packaging USA	Fluids Blending & Packaging Total	Other	Consolidated
Total revenues	$ 8,312,377	$ 35,742,312	$ 44,054,689	$ 14,470,791	$ 5,447,940	$ 19,918,731	$ —	$ 63,973,420
Revenues from internal customers	569,013	—	$ 569,013	951,922	—	$ 951,922	—	1,520,935
Revenues from external customers	7,743,364	35,742,312	43,485,676	13,518,869	5,447,940	18,966,809	—	62,452,485
Cost of sales	7,215,262	29,406,313	36,621,575	9,877,046	4,259,041	14,136,087	—	50,757,662
Operating earnings (loss)	(1,346,203)	(968,577)	(2,314,780)	688,060	(205,903)	482,157	2,681,893	849,270
Amortization and depreciation	76,224	598,795	675,019	51,322	89,084	140,406	149,347	964,772
Interest	7,287	48,044	55,331	—	(5,760)	(5,760)	2,620,216	2,669,787
Income tax expense / (recovery)	—	1,904	1,904	81,656	29,965	111,621	(634,605)	(521,080)
Segment profit (loss)	$ (1,429,714)	$ (1,617,320)	$ (3,047,034)	$ 555,082	$ (319,192)	$ 235,890	$ 548,340	$ (2,262,805)
Segment assets	$ 12,141,350	$ 27,472,962	$ 39,614,312	$ 5,971,156	$ 2,614,785	$ 8,585,941	$ 8,900,650	$ 57,100,903
Capital expenditures	$ 1,308	$ 131,030	$ 132,338	$ 116,324	$ 106,700	$ 223,024	$ 34,105	$ 389,467

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

8. SEGMENT REPORTING (CONT'D)

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

For the three months ended		September 30 2024		September 30 2023
Revenue				
Canada	$	8,430,768	$	7,824,294
United States		13,544,726		19,005,539
	$	21,975,494	$	26,829,832

For the nine months ended		September 30 2024		September 30 2023
Revenue				
Canada	$	21,262,233	$	22,365,392
United States		41,190,252		56,894,612
	$	62,452,485	$	79,260,004
Non-current assets				
Canada	$	4,120,290	$	9,872,008
United States		10,332,071		4,608,557
	$	14,452,361	$	14,480,565

For the nine months ended September 30, 2024, revenue from one customer amounted to $10,043,240 (September 30, 2023 - $12,337,694), representing 16.1% (September 30, 2023 – 15.6%) of consolidated sales, and 28.1% (September 30, 2023 – 25.8%) of USA Fluid Distribution segmented sales.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Credit risk

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

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

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

September 30, 2024		Gross accounts receivable		Allowance for doubtful accounts		Net accounts receivable
Current		6,518,738	$	—	$	6,518,738
31 to 60 days		5,050,911		—		5,050,911
61 to 90 days		3,805,167		—		3,805,167
91 to 120 days		1,373,387		—		1,373,387
Over 120 days		2,562,168		(1,573,366)		988,802
Total	$	19,310,372	$	(1,573,366)	$	17,737,006
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

Interest rate risk

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

Currency risk

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

Balance at September 30, 2024		Foreign currency denominated monetary financial assets		Foreign currency denominated monetary financial liabilities (1)		Position
USD denominated (USD)	$	(794,636)	$	(21,272,384)	$	(22,067,020)
Currency translation at September 30, 2024 currency exchange rate (1.3499) (CAD)		(1,072,679)		(28,715,592)		(29,788,271)
Assuming CAD currency weakens against USD currency by 5% (1.4174) (CAD)		(1,126,313)		(30,151,371)		(31,277,684)
Impact (CAD)	-$	53,634	$	(1,435,780)	$	(1,489,414)

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

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

Liquidity risk

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

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

As at September 30, 2024, the Company had $8,818,645 (September 30, 2023 - $3,422,830) of undrawn credit available on the ABL Facility and BCAP loan. Aside from the capital requirements associated with its ABL Facility, BCAP and CWB loans, as disclosed in Note 5 and Note 6, the Company is not subject to any other external capital requirements. The total capital structure of the Company is as follows:

	September 30 2024	December 31 2023
Bank indebtedness	**$ 14,944,348**	$ 23,266,351
Long-term debt	**6,791,584**	6,937,666
Lease Liabilities	**988,813**	1,434,235
Equity	**21,247,836**	22,542,466
Total capital	**$ 43,972,581**	$ 54,180,718

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

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

Cash flows related to bank indebtedness, accounts payable and accrued liabilities included below may occur at different times or amounts. A maturity analysis of the Company's outstanding obligations as at September 30, 2024 is as follows:

September 30, 2024	Bank indebtedness	Accounts payable and accrued liabilities	Long-term debt	Lease liabilities (1)	Total
2024	$ 14,944,348	$ 13,033,779	$ 51,133	$ 167,340	$ 28,196,600
2025	—	—	212,852	524,042	736,894
2026	—	—	226,565	254,630	481,195
2027	—	—	251,804	42,801	294,605
2028	—	—	273,852	—	273,852
Thereafter	—	—	5,775,378	—	5,775,378
Total	$ 14,944,348	$ 13,033,779	$ 6,791,584	$ 988,813	$ 35,758,524

(1) Includes interest

10. SUPPLEMENTAL CASH FLOW INFORMATION

	September 30 2024	September 30 2023
Accounts receivable	**$ 6,866,435**	$ 5,840,744
Inventories	**4,850,685**	1,588,021
Prepaid expenses and deposits	**(133,967)**	(152,063)
Related parties	**—**	—
Accounts payable and accrued liabilities	**(1,115,079)**	(5,462,970)
Customer deposits	**—**	19,026
Income taxes payable/receivable	**—**	(66,606)
Foreign exchange	**—**	(131,069)
Change in non-cash working capital	**$ 10,468,074**	$ 1,635,083
Interest paid	**$ 2,618,199**	**$ 2,375,071**

11. SUBSEQUENT EVENT

On October 9, 2024 the Company has finalized a renewal of its senior credit facility. The ABL facility is now committed until April 30, 2026. There were no other changes to the ABL facility as a result of the renewal.