Omni-Lite Industries Canada Inc.
Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(in United States Dollars)

Contents

Independent Auditor's Report

To the Shareholder of Omni-Lite Industries Canada Inc.:

Opinion

We have audited the consolidated financial statements of Omni-Lite Industries Canada Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and December 31, 2023, and the consolidated statements of income and other comprehensive income, changes in shareholders' 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 December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the 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.

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.

Assessment of the recoverable amount of goodwill

Key Audit Matter Description

We draw attention to Notes 2 and 6 to the consolidated financial statements. As at December 31, 2024, the Company has goodwill recorded of $407,170. Goodwill is required to be tested for impairment annually, and an impairment loss is recognized if the carrying amount of the cash generating unit ("CGU") exceeds its recoverable amount. Management has determined the recoverable amount of the CGUs based on their value-in-use, which incorporates the following significant assumptions:

- Future cash flows based on forecasted earnings before interest, tax, depreciation and amortization;
- Revenue growth rate; and,
- Discount rate.

We considered the recoverable amount of the Company's Monzite CGU as a key audit matter, due to the significant judgment used by management in determining the recoverable amount of the CGU. This resulted in an increased extent of audit effort, including the involvement of internal valuation specialists.

Audit Response

We responded to this matter by performing audit procedures relating to assessment of the recoverable amount of goodwill. Our audit work in relation to this included, but was not restricted to, the following:

- We performed a retrospective review by comparing management's prior year expected future cash flows to the actual results, to assess the Company's ability to accurately forecast.
- We evaluated the reasonableness of the future cash flow projections used to calculate the CGU recoverable amount by comparing the estimated cash flows to historical results and by comparing certain assumptions used in the future cash flow projections to market data.
- We verified the mathematical accuracy of management's impairment model and supporting calculations.
- We performed a sensitivity analysis on key inputs used in the future cash flow projections.
- We involved our internal valuation specialists to evaluate the appropriateness of the discount rate used.
- We assessed the appropriateness of the disclosures relating to the goodwill in the notes to the consolidated financial statements.

Other Information

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of 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.

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Calgary, Alberta

MNP LLP

April 18, 2025

Chartered Professional Accountants

As at:	Note		December 31, 2024		December 31, 2023
Assets					
Current					
Cash		**$**	**2,991,536**	$	1,108,029
Accounts receivable			**2,474,166**		2,225,700
Inventory	**3**		**4,279,610**		4,700,064
Prepaid expenses			**213,859**		181,826
Total Current Assets		**$**	**9,959,171**	$	8,215,619
Long-Term					
Investment	**4**		**3,978,749**		1,341,108
Property, plant and equipment	**5**		**8,880,306**		10,182,244
Due from related parties	**7**		**-**		852,338
Intangible assets and Goodwill	**6**		**503,181**		562,568
Deferred tax asset	**8**		**27,267**		-
Deposits			**54,232**		56,546
Total Assets		**$**	**23,402,906**	$	21,210,423
Liabilities					
Current					
Accounts payable and accrued liabilities		**$**	**999,231**	$	1,409,315
Income Tax Payable			**221,425**		146,077
Lease liability	**10**		**395,264**		324,334
Deferred Revenue			**-**		109,349
Total Current Liabilities		**$**	**1,615,920**		1,989,075
Long-Term					
Lease liability	**10**		**5,130,960**		5,659,009
Deferred tax liability	**8**		**-**		55,563
Total Liabilities		**$**	**6,746,880**	$	7,703,647
Shareholders' Equity					
Share capital	**11**		**11,293,198**		11,252,443
Contributed surplus	**12**		**2,291,896**		2,251,896
Retained earnings			**(105,669)**		(720,195)
Accumulated other comprehensive income			**3,176,601**		722,632
Total Shareholders' Equity		**$**	**16,656,026**	$	13,506,776
Total Liabilities and Shareholders' Equity		**$**	**23,402,906**	$	21,210,423

Commitments (note 16)

On behalf of the Board of Directors:

"David Robbins" *signed*
David Robins, Director and Chief Executive Officer
Cerritos, California, USA
April 18, 2025

"Roger Dent" *signed*
Roger Dent, Director
Cerritos, California, USA
April 18, 2025

The accompanying notes are an integral part of these consolidated financial statements

Omni-Lite Industries Canada Inc.
Consolidated Statements of Income and Other Comprehensive Income
For the years ended December 31, 2024 and 2023
United States Dollars

For the Years Ended December 31,	Note		2024		2023
Revenue	14	$	15,875,960	$	12,407,118
Cost of goods sold	3		12,924,890		10,564,418
Gross margin		$	2,951,070	$	1,842,700
Overhead expenses					
Selling, general and administrative	17		1,358,342		1,382,896
Share-based compensation	11		40,000		66,318
Amortization of intangible assets	6		49,623		98,874
Total overhead expenses			1,447,965		1,548,088
Research and product design			317,063		349,530
Income (Loss) from operations		$	1,186,042	$	(54,918)
Other income (expense)					
Interest income			64,285		92,889
Interest expense - lease	10		(509,815)		(554,597)
Interest expense – other			(6,746)		-
Other income	18		299,464		443,717
Reversal of loan forgiveness	7		-		852,338
Loss from Impairments	6		-		(486,610)
Income before income taxes		$	1,033,230	$	292,819
Income tax expense (recovery)					
Current	8		501,534		223,732
Deferred	8		(82,830)		(3,140)
Total tax			418,704		220,592
Net Income		$	614,526	$	90,227
Other comprehensive income					
Translation of foreign subsidiary			(296,609)		79,133
Gain on investment	4		2,750,577		853,404
Comprehensive income		$	3,068,494	$	1,022,764
Earnings Per Share					
-basic	13		0.04		0.01
-diluted	13		0.03		0.01
Weighted Average Share Outstanding					
-basic	13		15,477,564		15,412,564
-diluted	13		17,892,564		15,412,564

The accompanying notes are an integral part of these consolidated financial statements

Omni-Lite Industries Canada Inc.
Consolidated Statements of Shareholders' Equity
For the years ended December 31, 2024 and 2023
United States Dollars

	Note		Share Capital		Contributed Surplus		Retained Earnings		Accumulated Other Comprehensive Income/Loss		Shareholders' Equity
Balance at December 31, 2022		**$**	**11,252,443**	**$**	**2,185,578**	**$**	**(810,422)**	**$**	**(209,905)**	**$**	**12,417,694**
Share-based compensation	**11**		-		66,318		-		-		66,318
Net Income			-		-		90,227		-		90,227
Gain on investment	**4**		-		-		-		853,404		853,404
Cumulative translation adjustment			-		-		-		79,133		79,133
Balance at December 31, 2023		**$**	**11,252,443**	**$**	**2,251,896**	**$**	**(720,195)**	**$**	**722,632**	**$**	**13,506,776**

	Note		Share Capital		Contributed Surplus		Retained Earnings		Accumulated Other Comprehensive Income/Loss		Shareholders' Equity
Balance at December 31, 2023		**$**	**11,252,443**	**$**	**2,251,896**	**$**	**(720,195)**	**$**	**722,632**	**$**	**13,506,776**
Share-based compensation	**11**		-		40,000		-		-		40,000
Share-repurchase			40,755		-		-		-		40,755
Net Income			-		-		614,526		-		614,526
Gain on investment	**4**		-		-		-		2,750,577		2,750,577
Cumulative translation adjustment			-		-		-		(296,608)		(296,608)
Balance at December 31, 2024		**$**	**11,293,198**	**$**	**2,291,896**	**$**	**(105,669)**	**$**	**3,176,601**	**$**	**16,656,026**

The accompanying notes are an integral part of these consolidated financial statements

For the years ended December 31			**2024**		2023
Cash flows from operating activities	**Note**				
Net income for the year		**$**	**614,526**	$	90,227
Adjustments for:					
Depreciation	**5**		**1,131,860**		1,142,736
Inventory reserve	**3**		**19,796**		41,739
Amortization of intangible assets	**6**		**49,623**		98,874
Deferred tax (recovery) expense	**8**		**(82,830)**		(3,140)
Share-based compensation	**11**		**40,000**		66,318
Lease interest expense	**10**		**509,815**		554,597
		$	**2,282,790**	$	1,991,351
Net change in non-cash working capital items					
Accounts receivable			**(248,467)**		42,742
Inventory	**3**		**400,658**		(1,319,971)
Prepaid expenses			**(32,033)**		18,058
Accounts payable and accrued liabilities			**(516,909)**		80,049
Deferred Revenue			**(109,324)**		109,349
Deposits			**(2,313)**		665
Income taxes payable	**8**		**182,198**		146,078
Goodwill Impairment	**6**		**-**		471,518
Reversal of due from related parties	**7**		**-**		(852,338)
Increase in cash from operating activities		**$**	**1,956,600**	$	687,501
Cash flows from financing activities					
Employee receivables			**-**		2,000
Repayment of lease liability	**10**		**(843,553)**		(864,458)
Repayment from related parties			**852,338**		-
Decrease in cash from financing activities		**$**	**8,785**	$	(862,458)
Cash flows from investing activities					
Share-repurchase			**40,755**		-
Purchase of property, plant and equipment	**5**		**(112,141)**		(153,213)
Decrease in cash from investing activities		**$**	**(71,386)**	$	(153,213)
Currency translation			**(10,492)**		107,769
Increase/(Decrease) in cash		**$**	**1,883,507**	$	(220,401)
Cash, beginning of year		**$**	**1,108,029**	$	1,328,430
Cash, end of year		**$**	**2,991,536**	$	1,108,029

The accompanying notes are an integral part of these consolidated financial statements

1. Nature of Operations

Omni-Lite Industries Canada Inc. ("Omni-Lite" or the "Company") was incorporated under the Laws of the Business Corporations Act of Alberta in 1992. The consolidated financial statements of the Company for the year ended December 31, 2024, include the accounts of the Company and its wholly-owned subsidiaries. The Company's head office, research and development, and production operations are located at 17210 Edwards Road, Cerritos, California, U.S.A, 90703 and its registered office is located at 110 Yonge Street, Suite 1601, Toronto, ON M5C 1T4. The Company's core mission is the adaptation of material science for mission critical applications. These products include components for the aerospace, military, specialty automotive and sports and recreational industries. Since the most significant portion of the Company's operations is located in the United States ("U.S.") and its functional currency is U.S. dollars, these consolidated financial statements are presented in U.S. dollars. The Company is listed for trading on the TSX Venture Exchange under the symbol OML and the OTCQX under the symbol OLNCF.

The consolidated financial statements were authorized for issue by the Board of Directors on April 18, 2025.

2. Material Accounting Policies

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

The preparation of consolidated financial statements requires management to make estimates and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Consolidation

These consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries, Omni-Lite Industries California Inc. ("California"), Monzite Corporation ("Monzite"), Impellimax, Inc. ("Impellimax"), Marvel Acquisition Co. Ltd. and Designed Precision Castings, Inc. ("DP Cast"). All significant intercompany balances and transactions have been eliminated on consolidation.

The table below provides information relative to the Company's subsidiaries, including each such entity's name, its jurisdiction of incorporation/formation, the percentage of securities directly or indirectly owned by the Company, a brief description of the entity, its functional currency.

2. Material Accounting Policies (Continued)

Company (Jurisdiction of Incorporation/ Formation)	Percentage of ownership by Omni-Lite Industries Canada, Inc.	Overview	Functional Currency
Omni-Lite Industries California, Inc. (California, USA)	100%	Wholly owned subsidiary of Omni-Lite Industries Canada, Inc., which was formed and incorporated on October 4,1985. It is the head office which conducts research and development, and production operations.	United States
Monzite Corporation (New Hampshire, USA)	100%	Indirectly owned subsidiary of Omni-Lite Industries Canada, Inc., which was acquired on September 21, 2018. It is a holding company for Impellimax, Inc.	United States
Monzite Holding Co. (Delaware, USA)	100%	Wholly owned subsidiary of Omni-Lite Industries Canada, Inc., which was acquired on September 21, 2018. It is a holding company for Monzite Corporation.	United States
Impellimax, Inc. (New Hampshire, USA)	100%	Wholly owned subsidiary of Monzite Corporation, which was acquired on September 21, 2018. It designs, manufactures, and contract manufactures electronic subcomponents.	United States
Designed Precision Castings Inc. (Ontario, Canada)	100%	Indirectly owned subsidiary of Omni-Lite Industries Canada Inc, which was acquired on December 20, 2021. It designs, and contract manufactures investment castings.	Canada
Marvel Acquisition Co. Ltd. (Ontario, Canada)	100%	Wholly owned subsidiary of Omni-Lite Industries Canada Inc., which is a holding company, and sole shareholder of Designed Precision Castings, Inc.	Canada

(a) Basis of measurement

These consolidated financial statements have been prepared on a going concern basis, using the historical cost convention except for share-based compensation and certain financial instruments, which are measured at fair value.

(b) Inventory

Inventory consists of raw materials, work in progress, and finished goods. Inventory is carried at the lower of weighted average costs (including materials, labor and allocated overheads) and net realizable value. Finished goods inventory is recorded at the average cost of production, which approximates actual cost and includes raw materials, labor and allocated overheads.

(c) Revenue

The Company recognizes revenue at a point in time from the sale of products, which include components for the aerospace, military, specialty automotive, and sports and recreational industries, when the performance obligations have been completed, as control of these products transfer to the customer, and collectability is reasonably assured. The consideration for product sales rendered is measured at the fair value of the consideration received and allocated based on their individual selling prices. The individual selling prices are determined based on the agreed upon prices at which the Company sells in separate transactions.

2. Material Accounting Policies (Continued)

The Company does not expect to have any revenue contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust any of the transaction price for the time value of money.

(d) Cash

Cash is comprised of cash and other short-term, highly liquid investments with original maturities of less than three months from their purchase.

(e) Property, plant and equipment

Property, plant, and equipment are carried at historical cost less accumulated depreciation and any impairment losses. Depreciation is provided using the following methods and annual rates intended to depreciate the cost of these assets over their estimated useful lives.

Building	4% declining balance
Production equipment	7-30 years straight-line
Other equipment	30% declining balance
Non-consumable tooling	2.5 years straight-line

When the cost of a part of an item of property, plant and equipment is significant in relation to the total cost of an item and the items have different useful lives, they are accounted for as separate items (significant components) of property, plant and equipment. The costs of day-to-day servicing of property, plant and equipment are recognized in overhead or direct operating expenses. Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized within other income in the consolidated statements of loss and comprehensive loss. Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate. Other equipment consists of production support equipment.

(f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less than any accumulated amortization and accumulated impairment losses.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization is provided using the following methods and annual rates:

Customer relationships	5 years straight-line
Trademark	5 years straight-line
Non-compete agreements	3 years straight-line

Intangible assets with indefinite lives are not amortized.

2. Material Accounting Policies (Continued)

(g) Financial instruments

Classification and Measurement of Financial Instruments

The Company measures its financial assets and financial liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification which in the case of financial assets, is determined by the context of the Company's business model and the contractual cash flow characteristics of the financial asset. Financial assets are classified into three categories: (1) measured at amortized cost, (2) fair value through profit and loss ("FVTPL") and (3) fair value through other comprehensive income ("FVOCI"). Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL or designated as FVTPL where any change in fair value resulting from an entity's own credit risk as other comprehensive income ("OCI"). The Company does not employ hedge accounting for its risk management contracts currently in place.

Amortized Cost

The Company classifies its accounts receivable, due from related parties, and accounts payable and accrued liabilities as measured at amortized cost. The contractual cash flows received from these financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and liabilities are initially measured at fair value plus or minus transaction costs directly attributable to the financial asset or liability. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method.

FVTPL

The Company classifies its cash as measured at FVTPL. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with changes in fair value charged immediately to the consolidated statements of loss and comprehensive loss. Transaction costs relating to financial instruments at FVTPL are expensed as incurred.

FVOCI

The Company elected to classify its investment as measured at FVOCI. Financial assets classified as FVOCI are subsequently measured at fair value with changes in fair value charged to OCI.

Derecognition of financial instruments

Financial assets are derecognized when the contractual rights to cash flows from the asset expire, or it transfers the rights 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.

2. Material Accounting Policies (Continued)

Financial liability is derecognized when the obligation is discharged, cancelled, or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in the consolidated statements of loss and comprehensive loss-based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in the consolidated statements of loss and comprehensive loss.

(h) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

(i) Impairment of non-financial assets

The Company assesses, at the end of each reporting period, whether there is an indication that an asset may be impaired. If any indication of impairment exists, the Company estimates the recoverable amount of the asset. External triggering events include, for example, changes in customer or industry dynamics, other technologies, and economic declines. Internal triggering events for impairment include lower profitability or planned restructuring. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets, referred to as cash generating units (“CGU”).

If the carrying amount of the asset, or its respective CGU, exceeds its estimated recoverable amount, the difference is recognized as an impairment charge. The Company’s corporate assets, which do not generate separate cash inflows, are allocated to the CGUs on a reasonable basis for impairment testing purposes.

The Company’s impairment tests compare the carrying amount of the asset or CGU to its recoverable amount. The recoverable amount is the higher of fair vale less costs of disposal (“FVLCD”) and value in use (“VIU”). FVLCD is the amount obtainable from the sale of an asset or CGU in an arm’s length transaction of similar assets or observable market process, less the costs of disposal. The determination of VIU requires the estimation and discounting of cash flows which involves key assumptions that consider all information available on the respective testing date. Management uses its judgment, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment and economic trends, to model and discount future cash flows.

2. Material Accounting Policies (Continued)

(i) Leases

The Company enters into leases for office space in the normal course of business which expire at various times through 2041. Lease contracts are typically made for fixed periods and may contain a renewal option. Where renewal is likely to occur, the Company includes a renewal option in its lease liabilities at the last known lease rate. Leases are negotiated on an individual basis, and each contains different terms and conditions. The Company does not have any contingent rental or sublease payments. The Company has sublease income on a month-to-month basis for one of its leases.

The Company also enters into leases for the purchase of equipment.

The Company assesses whether a contract contains a lease at the inception of a contract. A lease contract conveys the right to control the use of an identified asset for a period in exchange for consideration. Lease liabilities are recognized with corresponding right-of-use assets for all lease agreements, except for short-term leases with terms of 12 months or less and leases of low value assets, which are expensed on a straight-line basis over the lease term. Consideration in a contract is allocated to lease and non-lease components on a relative stand-alone value basis. Lease components and any associated non-lease components are accounted for as a single lease component.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate, unless the rate implicit in the lease is readily determinable. A single incremental borrowing rate is applied to a portfolio of leases with similar characteristics. Lease payments included in the measurement of the lease liability comprise fixed (and in-substance fixed) lease payments, less any lease incentives, variable lease payments that depend on an index or rate, and payments expected under residual value guarantees and payments relating to purchase options and renewal option periods that are reasonably certain to be exercised (or periods subject to termination options that are not reasonably certain to be exercised).

Lease liabilities are subsequently measured at amortized cost using the effective interest method. Lease liabilities are remeasured, with a corresponding adjustment to the related right-of-use assets, when there is a change in variable lease payments arising from a change in an index or rate, or when the Company changes the assessment of whether to exercise renewal or termination options.

Right-of-use assets are measured at cost, comprised of the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement date and any initial direct costs. They are subsequently depreciated on a straight-line basis and reduced by impairment losses, if any. Right-of-use assets may also be adjusted to reflect the remeasurement of related lease liabilities. The right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term.

(j) Provisions

A provision is recognized in the consolidated financial statements when the Company has a material obligation, whether existing or potential, as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the obligation is determined to be material, then the estimated amount of the provision is determined by discounting the expected future cash outflows. At December 31, 2024, and December 31, 2023, other than related to inventory, there were no provisions recognized in the consolidated financial statements.

(k) Income taxes

Income tax expense for the year consists of current and deferred tax. Income tax is recognized in the consolidated statements of loss and comprehensive loss, except to the extent that it relates to a business combination, or items recognized in OCI or directly in equity.

2. Material Accounting Policies (Continued)

Taxable income differs from income as reported in the consolidated statements of loss and comprehensive loss. As a result, current tax is the expected tax due on taxable income less adjustments to prior periods using tax rates enacted, or substantively enacted as at the reporting date in jurisdictions where the Company operates.

In general, deferred taxes are recognized based on temporary differences arising between the tax value of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognized and are not accounted for if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred taxes are calculated on the basis of the tax laws enacted or substantively enacted as at the reporting date and apply to when the related deferred tax asset is realized, or the deferred tax liability is settled.

Current and deferred tax assets and liabilities are offset when there is a legally enforceable right to settle on a net basis and when such assets and liabilities relate to income taxes imposed by the same taxation authority.

(l) Foreign exchange

These consolidated financial statements have been presented in U.S. dollars, the functional currency of the Company's operations. Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the foreign exchange rate in effect at the statement of financial position date. Revenue and expense transactions in foreign currencies are translated to the functional currency at the average foreign exchange rate for the period with all consequential exchange differences recognized in Cumulative translation adjustment.

Non-monetary assets that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. All resulting exchange differences from translation of the functional currency into a different reporting currency are recognized as a separate component in Cumulative translation adjustment.

(m) Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired and liabilities assumed in a business combination. Goodwill is not amortized but is tested for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Company's CGUs expected to benefit from the synergies of the business combination.

CGU's to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than it's carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss recognized for goodwill is not reversed in a subsequent period.

2. Material Accounting Policies (Continued)

(n) Share-based compensation plan

The Company provides equity-settled share-based payments in the form of a share option and warrant plan to its employees, officers, directors and consultants. The Company accounts for these share options and warrants using the graded vesting method of accounting for share-based compensation expenses. Under this method, the associated compensation expense is charged to the consolidated statements of loss and comprehensive loss with a corresponding increase to contributed surplus less an estimated forfeiture rate over each vesting period (tranches) of the options and warrants granted. The forfeiture rate is based on past experience of actual forfeitures.

Share-based compensation transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based compensation transaction is measured at the fair value of the equity instruments granted at the date the non-employee provides the goods or services.

(o) Per share amounts

Basic earnings per share is calculated using the weighted average number of shares outstanding during the period. The Company follows the treasury stock method for the computation of diluted per share amounts. This method assumes the proceeds from the exercise of dilutive options are used to purchase common shares at the weighted average market price during the period.

(p) Research and product design expenses

Expenses related to research and development activities that do not meet the criteria for deferral are expensed as incurred, net of related tax credits and government grants. Development expenses that meet the criteria for deferral are capitalized, net of related tax credits and government grants, and are amortized against earnings over the estimated benefit period. Research and product design expenses are mainly comprised of salaries and related expenses, material costs as well as fees paid to third party consultants.

(q) Segmented information

The Company and its wholly owned subsidiaries are grouped into two geographical segments in the United States and Canada, and each are supported by a corporate segment. The three geographical segments share common economic characteristics. The financial results are reviewed regularly by the Company's chief operating decision-makers ("CODM").

The CODM make decisions about resource allocation and assess segment performance based on the internally prepared segment information.

(r) Significant accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and judgments that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date. On an ongoing basis, management evaluates its judgments and estimates in relation to revenue, expenses, assets and liabilities. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The following are the most significant accounting judgments and estimates made by the Company in applying accounting policies:

2. Material Accounting Policies (Continued)

Judgments

Determining CGU's
In assessing the recoverability of long-lived and intangible assets, judgment is required in the determination of the appropriate grouping of assets that generate cash inflows or CGU's. The determination of CGU's is based on management's assessment of the independence of revenue earned, operating asset utilization, shared infrastructure, and similarity of risk exposures. Omni-Lite also uses significant judgment in evaluating if a triggering event occurs which would warrant an evaluation of impairment of long-lived and intangible assets based on the identified CGU's.

The Company had three CGU's as follows Omni-Lite, Monzite and DP Cast.

Investments
The Company applies judgment in determining if it has control over the investment where the Company holds less than 50% equity ownership. The judgment is based on management's determination of whether the Company has control over the activities, projects, financial and operating policies of the investment.

Deferred taxes

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable earnings together with future tax planning strategies.

Government grants

The Company applies judgment in determining whether or not all conditions have been met when recognizing government grants into other income.

Estimates

Provisions for expected credit losses.

The Company calculates expected credit losses considering historical default rates and forward-looking assumptions to calculate, which is reviewed by management on a quarterly basis. Assessments are made by management after taking into consideration the customer's payment history, the current economic environment, and their credit worthiness. The Company's history of bad debt expense has not been significant; however, a customer's ability to fulfill its payment obligations can change suddenly without notice. Specific provisions may be used where there is information that a specific customer's expected credit losses have increased.

Inventory

The amounts for estimates for obsolete inventory are based on average costs and include overhead cost allocation estimates.

Share-based compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of share-based compensation. Inputs to the model are subject to various estimates regarding volatility, interest rates, dividend yields, forfeiture rates and expected life of the units issued. These inputs are subject to market factors as well as internal estimates. The Company considers historic trends together with any new information to determine the best estimate of fair value at the date of grant.

2. Material Accounting Policies (Continued)

Impairment of non-financial assets

The recoverable amount of a CGU is based on estimates and assumptions regarding the expected market outlook and future cash flows. Assumptions, judgments and estimates about future values are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in the Company's business strategy or internal forecasts.

Although the Company believes the assumptions, judgments and estimates made in the past have been reasonable and appropriate, different assumptions, judgments and estimates could materially affect the Company's reported financial results.

Useful life of intangible assets and property, plant & equipment

The consolidated financial statements include estimates of the useful economic life of intangible assets and property, plant, and equipment. Due to varying assumptions required to be made with regards to future recoverability of these assets, the amortization recorded by management is based on their best estimate in this regard and may be significantly different from those determined based on future operational results.

Leases

The application of IFRS 16 requires the Company to make judgments and estimates that affect the measurement of right-of-use assets and lease liabilities. In determining the lease term, all facts and circumstances that create an economic incentive to exercise renewal options (or not exercise termination options) are considered. Assessing whether a contract includes a lease also requires judgment. Estimates are required to determine the appropriate discount rate used to measure lease liabilities.

3. Inventory

The major components of inventory are classified as follows:

As at:	December 31, 2024	December 31, 2023
Raw Materials	769,822	963,865
Tooling	739,377	663,899
Work in Progress	1,243,344	1,210,835
Finished Goods	1,527,067	1,861,465
Total	**$ 4,279,610**	**$ 4,700,064**

The cost of inventories recognized as expense and included in cost of goods sold for the year ended December 31, 2024, was $12,924,890 (2023 - $10,564,418). During 2024, the Company recorded a reserve for obsolete inventory of $19,796 (2023 - $41,739).

4. Investment

At December 31, 2024, the investment balance represents an equity investment of 7,073,970 common shares of California Nanotechnologies Corp. ("Cal Nano"), a public company related through a common director. The Company's investment is recorded at the fair value as supported by the market price listed on the TSX Venture Exchange.

	Carrying Amount	
Investment at December 31, 2022	$	487,704
Gain from market price valuation		853,404
Investment at December 31, 2023	$	1,341,108
Sale of stock		(112,936)
Realized gain on sale of stock		88,236
Gain from market price valuation		2,662,341
Investment at December, 2024	**$**	**3,978,749**

5. Property, Plant and Equipment

	Building	Production Equipment	Other Equipment	Non-Consumable Tooling	Right-of-Use Assets	Totals
At December 31, 2022	$ 4,353	$18,435,319	$302,372	$7,886,989	$4,467,377	31,096,410
Additions	-	148,536	4,677	-	-	153,213
Currency translation	-	57,679	2,370	-	55,436	115,485
At December 31, 2023	**$ 4,353**	**$18,641,534**	**$309,419**	**$7,886,989**	**$4,522,813**	**31,365,108**
Additions	-	111,871	270	-	-	112,141
Currency translation	-	(201,987)	(8,395)	-	(192,693)	(403,075)
At December 31, 2024	**$ 4,353**	**$18,551,418**	**$301,294**	**$7,886,989**	**$4,330,120**	**$31,074,174**
Accumulated depreciation						
At December 31, 2022	$ 4,353	$11,287,938	$212,626	7,885,566	$624,494	$20,014,977
Depreciation	-	620,547	14,732	1,423	506,034	1,142,736
Currency translation	-	10,935	339	-	13,877	25,151
At December 31, 2023	**$ 4,353**	**$11,919,420**	**$227,697**	**$7,886,989**	**$1,144,405**	**$21,182,864**
Depreciation	-	623,892	6,500	-	501,468	1,131,860
Currency translation	-	(52,646)	(1,829)	-	(66,381)	(120,856)
At December 31, 2024	**$ 4,353**	**$12,490,666**	**$232,368**	**$7,886,989**	**$1,579,492**	**$22,193,868**
Net Book Value						
At December 31, 2023	$ -	$6,722,114	$81,722	$ -	$3,378,408	$10,182,244
At December 31, 2024	**$ -**	**$6,060,752**	**$68,926**	**$ -**	**$2,750,628**	**$8,880,306**

Of the $1,131,860 depreciation expense in 2024 (2023 - $1,142,736), $1,126,955 ($1,137,831) was expensed to cost of sales, and $4,905 was expensed to selling, general and administration in both 2024 and 2023.

6. Intangible Assets

	Customer Relationships	Goodwill	Trademark	Non-Compete Agreements	Patents	Totals
Cost						
December 31, 2022	$491,033	$878,375	$100,000	$20,000	$6,285	$1,495,693
Foreign currency translation	6,036	11,329	-	-	-	17,365
Impairment	-	(482,534)	-	-	-	(482,534)
December 31, 2023	**$497,069**	**$407,170**	**$100,000**	**$20,000**	**$6,285**	**$1,030,524**
Foreign currency translation	(20,979)	-	-	-	-	(20,979)
December 31, 2024	**$476,090**	**$407,170**	**$100,000**	**$20,000**	**$6,285**	**$1,009,545**
Accumulated amortization						
December 31, 2022	$261,215	$ -	$85,500	$20,000	$ -	$366,715
Amortization	84,374	-	14,500	-	-	98,874
Foreign currency translation	2,367	-	-	-	-	2,367
December 31, 2023	$347,956	$ -	$100,000	$20,000	$ -	$467,956
Amortization	49,623	-	-	-	-	49,623
Foreign currency translation	(11,215)	-	-	-	-	(11,215)
December 31, 2024	$386,364	$ -	$100,000	$20,000	$ -	$506,364
Net book value						
December 31, 2023	$149,113	$407,170	$ -	$ -	$6,285	$562,568
December 31, 2024	**$89,726**	**$407,170**	**$ -**	**$ -**	**$6,285**	**$503,181**

Goodwill is carried in the Monzite CGU.

Monzite CGU:

The Company performed its impairment test at December 31, 2024, and the recoverable amount of the Monzite CGU was determined based on a VIU calculation using the following key assumptions:

- 5-year cash flow projections expected to be generated based on historical performance, financial forecasts, and growth expectations. Cash flows beyond 3 years used a terminal growth rate of 2%.
- Forecasted revenue at an average growth rate of 17%.
- Average forecasted EBITDA margin of 48%; and,
- Cash flows were discounted at an after-tax discount rate of 17% based on the Company's weight average cost of capital and risks specific to the particular CGU.

As a result of the impairment test performed, the recoverable amount exceeds the carrying amount and therefore, did not result in an impairment.

The most sensitive inputs to the model are the forecasted EBITDA and discount rate. All else being equal:

- A 1% increase in the discount rate would not result in impairment; and,
- A 1% decrease in the average forecasted EBITDA would not result in impairment.

7. Related Party Transactions and Balances

The Company had the following related party transactions and balances not disclosed elsewhere in these consolidated financial statements:

- During the year ended December 31, 2024, the Company incurred financial advisory fees of nil (2023 - $56,000) to a firm at which a Director of the Company is the Managing Director.

- As of December 31, 2023, the Company had a loan receivable from Cal Nano including accrued interest in the amount of $852,338, which was due on May 30, 2025. Cal Nano paid this loan off in full as of December 31, 2024.

8. Income Taxes

For the years ended December 31		**2024**		2023
Income before tax	$	**1,033,230**	$	296,895
Statutory tax rate		**23.00%**		23.00%
Income taxes at the statutory rate		**237,643**		68,286
Permanent differences		**(35,659)**		68,160
Change in deferred tax asset not recognized		**203,237**		(168,038)
Tax rate differences		**33,984**		168,787
Change is estimate from prior year and other		**(20,501)**		83,397
	$	**418,704**	$	220,592

Income tax expense (recovery):		**2024**		2023
Current		**501,534**		223,732
Deferred		**(82,830)**		(3,140)
	$	**418,704**	$	220,592

Principal components of the net deferred tax liability are:

For the years ended December 31		**2024**		2023
Loss carry forward	$	**1,120,667**	$	2,691,176
SR&ED ITCs		**101,936**		-
Property, plant, and equipment		**-**		136
Other		**54,891**		1,932,325
Total deferred tax asset		**1,277,494**		4,623,637
Deferred tax asset not recognized		**-**		(1,784,158)
Net deferred tax asset		**1,277,494**		2,839,479
Deferred tax liability:				
Property, plant and equipment		**(847,445)**		(2,702,090)
Intangible assets and Goodwill		**(24,403)**		(65,834)
Investment in Cal Nano		**(378,379)**		(127,119)
Total deferred tax liability		**(1,250,227)**		(2,895,043)
Net deferred tax asset (liability)	$	**27,267**	$	(55,564)

8. **Income Taxes** (Continued)

The following provides the details of unrecognized temporary differences for which no deferred tax asset has been recognized:

For the years ended December 31	**2024**	2023
Unused tax losses carryforward	**$8,579,457**	$7,572,319
Property, plant and equipment	**-**	593

The Company has non-capital losses of $9,386,491 in Canada which begin to expire in 2031 and US federal net operating losses of $758,346 and US California net operating losses of $3,307,086 which do not expire.

9. Compensation of Key Management Personnel

Remuneration of key management personnel during the year was as follows:

	2024	2023
Wages and short-term benefits	**$462,000**	$557,000
	$ 462,000	$ 557,000

Key management personnel of the Company include the Chief Executive Officer, Chief Financial Officer, and the other members of the Board of Directors. For the year ended December 31, 2024, and 2023, nil warrants or options were granted to key management personnel.

10. Lease Liability

		December 31, 2024		December 31, 2023
Opening Balance January 1	**$**	**5,983,343**	$	6,257,063
Payments		**(867,093)**		(864,458)
Interest		**509,815**		554,597
Currency translation		**(99,841)**		36,141
Lease liability end of year	**$**	**5,526,224**	$	5,983,343
Less current portion		**(395,264)**		(324,334)
Long-term portion	**$**	**5,130,960**	$	5,659,009

10. Lease Liability (Continued)

The Company has entered leases for its manufacturing and office space as follows:

Location	Type	Liability	Expires	Entered/ Renewed
Cerritos, California	Manufacturing and office	$ 3,958,266	December 2031 with a 10-year extension option which management expects to exercise	Entered December 2021
Cerritos, California	Warehouse	152,575	June 2026	Renewed June 2021
Brampton, Ontario	Manufacturing and office	1,294,018	December 2026 with a 5-year extension option which management expects to exercise	Entered December 2021
Nashua, New Hampshire	Manufacturing and office	94,464	March 2026	Renewed March 2021
Brampton, Ontario	Equipment purchase	26,901	January 2026	Entered December 2021
		$ 5,526,224		

The incremental borrowing rate used to calculate the lease liabilities was 9%. All of the above leases were entered into or renewed in 2021. Additionally, the Company is responsible for all building operating costs including real estate taxes and insurance. The total of these costs included in the consolidated financial statements are $270,552 (2023 - $251,528).

Future minimum undiscounted lease payments are as follows:

2025	865,841
2026	752,175
2027 - 2031	3,366,613
Total	$4,984,629

11. Share Capital

a) Authorized:

Unlimited number of common shares with no par value.

b) Issued:

	Number of Shares	Amount
Total issued and outstanding December 31, 2023	15,412,564	$ 11,252,443
Purchase of shares	65,000	40,755
Issued and outstanding December 31, 2024	**15,477,564**	**$11,293,198**

(i) In November 2024, 65,000 shares were purchased in a share repurchase

c) Share Options:

The Company established a share option plan for employees, directors, and consultants on September 15, 1997. Under this plan, the Company is authorized to issue options up to 10% of the outstanding number of issued and outstanding shares. From grant date, options vest at one-third of the total grant annually with an expiration term of 5 years.

The Company has granted share options to directors, consultants, and employees of the Company as follows:

Options	**Number**	**Option Price per Share Range**	**Weighted Average Exercise Price**
Outstanding, December 31, 2023	**1,015,000**	**CAD $0.60 to $1.37**	**CAD $0.89**
Expired	(510,000)	CAD $1.40 to $2.00	CAD $1.85
Exercised	(65,000)	CAD $0.60 to $.89	CAD $0.76
Outstanding, December 31, 2024	**440,000**	**CAD $0.60 to $1.37**	**CAD $0.89**

The options that are outstanding at December 31, 2024, are summarized as follows:

Options Outstanding	**Option Price**	**Weighted Average Exercise Price of Options Outstanding**	**Weighted Average Remaining Contractual Life**
140,000	CAD $0.60-$0.89	CAD $0.76	1.92 years
300,000	CAD $0.90-$1.35	CAD $0.92	1.97 years
440,000	CAD $0.76-$0.92	CAD $0.89	1.72 years

Options Vested	**Option Price**	**Weighted Average Exercise Price of Options Currently Exercisable**	**Weighted Average Remaining Contractual Life**
440,000	CAD $0.76-$0.92	CAD $0.63	1.87

11. Share Capital (Continued)

The options that are outstanding at December 31, 2023, are summarized as follows:

Options Outstanding	**Option Price**	**Weighted Average Exercise Price of Options Outstanding**	**Weighted Average Remaining Contractual Life**
140,000	CAD $0.76	CAD $0.76	2.92 years
875,000	CAD $0.90-$0.92	CAD $0.91	1.61 years
1,015,000	CAD $0.76-$0.92	CAD $0.89	1.72 years

Options Vested	**Option Price**	**Weighted Average Exercise Price of Options Currently Exercisable**	**Weighted Average Remaining Contractual Life**
875,000	CAD $0.90	CAD $0.90	1.61

In estimating expected stock price volatility at the time of a particular share option grant, the Company relies on observations of historical volatility trends. Share-based compensation expense in relation to stock options was $40,000 for the year ended December 31, 2023 (2022 $87,596).

d) Warrants:

The Company initiated a long-term stock warrant plan in the third quarter of 2018 for key management and employees. The stock warrant plan is monitored by the Board of Directors who determine the strike price and vesting terms of warrants issued.

	Number	Warrant Price Per Share Range	Weighted Average Exercise Price
Total warrants outstanding December 31, 2022, and December 31, 2023	1,400,000	CAD $0.95 to $2.26	CAD $1.59
Warrants exercisable at December 31, 2024	**700,000**	**CAD $0.95 to $2.26**	**CAD$1.23**

The warrants that are outstanding as of December 31, 2024 are summarized as follows:

Warrants Outstanding	Warrant Exercise Price	Weighted Average Remaining Life
200,000	CAD $0.95	1.97 years
200,000	CAD $1.27	1.73 years
125,000	CAD $1.27	1.73 years
175,000	CAD $1.41	1.73 years
200,000	CAD $1.55	1.73 years
250,000	CAD $1.98	1.73 years
250,000	CAD $2.26	1.73 years
1,400,000	CAD $1.59	1.76 years

Total share-based compensation expense recognized in 2024 in relation to stock warrants was Nil (2023 - $3,746)

12. Contributed Surplus

The following is a continuity schedule of contributed surplus:

	December 31, 2024	December 31, 2023
Balance, beginning of year	**$ 2,251,896**	$ 2,185,578
Share-based compensation (Note 11(c), (d))	**40,000**	66,318
Balance, end of year	**$ 2,291,896**	$ 2,251,896

13. Earnings per Common Share

The basic earnings per common share is calculated using net income divided by the weighted-average number of common shares outstanding. The diluted earnings per common share is calculated using net income divided by the weighted-average number of diluted common shares outstanding, as adjusted with the treasury stock method. 17,892,564 is calculated from 15,477,564 and adding in; 1,015,000 options (2023 – 1,015,000) and 1,400,000 warrants (2023 – 1,400,000) were included in calculating the weighted-average number of diluted common shares outstanding for the year ended December 31, 2024 however were excluded from the calculating of weighted-average number of diluted common shares outstanding in December 31, 2023 because the Company was in a net loss position.

14. Segment Information

The Company has its operations and subsidiaries in the United States and Canada.

		United States		**Canada**		**Total**
For the year ended December 31, 2024						
Revenue	**$**	**11,557,412**	**$**	**4,318,548**	**$**	**$15,875,960**
Net income/(loss)		**1,091,264**		**(476,738)**		**614,526**
Non-current assets		**6,756,342**		**6,687,393**		**13,443,735**
Liabilities		**4,918,922**		**1,827,958**		**6,746,880**
For the year ended December 31, 2023						
Revenue	$	8,884,721	$	3,522,397	$	$12,407,118
Net income/(loss)		2,100,575		(2,010,348)		90,227
Non-current assets		6,378,456		6,616,348		12,994,804
Liabilities		5,165,675		2,537,972		7,703,647

15. Financial Instruments

The financial instruments of the Company consist of cash, accounts receivable, due from related parties, investment, and accounts payable and accrued liabilities.

	December 31, 2024		December 31, 2023	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
At FVTPL				
Cash	**$ 2,991,536**	**$ 2,991,536**	$ 1,108,029	$ 1,108,029
At FVOCI				
Investment	**$ 3,978,749**	**$ 3,978,749**	$ 1,341,108	$ 1,341,108
At Amortized cost				
Accounts receivable	**$ 2,474,166**	**$ 2,474,166**	$ 2,225,700	$ 2,225,700
Due from related parties	**-**	**-**	852,338	852,338
Accounts payable and accrued liabilities	**999,231**	**999,231**	1,409,315	1,409,315

15. Financial Instruments (Continued)

The table below sets out fair value measurements using the fair value hierarchy.

	Total	Level 1	Level 2	Level 3
Assets				
Cash	$ 2,991,536	$ 2,991,536	$ -	$ -
Investment	3,978,749	3,978,749	-	-

There have been no transfers during the period between Levels 1 and 2.

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations exposes the Company to various risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. The Company does not use off statement of financial position contracts to manage these risks.

Foreign Currency Risk
The Company has foreign currency exposure through its DP Cast subsidiary which has a functional currency of Canadian dollar. The Company manages its foreign currency risk through natural hedges of its current asset and current liability positions where possible. If a 1% change in the US/CAD exchange rate, there would be an immaterial impact on the consolidated financial statements.

Risk Related to Tariffs

The Company imports raw materials both into and from U.S/Canada as well as sells parts from Canada into the U.S. with the changes to the current economic conditions we could be faced with increased tariffs on both import and/or exports of goods.

Other Price Risk
The Company has financial instruments that may fluctuate in value as a result of changes in market price. The Company has an investment in shares of California Nanotechnologies, Inc. This investment is recorded on the consolidated statements of financial position at fair value as of the statement of financial position date with changes from the prior period’s fair value reported in OCI. As at December 31, 2024, a 1% change in the price of the investment would have an impact of $39,787 (December 31, 2023- $5,325).

Liquidity Risk
At December 31, 2024, the Company had no borrowings and $2,991,536 of cash in the bank.

The following table provides an analysis of the financial liabilities based on the remaining terms of the liabilities as at:

	≤ 1 year	> 1 year ≤ 3 years	> 3 years ≤ 4 years	> 5 years	Total
December 31, 2024					
Accounts payable and accrued liabilities	$ **999,231**	$ -	$ -	$ -	$ **999,231**
December 31, 2023					
Accounts payable and accrued liabilities	$ 1,409,315	$ -	$ -	$ -	$ 1,409,315

15. Financial Instruments (Continued)

Credit Risk

The Company manages credit risk over cash by maintaining its bank accounts with large financial institutions. The Company manages credit risk over accounts receivable by dealing with financially sound customers, based on an evaluation of the customer's financial condition. For the year ended December 31, 2024, the Company had one customer which accounted for in excess of 10% of revenue for approximately $2,963,000 or 19% of sales (December 31, 2023 – one customers totaling $2,480,000 or 20% of sales). The maximum exposure to credit risk is the carrying value of cash, accounts receivable and due from related parties. The table below provides an analysis of the age of accounts receivable from invoice date, which are not considered impaired.

	Total	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days
December 31, 2024	**$ 2,474,166**	**$ 1,746,374**	**$ 431,784**	**$ 118,156**	**$ 177,852**
December 31, 2023	$ 2,225,700	$ 1,186,932	$ 775,778	$ 110,662	$ 152,328

16. Commitments

The Company has purchase orders with various customers, in the normal course of operations, to supply parts during 2025.

17. Selling, General, and Administrative Expense

Selling, general and administrative expense consist of the following:

	2024	2023
Payroll	**$ 819,444**	$ 969,382
Outside services	**336,852**	391,700
All other	**202,046**	21,814
	$ 1,358,342	$ 1,382,896

18. Other Income and Expense

Other income in the year ended December 31, 2024, included $200,000 of repayments on the due from related parties.

19. Capital Disclosures

The objective for managing the Company's capital structure is to ensure that the Company has the financial capacity, liquidity and flexibility to fund expansion projects and product development efforts. The capital structure of the Company consists of cash and equity comprised of issued capital, contributed surplus and retained earnings. The Company generally relies on operating cash flows fund the expansion and product development. The Company's financing needs depend on the timing of expected net cash flows from new products and sales of current products. This requires the Company to maintain financial flexibility and liquidity.

The Company's capital management policies are aimed at**:**

- Maintaining an appropriate balance between short-term borrowings, long-term debt and shareholders' equity;
- Maintaining sufficient undrawn committed credit capacity to provide liquidity;
- Ensuring ample covenant room to draw credit lines as required; and,
- Ensuring the Company maintains a credit rating that is appropriate for their circumstances.

The Company monitors the leverage in its capital structure by reviewing the ratio of net debt to cash flow from operating activities and interest coverage ratios.