DESERT MOUNTAIN ENERGY CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Desert Mountain Energy Corp.

Opinion

We have audited the accompanying consolidated financial statements of Desert Mountain Energy Corp. (the "Company"), which comprise the consolidated statement of financial position as at September 30, 2024, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that as at September 30, 2024, the Company has not achieved profitable operations, has accumulated losses of $52,640,454 since inception and expects to incur further losses in the development of its business. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matters

The consolidated financial statements of the Company for the year ended September 30, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on March 20, 2024.

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 year. 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.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our auditor's report.

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Assessment of Impairment Indicators of Exploration and Evaluation Asset ("E&E Asset")

As described in Note 6 to the consolidated financial statements, the carrying amount of the Company's E&E Asset was $20,365,858 as of September 30, 2024. As more fully described in Note 3 to the consolidated financial statements, management assesses its E&E Asset for indicators of impairment at each reporting period.

The principal consideration for our determination that the assessment of impairment indicators of the E&E Asset is a key audit matter is that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Asset, which is impacted by the Company's intent and ability to continue exploration activities. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Asset.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Asset through discussions with management.
- Examining the Company's recent expenditure activity as well as its ability to fund future activities including reviewing available budgets for future periods.
- Evaluating, on a test basis, confirmation of title to ensure mineral rights underlying the E&E Asset are in good standing.

Assessment of Impairment Indicators of Property, Plant and Equipment ("PP&E Assets")

As described in Note 7 to the consolidated financial statements, the carrying amount of the Company's PP&E Assets was $26,263,332 as of September 30, 2024. As more fully described in Note 3 to the consolidated financial statements, management considers both internal and external sources of information when making the assessment of whether there are any impairment indicators for the PP&E Assets at each reporting period.

The principal consideration for our determination that the assessment of impairment of the PP&E Assets is a key audit matter are potential variances between management's assumptions and judgements and the market conditions which could have a material effect in the future on the Company's financial position and results of operations. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the PP&E Assets.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Out audit procedures include, among others:

- Evaluating management's assessment of impairment indicators.
- Examining the Company's ability to fund future activities including reviewing available budgets for future periods.
- Discussing with management regarding the plans for the PP&E Assets and the viability of the helium project.

Assessment of valuation of decommissioning liabilities ("ARO Liabilities")

As described in Note 8 to the consolidated financial statements, the carrying amount of the Company's ARO Liabilities was $2,854,977 as of September 30, 2024. As more fully described in Note 3 to the consolidated financial statements, management estimates the present value of the ARO Liabilities at each reporting period.

The principal considerations for our determination that the assessment of the ARO Liabilities is a key audit matter are that there was judgment made by management when assessing the underlying input costs and discount rate used in the determination of the ARO Liabilities. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in the preparation of the estimated ARO Liabilities.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Assessing the competencies of those involved in determining the underlying inputs used in the ARO Liabilities.
- Benchmarking the discount and inflation rates used in the calculation of the ARO Liabilities against comparable market data and assessing the appropriateness of the use of these rates.
- Identifying the key assumptions and inputs used within management's calculation of the ARO Liabilities and assessing them against industry, regulatory and other third-party data in order to determine whether the assumptions used are reasonable and can be sufficiently supported.
- Recalculating accretion and ending balances.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the 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 audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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 Carmen Newnham.

Davidson & Company LLP

Vancouver, Canada — Chartered Professional Accountants

January 23, 2025

DESERT MOUNTAIN ENERGY CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at September 30,

		2024		2023
Assets				
Current Assets				
Cash and cash equivalents	**$**	**1,183,460**	$	12,091,882
Amounts receivable		**295,306**		843,405
Prepaid expenses and deposits		**87,043**		635,401
Lease receivable (Note 5)		**172,109**		-
Total Current Assets		**1,737,918**		13,570,688
Non-current Assets				
Restricted cash		**783,612**		-
Lease receivable (Note 5)		**734,938**		-
Loan receivable (Note 5)		**484,860**		665,296
Surety bonds		**156,772**		101,837
Exploration and evaluation asset (Note 6)		**20,365,858**		19,644,903
Property, plant and equipment (Note 7)		**26,263,332**		25,464,700
Total Assets	**$**	**50,527,290**	$	59,447,424
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**418,956**	$	918,543
Due to related parties (Note 9)		**22,734**		37,798
Total Current Liabilities		**441,690**		956,341
Non-current Liabilities				
Decommissioning liabilities (Note 8)		**2,854,977**		7,722,488
Total Liabilities		**3,296,667**		8,678,829
Equity				
Share capital (Note 10)		**80,775,376**		80,775,376
Reserves (Note 10)		**17,482,270**		16,330,493
Accumulated other comprehensive income		**1,613,431**		1,722,702
Deficit		**(52,640,454)**		(48,059,976)
Total Equity		**47,230,623**		50,768,595
Total Liabilities and Equity	**$**	**50,527,290**	$	59,447,424

Nature of Operations and Going Concern (Note 1)
Contingency (Note 16)

These consolidated financial statements were authorized for issue by the Board of Directors on January 23, 2025. They are signed on the Company's Board of Directors behalf by:

/s/ "Robert Rohlfing"
Director

/s/ "Don Mosher"
Director

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

DESERT MOUNTAIN ENERGY CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	YEARS ENDED SEPTEMBER 30, 2024	2023
Revenue (Note 14)	**$ 860,342**	$ 1,743,622
Cost of sales (Note 14)	**(1,270,008)**	(879,116)
Gross loss	**(409,666)**	864,506
Expenses		
Accretion (Note 8)	**334,382**	97,469
Bad debts (recoveries)	**(103,470)**	157,212
Depletion	**-**	68,957
Depreciation (Note 7)	**130,500**	342,682
Director's fees (Note 9)	**64,805**	44,481
Filing and transfer agent fees	**108,225**	166,143
Foreign exchange	**22,678**	254,476
Investor relations	**-**	99,000
Insurance	**532,038**	718,099
Impairment (Note 7)	**-**	5,269,061
Marketing	**134,871**	745,869
Office and miscellaneous	**157,979**	377,320
Professional and consulting fees (Note 9)	**1,907,538**	1,624,273
Repairs and maintenance	**319,706**	587,909
Salaries and benefits	**183,090**	622,359
Share-based payments (Notes 9,10)	**1,008,661**	1,830,482
Travel	**59,790**	271,275
Total	**4,860,793**	13,227,067
Net loss before other revenues and expenses	**(5,270,459)**	(12,412,561)
Other revenues and (expenses)		
Interest income and accretion (Note 5)	**503,746**	792,523
Change in fair value of marketable securities	**-**	28,315
Gain on sale of equipment (Note 5)	**186,235**	-
Net loss	**(4,580,478)**	(11,591,723)
Other comprehensive (loss) income		
Translation adjustment	**(109,271)**	1,722,702
Comprehensive loss	**$ (4,689,749)**	$ (9,869,021)
Basic and diluted loss per common share	**$ (0.05)**	$ (0.14)
Weighted average number of common shares outstanding – basic and diluted	**90,258,109**	84,265,706

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

DESERT MOUNTAIN ENERGY CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Share Capital					
	Shares	Amount	Reserves	Accumulated Other Comprehensive (Loss) Income	Deficit	Total Equity
Balance, September 30, 2022	77,584,895	$ 61,606,400	$ 12,181,470	$ -	$ (36,469,600)	$ 37,318,270
Issuance of shares for cash	11,845,000	21,142,600	1,955,150	-	-	23,097,750
Share issuance costs	-	(2,447,848)	499,835	-	-	(1,948,013)
Exercise of warrants	3,360	9,449	(2,729)	-	-	6,720
Exercise of stock options	735,000	433,081	(158,881)	-	-	274,200
Exercise of share appreciation rights	89,854	31,694	(33,041)	-	1,347	-
Share-based payments	-	-	1,888,689	-	-	1,888,689
Comprehensive loss for the year	-	-	-	1,722,702	(11,591,723)	(9,869,021)
Balance, September 30, 2023	90,258,109	$ 80,775,376	$ 16,330,493	$ 1,722,702	$ (48,059,976)	$ 50,768,595
Share-based payments	-	-	1,151,777	-	-	1,151,777
Comprehensive loss for the year	-	-	-	(109,271)	(4,580,478)	(4,689,749)
Balance, September 30, 2024	**90,258,109**	**$ 80,775,376**	**$ 17,482,270**	**$ 1,613,431**	**$ (52,640,454)**	**$ 47,230,623**

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

DESERT MOUNTAIN ENERGY CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30,
(Expressed in Canadian Dollars)

	2024	2023
Operating Activities		
Net loss for the year	**$(4,580,478)**	$(11,591,723)
Items not affecting cash:		
Accretion	**334,382**	97,469
Bad debts (recoveries)	**(103,470)**	157,212
Depletion	**137,734**	68,957
Depreciation	**130,500**	342,682
Impairment	**-**	5,269,061
Share-based payments	**1,008,661**	1,830,482
Change in fair value of marketable securities	**-**	(28,315)
Interest income and accretion	**(283,350)**	(560,742)
Unrealized foreign exchange	**20,320**	305,922
Gain on disposal of equipment	**(186,235)**	-
Changes in non-cash operating assets and liabilities:		
Amounts receivable	**650,046**	(588,166)
Prepaid expenses and deposits	**548,358**	(192,560)
Accounts payable and accrued liabilities	**(287,022)**	175,653
Due to related parties	**(15,064)**	14,389
Cash used in operating activities	**(2,625,618)**	(4,699,679)
Investing Activities		
Restricted cash	**(783,612)**	-
Exploration and evaluation asset expenditures	**(917,183)**	(3,810,513)
Business combination	**-**	(3,310,000)
Property, plant and equipment expenditures	**(7,086,513)**	(9,438,156)
Proceeds from sale of property, plant and equipment	**-**	8,092
Proceeds from sale of marketable securities	**-**	319,690
Lease receivable payments received	**178,244**	-
Loan receivable payments received	**379,504**	981,072
Accounts payable relating to investing activities	**-**	(1,595,588)
Surety bond	**(55,350)**	(33,800)
Cash used in investing activities	**(8,284,910)**	(16,879,203)
Financing Activities		
Issuance of shares for cash, net of costs	**-**	21,149,737
Exercise of warrants	**-**	6,720
Exercise of stock options	**-**	274,200
Cash provided by financing activities	**-**	21,430,657
Effect of foreign exchange on cash	**2,106**	10,326
Change in cash and cash equivalents	**(10,908,422)**	(137,899)
Cash and cash equivalents, beginning	**12,091,882**	12,229,781
Cash and cash equivalents, end	**$1,183,460**	$ 12,091,882

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

DESERT MOUNTAIN ENERGY CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30,
(Expressed in Canadian Dollars)

	2024 ($)	2023 ($)
Supplemental cash flow information:		
Capitalized share-based payments included in exploration and evaluation asset	**143,116**	58,207
Accounts payable related to investing activities	**-**	211,253
Transfer to share capital on exercise of finder's warrants	**-**	2,729
Transfer to share capital on exercise of options	**-**	158,881
Fair value of compensation options issued in financing	**-**	499,835
Fair value of shares issued on the exercise of share appreciation rights	**-**	33,041
Receivable from sale of equipment	**999,565**	-
Recognition of decommissioning liabilities	**-**	7,920,201
Revisions to provision for decommissioning liabilities	**(5,202,267)**	(836,096)
Exercise of share appreciation rights	**-**	1,347
Cash and cash equivalents consists of:		
Cash	**683,460**	2,091,882
Cash equivalents	**500,000**	10,000,000
Total	**1,183,460**	12,091,882

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

1. Nature of Operations and Going Concern

Desert Mountain Energy Corp. (the "Company") was incorporated under the laws of the Province of British Columbia, Canada on April 30, 2008 and commenced operations on June 27, 2008. The Company's shares trade on the TSX Venture Exchange under the symbol "DME". On December 10, 2008, the Company's common shares were listed on the Frankfurt Stock Exchange, trading under the "QM01" symbol and on April 26, 2021, the Company began trading on the OTCQX under the symbol "DMEHF". The Company is primarily engaged in the acquisition of, exploration for and development of helium and natural gas reserves in Arizona and New Mexico. Planned future operations include the processing and sale of helium through its mobile processing plant that is currently in the final stages of completion and operational testing.

The Company's principal address is #1023, 14155 W. Mountain View Blvd., Surprise, Arizona, 85374, USA, and the address of its registered and records office is 2500 Park Pl., 666 Burrard St., Vancouver, BC, V6C 2X8, Canada.

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. This assumes the Company will operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company is in the process of exploring its helium properties and has not yet determined whether these properties contain deposits that are economically recoverable. As the Company only has limited cash flows from its trucking and natural gas operations, it must rely on equity financing to fund operations. To date, the Company's main source of funding has been the issuance of equity securities for cash through private placements to investors and through public offerings to institutional investors. The Company has historically raised operating capital from the sale of equity and expects to continue to do so.

The Company's continuing operations and underlying value and recoverability of the amounts shown for its exploration and evaluation asset and property, plant and equipment are entirely dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of these reserves, the economic recovery of producing natural gas and helium assets, future profitable operations from the processing and sale of these commodities, or proceeds from their disposition.

As at September 30, 2024, the Company has not yet achieved profitable operations, has accumulated losses of $52,640,454 since inception and expects to incur additional losses in the development of its business. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

If the going concern assumption were not appropriate for these consolidated financial statements, material adjustments might be necessary to the carrying values of assets and liabilities, reported revenues and expenses and the consolidated statement of financial position classifications used.

2. Basis of Presentation

a) Statement of Compliance

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

b) Basis of Measurement and Presentation

These consolidated financial statements have been prepared using the historical cost basis except for certain financial instruments which have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

2. Basis of Presentation (Continued)

c) Basis of Consolidation

These consolidated financial statements incorporate the financial statements of the Company and its 100% owned subsidiaries, Desert Energy Corp. of the USA (Nevada) ("DEC"), Desert Mountain Trucking LLC (Arizona) ("DMT"), Desert Mountain Midstream LLC (Nevada) ("DMM"), Saguaro Family Land Company (Arizona), PAM Botswana (Pty) Ltd. (Botswana) (inactive), its 99.97% owned subsidiary, AQ Kenya Gold Limited (Kenya) (inactive), and its 99% owned subsidiary, PAM Mocambique Limitada (Mozambique) (inactive). The financial statements of the subsidiaries are prepared using accounting policies that are consistent with the Company. All intercompany transactions and balances are eliminated on consolidation.

d) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the reporting currency of the Company.

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company's parent entity and all inactive subsidiaries is the Canadian dollar, while the functional currency of its United States subsidiaries is the US dollar. The functional currency determinations were made through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Effective July 1, 2023, the functional currency of the Company's active subsidiaries (DEC, DMT and DMM) changed from Canadian dollars to US dollars. The effect of the change in functional currency is being accounted for prospectively. All assets and liabilities held by DEC, DMT and DMM are being translated to Canadian dollars at the exchange rate at the date of the consolidated statement of financial position. Amounts that are part of equity are being translated at historical exchanges rates, while revenue and expenses are translated at the average exchange rates during the period. All resulting exchange differences are recorded in other comprehensive income. These exchange differences are not reclassified from accumulated other comprehensive income to profit and loss until disposal of the subsidiary to which they relate.

For all other entities within the Group, transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenue and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on these transactions are included in the consolidated statement of loss and comprehensive loss.

a) Cash, Cash Equivalents and Restricted Cash

Cash consists of cash held in bank accounts. For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes.

Restricted cash is held for the purpose of supporting the bond held for ownership of wells in New Mexico and cannot be used for general corporate purposes as long as the Company are operating in the West Pecos Slope Abo Gas Field.

b) Exploration and Evaluation Assets

<u>Pre-exploration costs</u>
Pre-exploration costs are expensed in the period in which they are incurred.

3. Material Accounting Policy Information (Continued)

b) Exploration and Evaluation Assets (Continued)

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, the Company capitalizes all costs related to property interests on a property-by-property basis. Such costs include property acquisition costs and exploration and development expenditures, net of any recoveries. On abandonment or sale of any property, accumulated capitalized amounts are charged to operations net of proceeds. Following commencement of commercial production, capitalized costs will be amortized over the estimated useful life of the helium reserve using the units of production method. Incidental revenues received while the properties are in the exploration stage are credited to the carrying value of the properties. Cost recoveries are credited against specific property costs, as received.

Property acquisition costs include cash costs and the fair market value of issued shares and other share-based payments, paid under option or joint interest agreements. Payment terms are at the sole discretion of the Company and are recorded as acquisition costs upon payment.

Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values. Capitalized costs are subject to measurement uncertainty and it is reasonably possible a change in future conditions could require a material change in recorded amounts.

Title to helium properties involves certain inherent risks due to the difficulties of determining the validity of permits and the potential for problems arising from government conveyance accuracy, prior unregistered agreements or transfers, indigenous land claims, confirmation of physical boundaries, and title may be affected by undetected defects. The Company does not carry title insurance.

The Company has evaluated title to all of its properties and believes, to the best of its knowledge, that evidence of title is adequate and acceptable given the current stage of exploration.

Management's capitalization of exploration costs and assumptions regarding the future recoverability of such costs are subject to significant measurement uncertainty. Management's assessment of recoverability is based on, among other things, the Company's estimate of current helium reserves and resources which are supported by geological estimates, estimated helium prices, and the procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future and this could materially affect the carrying value and the ultimate recoverability of the amounts recorded for exploration and evaluation assets.

Development

The assessment of technical feasibility and commercial viability is based upon estimates of the recoverability of capitalized costs by future exploitation or sale and where the activities have reached a stage that permits a reasonable assessment of the existence of proved reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available.

When technical feasibility and commercial viability of a well is determinable based on management's assessment of current information, the exploration and evaluation assets attributable to that well are first tested for impairment and then reclassified from exploration and evaluation assets to property, plant and equipment.

3. Material Accounting Policy Information (Continued)

c) Financial Instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive (loss) income ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company's financial instruments:

Financial assets/ liabilities	Classification
Cash, cash equivalents and restricted cash	Amortized cost
Amounts receivables (net of GST)	Amortized cost
Loan receivable	Amortized cost
Surety bonds	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost

Measurement

<u>Financial assets at FVTOCI</u>

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

<u>Financial assets and liabilities at amortized cost</u>

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

<u>Financial assets and liabilities at FVTPL</u>

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

3. Material Accounting Policy Information (Continued)

c) Financial Instruments (Continued)

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – Inputs for the asset or liability that are not based on observable market data.

The fair values of the Company's cash and cash equivalents, restricted cash, amounts receivable, accounts payable and accrued liabilities, and due to related parties approximate their carrying values at September 30, 2024 and 2023, due to their short-term nature. The fair value of the Company's marketable securities were determined using level 1 inputs. The fair value of the Company's loan and lease receivables are measured at the present value of the discounted future cash flows.

3. Material Accounting Policy Information (Continued)

d) Property, Plant and Equipment

Expenditures for plant under construction are capitalized to the consolidated statement of financial position and will be amortized over the life of the asset commencing at the time the asset is ready for its intended use.

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probably that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statement of loss and comprehensive loss during the period in which they are incurred.

Depreciation of property, plant and equipment is provided using the following rates and methods approximating their estimated useful lives:

Equipment	30% Declining balance basis
Plant	To be determined once the asset is placed into productive use

e) Impairment of Long-Lived Assets

Long-lived assets are reviewed for potential impairment annually or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. If such indication exists, the recoverable amount of the identified asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where it is possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. Each of the Company's exploration and evaluation properties is considered to be a cash-generating unit for which impairment testing is performed.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior reporting periods. A reversal of an impairment loss is recognized immediately in profit or loss.

3. Material Accounting Policy Information (Continued)

f) Decommissioning Liabilities

The Company provides for future decommissioning liabilities related to its natural gas operating activities based on current legislation, constructive obligations and industry operating practices. Decommissioning liabilities are recognized as a liability in the period in which they are incurred. They are measured as the present value of management's best estimate of the expenditure required to settle the asset retirement liability at the reporting date using a discount rate. When the liability is initially recognized, an amount equivalent to the provision is capitalized to the cost of the related natural gas asset. This cost is amortized to expense through depletion and depreciation over the life of the related asset on a unit-of-production basis. Subsequent to initial measurement, the liability is adjusted at the end of each period to reflect the passage of time and changes in the estimated future costs underlying the liability. The increase in the balance due to the passage of time is charged to the statement of net and comprehensive income whereas increases or decreases due to changes in the estimated future costs are capitalized. Actual costs incurred upon settlement of the decommissioning liability are charged against the liability or expense if greater than the liability.

The Company accounts for the estimated fair value of legal obligations to reclaim and remediate exploration and evaluation assets in the period incurred, at the net present value of the cash flows required to settle the future obligations. The corresponding amount is capitalized to the related asset and accounted for in accordance with the Company's related accounting policies for exploration and evaluation assets. The liabilities are subject to accretion over time as a finance expense for increases in the fair value of the liabilities. Changes in estimates are accounted for prospectively from the period the estimate is revised.

The operations of the Company may in the future be affected, from time to time in varying degrees, by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable.

g) Share-based Payments

The Company records in share capital proceeds from share issuances, net of issue costs and any tax effects. The fair value of common shares issued as consideration for properties is based on the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of Directors.

The Company accounts for stock options issued to employees at the fair value determined on the grant date using the Black-Scholes option pricing model. The fair value of the options is recognized as an expense using the graded vesting method where the fair value of each tranche is recognized over its respective vesting period. At each financial reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Share-based payments made to non-employees are measured at the fair value of the goods or services received or, the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured. These payments are recorded at the date the goods and services are received.

Warrants issued to agents are recorded at estimated fair values determined on the grant date using the Black-Scholes model. When the stock options or warrants are exercised, the applicable amounts of their fair values in the reserve accounts are transferred to share capital.

3. Material Accounting Policy Information (Continued)

h) Share-based Payments

The Company has a share appreciation rights plan, which provides stock option holders the right to receive the number of common shares that are equal in value to the intrinsic value of the stock options at the date of exercise. The intrinsic value of the stock options is calculated as the difference between the volume-weighted average price ("VWAP") of the Company's common shares for the five trading days immediately prior to exercise of the right less the exercise price of the options. This difference is multiplied by the number of stock options being exercised and divided by the VWAP to arrive at the number of common shares to issue on exercise of the right. Amounts transferred from the reserve for share-based payment to share capital are based on the ratio of shares actually issued to the number of stock options originally granted. The remainder is transferred to deficit.

i) Share Capital

- Unit offerings

Common shares are classified as equity. Proceeds from unit placements are allocated between shares and warrants issued using the residual method. The residual method first allocates fair value to the component with the best evidence of fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares, measured on date of issue, was determined to be the component with the best evidence of fair value. The balance, if any, was allocated to the attached warrants. Costs directly identifiable with share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations in the period they are incurred.

- Flow-through shares

The Company will from time to time, issue flow-through common shares to finance its exploration programs. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon qualifying expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as interest expense until paid.

3. Material Accounting Policy Information (Continued)

j) Net Loss per Common Share

Basic loss per common share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the potential dilution that could share in the earnings of an entity. In the periods where a net loss is incurred, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive and basic and diluted loss per common share is the same. In a profit year, the weighted average number of common shares outstanding used for calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase the common shares at the average price per period.

k) Income Taxes

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in profit or loss, except to the extent it relates to items recognized directly in equity, in which cash the income tax expense is recognized in equity.

Current income tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income taxes payable in respect of previous years.

The Company uses the balance sheet method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

l) General Provisions

A provision is a liability of uncertain timing or amount of a future expenditure when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The present value of expected future cash outflows is recognized as a liability and the increase to the liability due to the passage of time is recorded as a finance expense. The Company uses a credit adjusted discount rate that reflects current market assessments of the time value of money and the risk specific to the liability.

3. Material Accounting Policy Information (Continued)

m) Revenue Recognition

Revenue represents the fair value of consideration received or receivable from customers for the transfer of control of goods or services by the Company, net of discounts and sales taxes. The Company earns revenue from providing trucking services for moving oil field and production equipment for customers. Revenue is recognized at the point in time when the customer obtains control of the service. Control is achieved when the service is performed for the customer, the Company has a present right to payment for the service, significant risks and rewards of ownership have transferred to the customer and there is no unfulfilled obligation that could affect the customer’s acceptance of the service. Revenue from usage-based fees is recognized in the period in which the customer incurs the usage, at a point in time.

The Company also earns revenue from extracting natural gas from wells in the newly purchased West Pecos Slope abo Gas Field, transferring the gas through pipelines to the customer. Revenue represents the fair value of consideration received or receivable from customers for the transfer of control of the gas by the Company to the customer. Control is achieved when the product (gas) is delivered to the customer. The Company has a present right to payment for the service, significant risks and rewards of ownership have transferred to the customer and there is no unfulfilled obligation that could affect the customer’s acceptance of the service. Revenue from gas sales is recognized in the period in which the customer receives the gas and takes control of the product, at a point in time.

n) Critical Accounting Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Critical Judgments Used in Applying Accounting Policies
Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Impairment of exploration and evaluation asset
Management evaluates its exploration and evaluation asset for indicators of impairment taking into account the period for which the Company has the right to explore, results from exploration activities to date, planned or budgeted expenditures, and the Company’s ability to complete the planned or budgeted expenditures, among other factors.

Impairment of cash generating units
Assets or cash-generating units (“CGUs”) are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company’s properties.

Determination of functional currency
The determination of the functional currency of the parent and its subsidiaries requires management judgment in determining the primary economic environment in which the entities operate. The Company considers both primary and secondary indicators when performing this assessment.

3. Material Accounting Policy Information (Continued)

n) Critical Accounting Judgments and Estimates (Continued)

Critical Accounting Estimates
The following are the key estimates that may have a significant risk of resulting in a material adjustment in future periods:

Fair value estimates of equity instruments
The fair value of each stock option granted is estimated at the grant date using the Black-Scholes option pricing model. The estimated life of the stock options and conversion at grant date is based on the expected life of the options and assumptions about the expected exercise pattern. Expected volatility of stock options is estimated based on the historical volatility of the Company.

Recoverable value of asset carrying values
The carrying value of helium and natural gas properties and the likelihood of future economic recoverability is subject to significant management estimates and judgments. The application of the Company's accounting policy for and determination of recoverability of capitalized assets is based on assumptions about future events or circumstances. New information may change estimates and assumptions made. If information becomes available indicating that recovery of expenditures is unlikely, the amounts capitalized are impaired and recognized as a loss in the period that the new information becomes available. A change in estimate could result in the carrying amount of capitalized assets being materially different from their presented carrying costs.

Reserve estimates
Helium and natural gas assets are depleted on a unit-of-production basis at a rate calculated by reference to proven and probable reserves determined in accordance with National Instrument 51-101, Standards of disclosure for Oil and Gas Activities ("NI 51-101") and incorporating the estimated future cost of developing and extracting those reserves. Proved and probable reserves are estimated using independent reservoir engineering reports and represent the estimated quantities of natural gas and natural gas liquids, which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

Reserves estimates, although not reported as part of the Company's financial statements, can have a significant effect on net income (loss), assets and liabilities as a result of their impact on depreciation and depletion, decommissioning liabilities, deferred taxes and asset impairments. Independent reservoir engineers perform evaluations of the Company's helium and natural gas reserves on an annual basis. The estimation of reserves is an inherently complex process requiring significant judgment. Estimates of economically recoverable oil and natural gas reserves are based upon a number of variables and assumptions such as geoscientific interpretation, production forecast, commodity prices and costs and related future cash flows, all of which may vary considerably from actual results. These estimates are expected to be revised upward or downward over time, as additional information such as reservoir performance becomes available or as economic conditions change.

Decommissioning liabilities
Provisions for decommissioning liabilities associated with the Company's exploration and evaluation properties and property, plant and equipment are based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Amounts recorded for decommissioning liabilities require the use of management's best estimates of future decommissioning expenditures, expected timing of expenditures and future inflation rates. The estimates are based on internal and third party information and actual costs and cash outflows can differ from estimates due to changes in laws and regulations, public expectations, prices, discovery and analysis of site conditions, and changes in clean up technology.

3. Material Accounting Policy Information (Continued)

n) Critical Accounting Judgments and Estimates (Continued)

Fair value measurement of loan receivable
The determination of the fair value of the loan receivable on initial recognition required management to impute an appropriate incremental borrowing rate as the loan is non-interest bearing in nature. Lending is not in the normal course of operations for the Company nor is there a market for loans of this nature; hence, Level 1 inputs are not readily available. Management used its best estimate in determining the discount rate and considered many factors, including the lack of security, credit risk and history with the third party. The rate used by management may not be representative of the rate that may be obtained by the borrower through other conventional or non-conventional lending arrangements.

Business combinations
Business combinations also require judgment, estimates and assumptions in regard to contingent consideration, the date the acquirer obtains control, and fair value estimates on assets purchased and liabilities assumed. If determined to be a business combination, the Company applies the acquisition method to account for the recognition and measurement of identifiable assets acquired, liabilities assumed, any non-controlling interest and, if applicable, goodwill or a gain on the transaction. Significant changes could occur which could materially impact the assumptions and estimates made in these financial statements.

o) Accounting Pronouncements Not Yet Adopted

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date.

These amendments:

- Specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least twelve months;
- Provide that management's expectations are not relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability; and
- Clarify when a liability is considered settled.

On October 31, 2022, the IASB issued a deferral of the effective date for the new guidance by one year to annual reporting periods beginning on or after January 1, 2024, and is to be applied retrospectively. The Company concluded that these amendments will not have a material effect on its consolidated financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements, which will replace IAS 1, Presentation of Financial Statements aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows. IFRS 18 is effective from January 1, 2027. Companies are permitted to apply IFRS 18 before that date.

The Company has not yet determined the impact of this amendment on its consolidated financial statements.

(Expressed in Canadian Dollars)

4. Business Combination

On July 1, 2023, the Company completed an acquisition of a 100% working interest in the West Pecos Slope Abo Gas Field and gas gathering system (“West Pecos”) located in Chaves County, New Mexico for cash consideration of US$2,500,000. The acquisition was accounted for as a business combination under IFRS 3 using the acquisition method of accounting as follows:

Fair value of net assets acquired:		
Natural gas and helium assets	$	11,230,201
Provision for decommissioning liabilities		(7,920,201)
Total net assets acquired	$	3,310,000
Consideration:		
Cash	$	3,310,000
Total purchase price	$	3,310,000

The consolidated statements of loss and comprehensive loss for the year ended September 30, 2023 includes the results of operations for the West Pecos acquisition completed in the fourth quarter of the year, commencing from the acquisition date. Specifically, the Company’s net loss for the year ended September 30, 2023, includes $83,701 of revenues, net of royalties, and $180,000 of well operating costs from the acquisition date to the end of the reporting year.

The Company did not have sufficient available data to reasonably estimate and disclose the revenue and profit or loss that would have been recognized had the acquisition occurred at the beginning of the 2023 reporting year.

5. Loan and Lease Receivable

Loan Receivable

On January 1, 2022, the Company entered into a rig operating and loan agreement with a third party. Pursuant to the agreement, the Company provided the borrower with an unsecured, non-interest bearing loan in the amount of $1,915,470 ($1,500,000 USD), the proceeds of which required the borrower to acquire a drilling rig and provide the Company with preferred use of the equipment. The Company is entitled to receive $3,000 USD per operating day of the rig until such time as the loan principal is repaid and $1,550 USD per operating day (the “contingent consideration”) thereafter up to January 1, 2027, the expiration date of the agreement. The agreement has an early termination clause that may be executed by either party and requires the borrower to repay the remaining principal balance upon execution of the early termination provision. Any balance remaining on the loan at January 1, 2027 is payable in full.

The Company used an effective rate of 15% per annum to determine the fair value of $910,710 on initial recognition of the loan, which resulted in a charge to the statement of loss and comprehensive loss of $1,004,760 during the year ended September 30, 2022.

The change in the loan receivable during the years ended September 30, 2024 and 2023 is as follows:

Balance – September 30, 2022	$	1,100,364
Interest income		560,742
Loan payments		(981,072)
Foreign exchange		(14,738)
Balance – September 30, 2023		665,296
Interest income		201,026
Loan payments		(375,504)
Foreign exchange		(1,958)
Balance – September 30, 2024	$	484,860

(Expressed in Canadian Dollars)

5. Loan and Lease Receivable (continued)

Loan Receivable (continued)

The Company has presented the loan receivable as long-term in nature as the expected timing of cash inflows is not reliably measurable. The contingent consideration has not been recorded as it does not meet the recognition criteria.

Lease Receivable

On January 1, 2024, the Company sold its fleet of trucks held by its subsidiary, DMT, to a third party for $1,216,332 ($900,000 USD). The Company entered into a 5-year interest-bearing lease-purchase agreement with the third party. The arrangement requires the borrower to make monthly payments of $22,115 ($16,373 USD). The present value of the monthly payments was $999,565 ($741,523 USD) using a financing rate of 11.24%.

The Company recorded a gain on sale of equipment on the statements of loss and comprehensive loss of $186,235 representing the difference between the present value of the monthly payments and the carrying value of the equipment at the date of sale.

The change in the lease receivable during the year ended September 30, 2024 is as follows:

Balance – September 30, 2022 and 2023	$	-
Recognition of lease receivable		999,565
Interest income		82,324
Lease payments		(178,244)
Foreign exchange		3,402
Total present value of lease receivable		907,047
Less: current portion		(172,109)
Balance – September 30, 2024	$	734,938

The undiscounted future lease payments receivable as of September 30, 2024 are as follows:

Undiscounted lease payments receivable:		
Not later than one year	$	265,381
Later than one year and not later than 5 years		884,605
	$	1,149,986

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Asset

	Holbrook Basin Helium Project, Arizona
Balance – September 30, 2022	**$ 15,086,377**
Exploration costs:	
Aeromagnetic survey	58,048
Drilling and sampling	2,267,214
Equipment rental	185,255
Field work	82,357
Geological consulting	1,096,798
Geological share-based payments	58,207
Government permit fees	120,219
Travel	622
	3,868,720
Decommissioning liability	(228,008)
Foreign exchange	917,814
Balance – September 30, 2023	**19,644,903**
Exploration costs:	
Drilling and sampling	12,220
Equipment rental	(691)
Field work	30,724
Geological consulting	560,678
Geological share-based payments	143,116
Government permit fees	112,220
	858,267
Decommissioning liability	(8,411)
Foreign exchange	(128,901)
Balance – September 30, 2024	**$ 20,365,858**

Holbrook Basin Helium Project, Northern Arizona, United States

The Company holds properties under lease for helium, oil and natural gas in the Holbrook Basin of Northern Arizona directly from the Arizona Department of Land. Each lease has a primary term of five years, expiring between June 2025 and February 2028. The term of the leases will be extended so long as there is production from them, insofar as they are held by production. During the primary term of the lease the Company is required to pay an annual rental fee of $1 USD per acre leased. If oil or gas is not being produced at the end of the primary lease term the Company has the right to extend the term for an additional five years by paying an annual rental fee of $2 USD per acre leased. The Arizona Department of Land holds a 12.5% gross royalty from production.

(Expressed in Canadian Dollars)

7. Property, Plant and Equipment

	Land	Processing Plant	Equipment	Natural Gas	Total
Cost					
Balance, September 30, 2022	$ 120,013	$ 9,240,611	$ 1,195,200	$ -	$ 10,555,824
Additions	144,018	8,557,908	328,751	11,029,592	20,060,269
Disposals	-	(8,092)	-	-	(8,092)
Foreign exchange	7,695	566,146	74,006	55,357	703,204
Balance, September 30, 2023	271,726	18,356,573	1,597,957	11,084,949	31,311,205
Reclassification	-	-	637,339	(637,339)	-
Additions	-	5,641,724	811,338	633,452	7,086,514
Disposals	-	-	(1,333,122)	-	(1,333,122)
Foreign exchange	(104)	(24,533)	59,353	(91,101)	(56,385)
Balance, September 30, 2024	$ 271,622	$ 23,973,764	$1,772,865	$ 10,989,961	$ 37,008,212
Accumulated Depreciation					
Balance, September 30, 2022	$ -	$ -	$ 155,229	$ -	$ 155,229
Depreciation	-	-	342,682	-	342,682
Depletion	-	-	-	68,957	68,957
Impairment	-	-	-	5,269,061	5,269,061
Foreign exchange	-	-	10,033	543	10,576
Balance, September 30, 2023	-	-	507,944	5,338,561	5,846,505
Depreciation	-	-	130,500	-	130,500
Depletion	-	-	-	137,734	137,734
Disposals	-	-	(518,429)	-	(518,429)
Change in decommissioning liability	-	-	-	5,193,856	5,193,856
Foreign exchange	-	-	2,212	(47,498)	(45,286)
Balance, September 30, 2024	$ -	$ -	$ 122,227	$ 10,622,653	$ 10,744,880
Net book value					
Balance, September 30, 2023	$ 271,726	$ 18,356,573	$ 1,090,013	$ 5,746,388	$ 25,464,700
Balance, September 30, 2024	**$ 271,622**	**$ 23,973,764**	**$ 1,650,638**	**$ 367,308**	**$ 26,263,332**

West Pecos Slope Abo Gas Field (“West Pecos”), Chaves County, New Mexico

During the year ended September 30, 2023, the Company closed on the purchase of the West Pecos Slope Abo Gas Field and gas gathering system located in Chaves County, New Mexico. Th acquisition was accounted for as a business combination (Note 4).

At September 30, 2023, future development costs of US$12,665,000 associated with proved and probable reserves at the West Pecos gas field are included in costs subject to depletion.

At September 30, 2023, the Company determined the recoverable amounts for it’s CGU based on the value-in-use using discounted future cash flows prepared by an independent reserve engineer. In determining the recoverable amount, the Company considered recent transactions within the industry, long-term views of commodity prices, externally evaluated reserve volumes, and discount rates specific to the CGU. The calculation of the recoverable amount is sensitive to assumptions regarding production volumes, discount rates, operating cost structures and commodity prices. The estimated future cash flows were estimated using the proved plus probable reserve value for the CGU, discounted at 12% per annum and were based on the Company’s external independent engineering report.

(Expressed in Canadian Dollars)

7. Property, Plant and Equipment (Continued)

At September 30, 2023, the Company determined that the value-in-use of its natural gas and helium assets were less than the carrying values resulting in an impairment charge of $5,269,061 being recorded (2022 - $nil). The benchmark prices used by the independent reserve evaluators in preparing the Company's reserve report at September 30, 2023 were also used in determining whether impairment of the carrying value of the CGU existed at September 30, 2023.

The prices are referenced for natural gas based on Henry Hub:

	2023	2024	2025	2026	2027
US$/MMBtu	2.75	3.25	3.83	3.90	3.98

At September 30, 2024, the Company determined there were no indicators of impairment.

During the year ended September 30, 2024, the Company successfully moved the McCauley Processing Facility to its newly acquired West Pecos Abo Gas Field. As at September 30, 2024, the Company's processing plant was still in development and not yet ready for its intended use; as such, no depreciation has been recorded.

8. Decommissioning Liabilities

The Company estimates the total undiscounted amount of cash flows required to settle its decommissioning liabilities is approximately $5,297,078 (2023 - $10,353,616). An inflation factor of 2.44% (2023 - 3.70%) has been applied to the estimated asset retirement cost. A risk-free rate of 3.81% (2023 - 4.88%) was used to calculate the fair value of the decommissioning obligations estimating the expenditures will begin to occur in 2038. The change in timing of the estimated future obligations and a change in the risk-free rate results in a change in estimate in the present value of the decommissioning obligations.

Balance, September 30, 2022	$	352,320
Additions		7,920,201
Accretion		97,469
Change in estimate		(836,096)
Foreign exchange		188,594
Balance, September 30, 2023		7,722,488
Accretion		334,382
Change in estimate		(5,202,267)
Foreign exchange		374
Balance, September 30, 2024	**$**	**2,854,977**

(Expressed in Canadian Dollars)

9. Related Party Transactions and Key Management Compensation

All related party transactions were measured at the amount of consideration established and agreed to by the related parties. All amounts due from/payable to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

During the year ended September 30, 2024, the Company incurred the following transactions with related parties and had the following balances:

a) Professional fees to an officer of the Company in the amount of $339,893 (2023 - $168,009).

b) Professional fees to an accounting firm in which a former officer of the Company is a partner in the amount of $nil (2023 - $78,280).

c) Geological fees to an officer of the Company in the amount of $326,187 (2023 - $404,521) which were capitalized as a component of exploration and evaluation asset.

d) Consulting fees to officer and director of the Company in the amount of $321,547 (2023 - $375,349).

e) Director's fees to two directors of the Company in the amount of $64,805 (2023 - $44,481).

f) Share-based payments to management and directors in the amount of $840,363 (2023 - $982,511), of which $143,116 (2023 - $58,207) was capitalized as a component of exploration and evaluation asset.

As at September 30, 2024, $22,734 (2023 - $37,798) was payable to directors and officers of the Company in relation to the above transactions.

Key management includes directors involved with the daily operations of the Company. The compensation paid to key management for services is shown below:

Related Party Transactions and Key Management Compensation	**2024**	2023
Professional fees	**$ 339,893**	$ 246,289
Geological consulting fees	**326,187**	404,521
Consulting fees	**321,547**	375,349
Director fees	**64,805**	44,481
Share-based payments	**840,363**	982,511
	$ 1,892,795	$ 2,053,151

(Expressed in Canadian Dollars)

10. Share Capital and Reserves

a) Authorized

Unlimited common shares without par value and
Unlimited preferred share without par value (none issued)

b) Issued

There were no shares issued during the year ended September 30, 2024.

Year ended September 30, 2023, the Company:

- Closed a public offering which raised gross proceeds of $23,097,750. Under the terms of the public offering, the Company issued 11,845,000 units at $1.95 per unit. Each unit consists of one common share of the Company and one share purchase warrant, where each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $2.70 for a period of two years from closing. A value of $1,955,150 was allocated to the warrants using the residual value method. The Company paid cash agents' commissions of $782,613, a corporate finance fee of $600,000 and issued 710,700 compensation options with a fair value of $499,835. Each compensation option is exercisable at a price of $1.95 for a period of two years from closing. The Company paid $565,400 of additional cash share issuance costs related to the financing.

- Issued 3,360 common shares from the exercise of warrants for proceeds of $6,720.

- Issued 735,000 common shares from the exercise of stock options for proceeds of $274,200. Stock options for 100,000 common shares were cancelled upon the exercise of share appreciation rights resulting in the issuance of 89,854 common shares.

c) Share Purchase Warrants

As at September 30, 2024, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price ($)	Expiry Date
2,314,218	3.50	September 13, 2025
11,845,000	2.70	March 24, 2025
710,700	1.95	March 24, 2025
14,869,918		

A summary of the changes in warrants is presented below:

	Number of Warrants	Weighted Average Exercise Price ($)
Balance, September 30, 2022	2,478,458	3.37
Issued	12,555,700	2.66
Exercised	(3,360)	2.00
Expired	(160,880)	1.60
Balance, September 30, 2023 and 2024	**14,869,918**	**2.79**

(Expressed in Canadian Dollars)

10. Share Capital and Reserves (Continued)

The following weighted average assumptions were used for the Black-Scholes valuation of finder's warrants issued:

	Year ended September 30, 2024	Year ended September 30, 2023
Risk-fee interest rate	-	3.42%
Expected life of options	-	2 years
Expected annualized volatility	-	75.38%
Expected dividend rate	-	-
Fair value per option	-	$0.70

d) Stock Options

The Company has an incentive Stock Option Plan (the "Plan") for directors, officers, employees and consultants, under which the Company may issue stock options to purchase common shares of the Company provided that the amount of incentive stock options which may be granted and outstanding under the Plan at any time shall not exceed 10% of the then issued and outstanding common shares of the Company and subject to the prior ratification by the TSX.V.

At the discretion of the board, certain stock option grants provide the holder the right to receive the number of common shares, valued at the quoted market price at the time of exercise of the stock options, that represent the share appreciation since granting the stock options.

The Company granted a total of 5,975,000 (2023 - 1,115,000) stock options during the year ended September 30, 2024 to consultants, directors, and officers.

The fair value of the stock options granted was estimated on the date of grant using the Black-Scholes model with the following weighted average data and assumptions:

	Year ended September 30, 2024	Year ended September 30, 2023
Dividend yield	Nil	Nil
Annualized volatility	99.22%	98.86% - 100.06%
Risk-free interest rate	3.83%	3.73% - 3.83%
Expected life	3 years	5 years

The risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche. The expected volatility is based on the Company's historical volatility.

During the year ended September 30, 2024, the fair value of stock options vested was estimated using the Black-Scholes option-pricing model in the amount of $1,151,777 (2023 - $1,888,689), of which $143,116 (2023 - $58,207) has been capitalized as a component of exploration and evaluation asset. The weighted average fair value of options granted during the year was $0.18 (2023 - $1.70), using this same option-pricing model.

(Expressed in Canadian Dollars)

10. Share Capital and Reserves (Continued)

d) Stock Options (Continued)

A summary of the changes in stock options is presented below:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)
Balance, September 30, 2022	6,675,000	2.22
Granted	1,115,000	1.84
Exercised	(735,000)	0.37
Cancellation for share appreciation rights	(100,000)	0.22
Expired/forfeited	(860,000)	1.79
Balance, September 30, 2023	6,095,000	2.47
Granted	5,975,000	0.36
Expired/forfeited	(3,800,000)	2.57
Balance, September 30, 2024	**8,270,000**	**0.90**

The following table summarizes information on stock options outstanding at September 30, 2024:

EXERCISE PRICE ($)	NUMBER OUTSTANDING	NUMBER EXERCISABLE	EXPIRY DATE
3.30	330,000	330,000	May 2, 2025
2.50	950,000	950,000	January 17, 2027
0.36	5,875,000	5,875,000	June 28, 2027
0.36	100,000	100,000	July 10, 2027
2.35	715,000	715,000	October 21, 2027
0.44	300,000	300,000	September 1, 2028
	8,270,000	**8,270,000**	

(Expressed in Canadian Dollars)

11. Segmented Information

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operation decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the natural resource exploration sector. The Company's helium and natural resource operations are centralized whereby the Company's head office is responsible for the exploration results and for providing support in addressing local and regional issues. The following tables provide geographical data for certain financial statement transactions and balances:

Year ended September 30, 2024	Canada $	United States $	Kenya $	Other $	Consolidated $
Revenue	-	(860,342)	-	-	(860,342)
Cost of sales	-	1,270,008	-	-	1,270,008
Depreciation and accretion	-	465,184	-	-	465,184
Other expenses	2,718,770	986,561	-	-	3,705,331
Net loss for the year	**2,718,770**	**1,861,708**	**-**	**-**	**4,580,478**
Current assets	1,277,878	460,040	-	-	1,737,918
Lease receivable	-	734,938	-	-	734,938
Loan receivable	-	484,860	-	-	484,860
Restricted cash	-	783,612	-	-	783,612
Surety bonds	-	156,772	-	-	156,772
Exploration and evaluation asset	-	20,365,858	-	-	20,365,858
Property, plant and equipment	-	26,263,332	-	-	26,263,332
Total Assets	**1,277,878**	**49,249,412**	**-**	**-**	**50,527,290**
Total Liabilities	**221,152**	**3,069,918**	**4,051**	**1,546**	**3,296,667**

Year ended September 30, 2023	Canada $	United States $	Kenya $	Other $	Consolidated $
Revenue, net of royalties	-	(1,743,622)	-	-	(1,743,622)
Cost of sales	-	879,116	-	-	879,116
Depreciation, depletion and accretion	-	509,108	-	-	509,108
Impairment	-	5,269,061	-	-	5,269,061
Other expenses	4,746,160	1,931,900	-	-	6,678,060
Net loss for the year	**4,746,160**	**6,845,563**	**-**	**-**	**11,591,723**
Current assets	12,066,309	1,504,380	-	-	13,570,689
Loan receivable	-	665,296	-	-	665,296
Surety bonds	-	101,837	-	-	101,837
Exploration and evaluation asset	-	19,644,903	-	-	19,644,903
Property, plant and equipment	-	25,464,700	-	-	25,464,700
Total Assets	**12,066,309**	**47,381,115**	**-**	**-**	**59,447,424**
Total Liabilities	**253,177**	**8,420,058**	**4,051**	**1,543**	**8,678,829**

(Expressed in Canadian Dollars)

12. Financial Instruments and Risk Management

Risk management is carried out by the Company's management team with guidance from the Board of Directors. The Company's risk exposures and their impact on the Company's financial instruments were as follows:

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer of counterparty to a financial instrument fails to meet its obligations.

Substantially all of the Company's cash and cash equivalents are held with major financial institutions in Canada and the United States, and management believes the exposure to credit risk with such institutions is minimal. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where cash is held. The financial assets that potentially subject the Company to credit risk are amounts receivable and loan receivable. As at September 30, 2024, the Company recorded an allowance for expected credit recoveries of $103,470 (2023 – credit losses of $157,212) in respect of amounts receivable and loan receivable. The Company's maximum exposure to credit risk as at September 30, 2024 is the carrying value of these financial assets.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests.

The Company's financial assets are comprised of its cash and cash equivalents, restricted cash, amounts receivable, loan receivable and surety bonds and the Company's financial liabilities are comprised of its accounts payable and accrued liabilities and due to related parties. The Company's financial liabilities are non-interest bearing and due within 90 days of September 30, 2024.

The Company manages its liquidity through continuously monitoring its cash flows from operating activities and review of its actual capital expenditure program against budget. Liquidity difficulties would emerge if the Company was unable to establish a profitable production base to generate sufficient cash flow to cover both operating and capital requirements and service debt financing arrangements. The Company anticipates it will continue to have adequate liquidity to fund its financial liabilities through its future funds from operations and issuance of debt or equity instruments.

The following are the contractual maturities of financial liabilities including expected interest payments at:

September 30, 2024	**Contractual cash flows**	**Less than one year**	**1 - 3 years**
Accounts payable and accrued liabilities	$ 418,956	$ 418,956	$ -
Due to related parties	22,734	22,734	-
	$ 441,690	**$ 441,690**	**$ -**

September 30, 2023	Contractual cash flows	Less than one year	1 - 3 years
Accounts payable and accrued liabilities	$ 918,543	$ 918,543	$ -
Due to related parties	37,798	37,798	-
	$ 956,341	**$ 956,341**	**$ -**

12. Financial Instruments and Risk Management (Continued**)**

c) Market Risk

i) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's bank accounts and guaranteed investment certificates bear interest. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents is minimal.

ii) Foreign Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and the United States and maintains inactive subsidiaries in Botswana, Mozambique and Kenya. A portion of its expenses are incurred in U.S. dollars. A significant change in the currency exchange rates between the Canadian dollar and these currencies could have an effect on the Company's results of operations, financial position and cash flows.

The Company has not hedged its exposure to currency fluctuations. As at September 30, 2024, the Company was exposed to currency risk through its monetary assets and liabilities denominated in U.S. dollars, but presented in Canadian dollar equivalents. As at September 30, 2024 the Company had monetary assets of $2,036,925 and monetary liabilities of $180,972 denominated in US dollars. A strengthening (weakening) of the Canadian dollar against these currencies of 10% would affect comprehensive loss by approximately $250,000.

iii) Commodity Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company previously held marketable securities that were subject to changes in market price; however, these instruments were sold during the year ended September 30, 2024. The Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Commodity price risk could adversely affect the Company in the future. In particular, the Company's future profitability and viability from helium exploration depends upon the world market price of helium. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of helium may be produced in the future, a profitable market will exist.

As of September 30, 2024, the Company was not a producer of helium. As a result, commodity price risk may affect the Company's completion of future equity or debt transactions such as equity or debt offerings, and the exercise of equity instruments.

Commodity prices for natural gas are also impacted by global economic and other events that dictate the level of supply and demand. The Company has no commodity hedges in place as at September 30, 2024 and 2023.

(Expressed in Canadian Dollars)

13. Capital Management

The Company defines capital that it manages as equity. The Company manages its capital structure in order to have funds available to support its exploration activities and sustain the future development of the business. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition and exploration of resource properties.

The properties in which the Company currently has an interest are in the exploration, development and early production stages. As such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and development activities, the Company will spend its existing working capital and raise additional amounts as needed. The Company expects that it will be necessary to raise additional capital in the near term in order to proceed with its business plans.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management considers its approach to capital management to be appropriate given the relative size of the Company. There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

14. Revenue and Cost of Sales

The Company earned revenue from providing trucking services for moving oil field and production equipment for customers. This revenue stream ceased during the year as the Company sold its trucking fleet. The Company also earns revenue from extracting natural gas from wells in the newly purchased West Pecos Slope Abo Gas Field, transferring the gas through pipelines to the customer. The following table presents the Company's revenues disaggregated by revenue source:

	2024	2023
Trucking	**$ 474,380**	$ 1,659,921
Natural gas	**385,962**	83,701
	$ 860,342	$ 1,743,622

The following table presents the Company's cost of sales disaggregated by revenue source:

	2024	2023
Trucking	**$ 106,971**	$ 699,116
Natural gas	**1,163,037**	180,000
	$ 1,270,008	$ 879,116

Included in the current year's cost of sales of natural gas is depletion expense of $137,734 (2023 - $nil).

(Expressed in Canadian Dollars)

14. Revenue and Cost of Sales (Continued)

The Company's revenue generating activities are concentrated in one geographical location, the United States. Revenues from the Company's planned primary business activities, being the development, production and processing of helium have not commenced as of September 30, 2024.

15. Income Taxes

The provision for income taxes reported differs from the amounts computed by applying statutory Canadian federal and provincial tax rates to the loss before tax due to the following:

		September 30, 2024		September 30, 2023
Income (loss) for the year before income taxes	**$**	**(4,580,478)**	$	(11,591,723)
Statutory tax rate		**27%**		27%
Expected income tax recovery	**$**	**(1,237,000)**	$	(3,130,000)
(Decrease) increase to income tax recovery due to:				
Non-deductible permanent differences, foreign exchange and others		**93,000**		524,000
Differences between income tax rates		**112,000**		169,000
Change in tax assets not recognized		**1,032,000**		2,437,000
Income tax recovery	**$**	**-**	$	-

The significant components of the Company's deferred tax assets and liabilities are as follows:

		September 30, 2024		September 30, 2023
Deferred income tax assets	**$**		$	
Property, plant and equipment		**366,000**		158,000
Exploration and evaluation assets		**946,000**		1,049,000
Non-capital losses		**6,650,000**		5,190,000
Decommissioning liabilities		**710,000**		1,863,000
Capital losses		**241,000**		-
Other		**359,000**		(20,000)
Total deferred tax assets		**9,272,000**		8,240,000
Deferred tax assets not recognized		**(9,272,000)**		(8,240,000)
	$	**-**	$	-

At September 30, 2024, the Company has non-capital loss carry forward in Canada aggregating $20,134,000 (September 30, 2023 - $17,401,000) which expire over the period between 2026 and 2044, available to offset future taxable income in Canada. The Company has capital loss carry forward in Canada of $1,783,000 (September 30, 2023 - $1,783,000) which are available only to offset future capital gains for Canadian tax purposes and may be carried forward indefinitely.

At September 30, 2024, the Company has non-capital loss carry forwards in the United States of America aggregating $4,536,000 (2023 - $2,342,000) which have no expiration date and are available to offset future taxable income in the United States of America.

Tax attributes are subject to review, and potential adjustment, by competent authority.

16. Contingency

The City of Flagstaff, Arizona (the "City") filed a temporary restraining order against the Company in December 2020 to stop the further drilling of any oil and gas wells located on the Company's Holbrook properties adjacent to Red Gap Ranch. The case was pending before the Arizona Court of Appeals and the Company continued to have confidence that it would prevail as it believed there was no merit to the City of Flagstaff's claims. On March 25, 2022, the Arizona Court of Appeals ruled in favor of the Company and ordered the original ruling vacated and remanded for 11 of the 12 claims brought forward by the City. Following the City's request, the Court reinstated 8 of the previously dismissed claims. On January 8, 2025, the trial court granted summary judgment in the Company's favor on 3 of the City's 9 remaining claims leaving 6 remaining. Specifically, the trial court granted summary judgment on the City's claims for strict liability/negligence per se, fraudulent misrepresentation, and negligent misrepresentation. As a result, those claims have resolved in the Company's favor. This matter is ongoing and subject to change. As it is not possible to estimate the likelihood of the Company ultimately prevailing in this matter, nor is it possible to estimate the exact amount of any potential loss, if any, no contingent liability has been recorded.