International Zeolite Corp.

(Formerly Canadian Zeolite Corp.)

Annual Audited Consolidated Financial Statements
(Expressed in Canadian Dollars)

For the years ended June 30, 2019 and 2018

ASSURANCE | ACCOUNTING | TAX
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
International Zeolite Corp.

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of International Zeolite Corp. (the Company), which comprise the consolidated statements of financial position as at June 30, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern
We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of $910,213 during the year ended June 30, 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon
Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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.

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.

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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 International Financial Reporting 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 relating 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.

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- 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.

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.

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

SDVC LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
October 11, 2019

International Zeolite Corp.
(formerly Canadian Zeolite Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	June 30, 2019	June 30, 2018
Assets		
Current		
Cash and cash equivalents	**$ 41,201**	$ 650,506
Accounts receivable and other receivables	**32,811**	21,211
Inventory (note 11)	**258,145**	152,407
Prepaid expenses	**1,836**	19,090
	$ 333,993	$ 843,214
Non-current		
Exploration and evaluation assets (note 7)	**287,009**	267,551
Reclamation and other deposits (note 8)	**22,259**	26,550
Goodwill (note 5)	**742,669**	742,669
	$ 1,385,930	$ 1,879,984
Liabilities		
Current		
Related party promissory note (note 9)	**764,400**	-
Accounts payable and accrued liabilities (note 9)	**300,934**	168,151
	$ 1,065,334	$ 168,151
Non-Current		
Decommissioning provision (note 8)	**20,000**	20,000
Related party promissory note (note 9)	**-**	735,000
	$ 20,000	$ 755,000
Shareholders' Equity		
Share capital (note 10(ii))	**14,406,449**	14,406,449
Contributed surplus	**2,529,678**	2,270,302
Deficit	**(16,635,531)**	(15,719,918)
	$ 300,596	$ 956,833
	$ 1,385,930	$ 1,879,984

Nature of operations and going concern (note 1)
Commitments (note 16)

These annual audited consolidated financial statements were authorized for issue by the Board of Directors on October 10, 2019. They are signed on behalf of the Board of Directors by:

(Signed) "*Ray Paquette*", Director (Signed) "*David Kepkay*", Director

International Zeolite Corp.
(formerly Canadian Zeolite Corp.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

For the years ended June 30,		2019		2018
Revenue				
Sales	**$**	**686,062**	$	381,177
Commissions and others		**10,668**		16,300
Total revenue	**$**	**696,730**	$	397,477
Cost of Product Sold				
Cost of product sold		**(328,114)**		(235,896)
Gross Margin	**$**	**368,616**	$	161,581
Expenses				
Administrative (note 9)	**$**	**429,325**	$	375,671
Share-based compensation (note 9)		**259,376**		413,327
Selling expenses		**174,289**		93,521
Professional fees		**151,399**		113,676
Management fees (note 9)		**108,000**		108,000
Sales and Marketing		**81,186**		83,818
Consulting fees		**51,254**		109,726
Interest (note 9)		**29,400**		31,000
Investor relations		**-**		41,478
Transaction costs (note 5)		**-**		128,508
	$	**1,284,229**	$	1,498,725
Net loss and comprehensive loss	**$**	**915,613**	$	1,337,144
Loss per share - basic and diluted	**$**	**0.02**	$	0.04
Weighted average number of common shares outstanding		**36,649,462**		34,002,250

International Zeolite Corp.
(formerly Canadian Zeolite Corp.)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

For the years ended June 30,	**2019**	2018
Cash provided by (used for):		
Operating activities		
Net and comprehensive loss	**$ (915,613)**	$ (1,337,144)
Add items not affecting cash:		
Share-based compensation	**259,376**	413,327
Interest accrued on promissory note	**29,400**	-
Share-based transaction costs	-	73,500
	(626,837)	(850,317)
Changes in working capital items		
Accounts receivable and other receivables	**(11,600)**	67,162
Inventory	**(105,738)**	(35,198)
Prepaid expenditures	**17,254**	(19,090)
Accounts payable and accrued liabilities	**132,783**	41,687
Reclamation and other deposits	**4,291**	5,000
	(589,847)	(884,130)
Financing activities		
Proceeds of private placements	**-**	884,180
Share issue expenses	**-**	(59,003)
Proceeds of warrants exercised	**-**	132,730
Proceeds of options exercised	**-**	13,500
Repayments from related parties	**-**	108,308
	-	1,079,715
Investing activities		
Exploration and evaluation expenditures incurred	**(32,534)**	(29,848)
Business combination, net of cash acquired	**-**	(162,102)
Royalties received	**13,076**	5,177
	(19,458)	(186,773)
(Decrease) / increase in cash and cash equivalents	**(609,305)**	8,812
Cash, beginning of year	**650,506**	641,694
Cash, end of year	**$ 41,201**	$ 650,506

Supplemental cash flow information (note 6)

International Zeolite Corp.
(formerly Canadian Zeolite Corp.)
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

For the years ended June 30, 2019 and 2018

	Shares number	Share capital $	Share subscriptions received $	Contributed surplus $	Deficit $	Total $
Balance, July 1, 2017	29,718,528	12,560,919	130,000	1,857,598	(14,382,774)	165,743
Share private placements	2,947,267	881,233	-	2,947	-	884,180
Share issue costs	-	(59,003)	-	-	-	(59,003)
Warrants exercised	673,667	262,730	(130,000)	-	-	132,730
Subsidiary acquisition	3,000,000	670,000	-	-	-	670,000
Finders' fee on acquisition of subsidiary	210,000	73,500	-	-	-	73,500
Share options granted	-	-	-	413,327	-	413,327
Share options exercised	100,000	17,070	-	(3,570)	-	13,500
Loss for the year	-	-	-	-	(1,337,144)	(1,337,144)
Balance June 30, 2018	**36,649,462**	**14,406,449**	**-**	**2,270,302**	**(15,719,918)**	**956,833**
Share options granted	-	-	-	195,176	-	195,176
Warrant modification	-	-	-	64,200	-	64,200
Net and comprehensive loss	-	-	-	-	(915,613)	(915,613)
Balance June 30, 2019	**36,649,462**	**14,406,449**	**-**	**2,529,678**	**(16,635,531)**	**300,596**

1. Nature of operations and going concern

International Zeolite Corp. (formerly Canadian Zeolite Corp.) (the "Company" or "International Zeolite") was incorporated under the law of the Province of Alberta. The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange under the symbol "IZ", the Frankfurt Exchange under the symbol "ZEON", and on the OTCQB in the United States under the symbol "IZCFF".

The Company is a vertically integrated, publicly traded industrial minerals company whose principal business activities are the exploration and development of mineral properties and the development, marketing and sales of industrial commercial products from the production of its properties and the supply of raw materials from third party suppliers.

The Company's head office is located at Suite 2345 – 1066 West Hastings Street, Vancouver, BC V6E 4M3. The registered and records office is located at Suite 2100 – 1055 West Georgia Street, Vancouver, BC V6E 3P3.

The company's website is http://internationalzeolite.com/.

These consolidated financial statements been prepared on a going concern basis which assumes that the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Realization values may be substantially different from carrying values as shown and the financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Several adverse conditions cast significant doubt on the validity of the going concern assumption. The Company has generated limited revenue from operations and incurred a net loss and comprehensive loss of $915,613 during the year ended June 30, 2019, and as of that date, the Company's deficit was $16,635,531. These circumstances raise substantial doubt as to the ability of the Company to meet its ongoing obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Company's ability to continue as a going concern is dependent upon raising additional capital to meet its present and future commitments, the continued support of certain shareholders and trade creditors, and on achieving profitable commercial operations. If additional financing is arranged through the issuance of shares, control of the Company may change and shareholders may suffer significant dilution.

The recoverability of the amounts reported for exploration and evaluation assets is dependent upon the quantity of economically recoverable resources, the ability of the Company to obtain financing to complete exploration and development of the properties, the timing of legislative or regulatory developments relating to environmental protection and achieving future profitable operations or receiving favorable proceeds from the disposition thereon.

2. Basis of presentation

Statement of compliance

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

The policies applied in these consolidated financial statements are based on IFRSs issued and outstanding as of October 10, 2019, the date the Board of Directors approved the statements.

Basis of consolidation

Subsidiaries are entities controlled by the Company where control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. These consolidated financial statements include the accounts of International Zeolite Corp. and its wholly owned subsidiaries, Earth Innovations Inc. and Canmin Mexico S.A. All significant inter-company transactions and balances have been eliminated upon consolidation.

On December 11, 2017, the Company acquired 100% of the issued share capital of Earth Innovations Inc. ("EII") (see note 5).

Basis of measurement

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, except for financial instruments that are measured at fair value, as explained in the significant accounting policies (note 3).

These consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

Significant accounting estimates and judgments

The preparation of consolidated financial statements in compliance 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 consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

3. Significant accounting policies

Financial instruments

Recognition
The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and measurement
The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and
- those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- amortized cost;
- FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

3. Significant accounting policies (continued)

The Company's financial instruments consist of the following:

Financial Instrument	Calcification
Cash and cash equivalent	FVTPL
Accounts receivables and other receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Reclamation and other deposits	Amortized cost
Promissory note	Amortized cost

Impairment
The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Financial instruments recorded at fair value
Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 –inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The classification of a financial instrument in the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

As of June 30, 2019, except for cash, none of the Company's financial instruments are recorded at fair value in the statements of financial position. Cash is classified as Level 1.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

Pre-exploration costs
Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation assets and expenditures
Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs and share based payments to employees and consultants, are expensed in the period in which they occur.

3. Significant accounting policies (continued)

Exploration and evaluation assets and expenditures (continued)

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the consolidated statement of loss and comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction”. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

Any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

Impairment of non-current assets

An impairment loss is recognized when the carrying amount of an asset, or its cash generating unit (“CGU”), exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount of assets is the greater of an asset’s fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Reclamation deposits

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits.

3. Significant accounting policies (continued)

Provisions

Rehabilitation provision
The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The rehabilitation activities include restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks. Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

Other provisions
Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Income taxes
Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits, and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at end of reporting year. Deferred tax relating to items recognized directly in equity is also recognized in equity and not in the statements of loss.

The carrying amount of deferred tax assets is reviewed at the end of the reporting year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3. Significant accounting policies (continued)

Loss per share

Loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Comprehensive loss

Comprehensive loss consists of net loss and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the periods presented, the Company did not have any transactions or events from sources other than the Company's shareholders.

Foreign currency transactions

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in the consolidated statement of loss and comprehensive loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net loss or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of loss and comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

3. Significant accounting policies (continued)

Share-based payments (continued)

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the consolidated statement of loss and comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Valuation of equity units issued in private placement
The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of common shares issued in private placement was determined to be the more easily measurable component and are valued at their fair value, as determined by the closing bid price on the issuance date. The balance, if any, is allocated to attached warrants. Any fair value attributed to warrants is recorded to contributed surplus.

3. Significant accounting policies (continued)

Revenue recognition

Revenue is comprised of sales of zeolite product, commissions earned on sales of zeolite product, and royalties earned on bulk zeolite material shipped from the Company's site in Princeton.

The Company recognized revenue at the fair value of the consideration received or receivable, when a performance obligation is satisfied. The Company accounts for revenue from a contract with a customer only when the following criteria are met:

- the contract has been approved by the parties to the contract;
- each party's rights in relation to the goods or services to be transfer can be identified;
- the payment terms for the goods or services to be transferred can be identified;
- the contract has commercial substances; and
- it is probably that the consideration for which the company is entitled to in exchange for the goods or services will be collected

Revenue from sales of zeolite product and commissions earned is recognized on delivery at the customer's location on the basis that the Company has satisfied all performance obligations at the point.

Revenue from royalties is recognized upon shipment of bulk zeolite material from the Company's site in Princeton. Royalty revenues received are set off against the Company's exploration and evaluation assets.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill

Goodwill arising from a business combination is recognized at cost as established at the date of acquisition of the business (see Business Combinations) less accumulated impairment losses, if any.

For impairment testing purposes, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

3. Significant accounting policies (continued)

Goodwill (continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. The Company has determined only one group of cash-generating unit which is the reportable segment. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of loss and comprehensive loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Company has selected June 30 as the date for performing its annual impairment test for goodwill.

Inventory
Inventories consist of raw materials and finished goods, and are valued at the lower of cost and net realizable value. Cost is determined principally on a weighted average basis. The cost is comprised of the purchase price plus the direct costs incurred in bringing the inventories to the present location and condition, direct labour and factory overhead. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

A provision for obsolescence is calculated based on historical experience. Management reviews the entire provision to assess whether, based on economic conditions, it is adequate. Write-downs may be reversed in future years if the circumstances which caused them no longer exist.

Related party transactions
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties, which may be individuals or corporate entities, are also considered to be related if they are subject to common control or common significant influence. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

Segmented reporting
A business segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with the Company’s other components. All operating segment’s operating results are reviewed regularly by the Company’s CEO, being the chief decision maker (“CODM”), to make decisions about the allocation of resources and to assess their performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company’s corporate office), head office expenses, personnel costs, depreciation and amortization, financing income and finance costs, net, other income and income tax expenses. At June 30, 2019 and 2018, the Company had two reportable segments.

3. Significant accounting policies (continued)

Recently adopted accounting standards

IFRS 9 Financial Instruments
IFRS 9 was issued by the IASB in July 2014 and replaces IAS 39 "Financial Instruments: Recognition and Measurement". In addition, IFRS 7 "Financial Instruments: Disclosures" was amended to include additional disclosure requirements on transition to IFRS 9. The mandatory effective date of applying these standards is for annual periods beginning on or after January 1, 2018. The standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. The standard requires that for financial liabilities measured at fair value, any changes in an entity’s own credit risk are generally to be presented in other comprehensive income instead of net earnings. A new hedge accounting model is included in the standard, as well as increased disclosure requirements about risk management activities for entities that apply hedge accounting. The new amendments were adopted by the Company effective July 1, 2018 and have not had a significant impact on these Financial Statements.

IFRS 15 Revenue from Contracts with Customers
On July 1, 2018, the Company adopted, on a modified retrospective basis, the new rules under IFRS 15, Revenue from Contracts with Customers, which specify how and when an entity should recognize revenue, and which also require the entity to provide users of financial statements with more informative disclosures.
The standard provides a single, principles-based, five-step model to apply to each contract with a customer and requires the disclosure of revenue from contracts with customers disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The adoption of IFRS 15 had no material impacts on the consolidated financial statements. Therefore, the Company has not recorded a transition adjustment for the cumulative effect of applying IFRS at July 1, 2018.

In addition, under IFRS 15, certain costs to obtain a contract must be recognized as an asset and amortized as operating expenses over the period of time the customer is expected to maintain its service or over the contract term, if the entity expects to recover those costs. However, those incremental costs are limited to the costs that the entity would not have incurred if the contract had not been successfully obtained. Such costs were not incurred by the Company and therefore, there was no impact to the Company on this change.

Under IFRS 15, the total consideration from a contract with multiple deliverables is now allocated to all performance obligations in the contract, based on the stand-alone selling price of each obligation, without being limited to a non-contingent amount. The telecommunications segment provides services under contracts with multiple deliverables and for a fixed period of time. With the adoption of IFRS 15 the timing of the recognition of these revenues changes under IFRS 15. However, the total revenue recognized over a contract term relating to all performance obligations within the contract remains the same as under the previous rules. The adoption of IFRS 15 had no impact on cash flows from operating, investing and financing activities.

3. Significant accounting policies (continued)

Recently adopted accounting standards (continued)

IFRS 2 Share-based Payment

These amendments added guidance that introduces accounting requirements for cash-settled share-based payments that follow the same approach as used for equity-settled share-based payments. They introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety, provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature. Finally, they clarify the accounting treatment in situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. This standard is effective for reporting periods beginning on or after January 1, 2018. They have been adopted by the Company, effective July 1, 2018, and have not had a significant impact on these Financial Statements

New standards not yet adopted and interpretations issued but not yet effective

IFRS 16 Leases

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Company is still assessing the impact of this new standard. This standard is effective for reporting periods beginning on or after January 1, 2019. The Company will adopt these standards effective July 1, 2019 and does not believe this new standard will have a material impact on these financial standards

4. Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amount of expenses during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The preparation of our Financial Statements requires management to make judgments regarding the going concern of the Company as discussed in note 1.

The application of the Company's accounting policy for impairment on exploration and evaluation ("E&E") assets and investment in associates requires judgment in determining if the facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

4. Significant accounting judgments, estimates and assumptions (continued)

Key sources of estimation uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the Financial Statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting these Financial Statements include:

Share-based payments
Share-based payment expense is measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumption about them.

Financial Instruments
The fair values of financial instruments are estimated based upon market and third party inputs. These estimates are subject to change with fluctuations in commodity prices, interest rates, foreign currency exchange rates and estimates of non-performance risk.

Deferred Tax Assets and Liabilities
Each year, the Company evaluates the likelihood of whether some portion of deferred tax assets, if any, will not be realized. This evaluation is based on historic and future expected levels of taxable income, the timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, tax planning initiative, and deferred tax rates.

Exploration and Evaluation Expenditures
The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

Title to Mineral Property Interests
Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Impairment of Goodwill
The values associated with goodwill involve significant estimates and assumptions, including those with respect to the determination of future cash inflows and outflows, discount rates and asset lives. At least annually, the carrying amount of goodwill is reviewed for potential impairment. Among other things, this review considers the recoverable amounts using discounted estimated future cash flows. These significant estimates require considerable judgment which could affect the Company's future results if the current estimates of future performance and fair value change.

4. Significant accounting judgments, estimates and assumptions (continued)

Key sources of estimation uncertainty (continued)

The Company tested goodwill impairment as at June 30, 2019. The recoverable amount of the cash generating unit (CGU) was based on value-in-use calculations which require the use of assumptions. The calculations comprised cash flow projections based on financial budgets approved by management over a five-year period. Significant assumptions comprised growth rates (40%) and discount rate (12%).

Fair value of business combinations
The Company makes a number of estimates when allocating fair values to the assets and liabilities acquired in a business combination. Fair values are estimated using valuation techniques that take into account several assumptions such as production, earnings and expenses, interest rate and discount rate.

5. Acquisition of Earth Innovations Inc.

On December 12, 2017 ("Closing Date"), the Company acquired 100% of the issued share capital of Earth Innovations Inc. ("EII") for an aggregate consideration of $832,724 to be settled as follows:

1. a cash payment of $50,000 on the Closing Date (paid);
2. payment of certain EII payables totaling $63,278 on the Closing Date (paid);
3. issuance of 3,000,000 shares to be held in escrow and released in 1,000,000 tranches: April 11, 2018 (released from escrow), December 11, 2018, (released from escrow) and June 11, 2019.
4. a cash payment of $50,000 six months from the Closing Date (paid).

An independent valuator determined the fair value of the net assets acquired to be $90,055.

Net assets acquired:		
Cash at bank	$	622
Accounts receivable		83,732
Inventory		117,209
Total assets	$	201,563
Accounts payable		111,508
Net assets	$	90,055
Goodwill		742,669
Total purchase price	$	832,724

The purchase price allocation shown above is a summary of the assets acquired, the liabilities assumed and the consideration transferred at fair value as at the acquisition date of September 30, 2017. The transaction was completed during the second quarter of fiscal year 2018.

5. Acquisition of Earth Innovations Inc. (continued)

Impact of the business combination on the Company's financial performance

See segmented information (note 11) for the impact of the business combination on the Company's financial performance. The impact on the Company's financial performance if the business combination was completed on July 1, 2017 is indeterminable.

Costs related to the acquisition
The total acquisition-related costs amounted to $128,508 and are included in transaction costs in the consolidated statements of operations and comprehensive loss.

6. Supplemental cash flow information

The following outlines the supplemental cash flow details during the years ended June 30, 2019 and 2018:

		2019		2018
Cash paid during the year				
Interest	**$**	**29,400**	$	31,000
Cash received during the year				
Interest		**13,156**		144
Non-cash transactions:				
Related party loans and advances converted to (applied against) promissory note		**-**		(40,000)
Residual value allocated to warrants		**-**		2,947
Fair value transfer on exercise of options		**-**		3,570
Shares issued on business combination		**-**		670,000
Share subscriptions received transferred to share capital		**-**		130,000

7. Exploration and evaluation assets

The Company has interests in two mineral properties, being the Sun Group and Bromley Creek Properties, located in British Columbia as at June 30, 2019.

A summary of the capitalized acquisition and exploration expenditures on the Company's exploration and evaluation assets for the years ended June 30, 2019 and 2018 are as follows:

	Bromley Creek	Sun Group	Total
Acquisition costs			
Balance at July 1, 2017 and June 30, 2018	59,374	-	**59,374**
Exploration costs			
Balance at July 1, 2017	58,027	125,479	**183,506**
Additions during the year:			
Site expenses	3,494	-	**3,494**
Assays	229	400	**629**
Claim fees	2,938	-	**2,938**
Geological	15,017	7,770	**22,787**
Royalties received	(5,177)	-	**(5,177)**
Total additions during the year	16,501	8,170	**24,671**
Balance of exploration costs at June 30, 2018	74,528	133,649	**208,177**
Total as at June 30, 2018	**133,902**	**133,649**	**267,551**

	Bromley Creek	Sun Group	Total
Acquisition costs			
Balance at July 1, 2018 and June 30, 2019	59,374	-	**59,374**
Exploration costs			
Balance at July 1, 2018	74,528	133,649	**208,177**
Additions during the year:			
Site expenses	4,856	-	**4,856**
Assays	299	-	**299**
Claim fees	1,083	-	**1,083**
Geological	15,723	10,573	**26,296**
Royalties received	(13,076)	-	**(13,076)**
Total additions during the year	8,885	10,573	**19,458**
Balance of exploration costs at June 30, 2019	83,413	144,222	**227,635**
Total as at June 30, 2019	**142,787**	**144,222**	**287,009**

7. Exploration and evaluation assets (continued)

Bromley Creek, British Columbia, Canada

The Company has a Zeolite project in the Bromley Creek area located near Princeton, British Columbia. The Company holds 1,555.05 hectares of mineral claims leased from the British Columbia government, which currently have expiration dates through to June 1, 2020. Within those claims, the Company has a thirty-year mining lease on 30.8 hectares granted in 2000. The Company's Zeo Tech Quarry Mine # 1500625 permit was issued in 2001. The latest quarry permit was issued in 2015. Permits are renewed every 5 years.

On September 26, 2018 the Company filed a NI 43-101 compliant Technical Report dated August 17, 2018 on its Bromley Creek Property. The report is available under the Company's profile on SEDAR.

The Company's property interest is its Bromley Creek Zeolite Project consists of a total of one mineral lease and five mineral claims.

On November 30, 2015, the Company entered into a Mining Operations with Purchase Option Agreement with Absorbent Products Limited ("APL"). The purchase option terms grant APL the right to acquire a 50% interest in the Company's Bromley Creek Zeolite Project for a total purchase price of $725,000. The purchase price may be paid by APL through cash or earn-in by payment of royalties to the Company of $9.00 per metric ton mined and removed from the site. The parties have also entered into an Agency Agreement pursuant to which APL will pay to the Company a commission on all applicable sales of mineral mined or zeolite processed from the Bromley Creek Zeolite Project. During the year ended June 30, 2019, royalties received from APL under the Agreement amounted to $13,076 (2018 - $5,177).

Sun Group, British Columbia, Canada

In March 2004, the Company acquired a contiguous claim group located in the Similkameen Mining District of British Columbia. The total claim area is 948.935 hectares.

During the year ended June 30, 2013, the Company completed a 2-phase drill program. Data obtained from the drill program will be used to calculate a preliminary mineral resource for the Sun Group at a future date. On July 6, 2018 the Company filed a NI 43-101 compliant Technical Report dated June 30, 2018 on the Sun Group Property. The report is available under the Company's profile on SEDAR.

On November 30, 2015, the Company entered into a Mining Operations with Purchase Option Agreement with Absorbent Products Limited ("APL"). The purchase option terms grant APL the right to acquire a 50% interest in the Company's Sun Group Zeolite Project for a total purchase price of $725,000. The purchase price may be paid by APL through cash or earn-in by payment of royalties to the Company of $9.00 per metric ton mined and removed from the site. The parties have also entered into an Agency Agreement pursuant to which APL will pay to the Company a commission on all applicable sales of mineral mined or zeolite processed from the Sun Group Zeolite Project. To date, no royalties have been received from the Sun Group Zeolite Project.

8. Reclamation and other deposits

	Note	June 30, 2019	June 30, 2018
Reclamation bonds and security deposit			
Reclamation bonds held in term deposits – Canada	(i)	**$ 20,000**	$ 20,000
Security deposits paid – Canada	(ii)	**2,259**	1,550
		22,259	21,550
Other deposit			
Refundable deposit	(iii)	**66,515**	81,500
Accrued interest	(iii)	**97,148**	84,142
		163,663	165,642
Provision for doubtful accounts	(iii)	**(163,663)**	(160,642)
		-	5,000
Total		**$ 22,259**	$ 26,550

(i) Prior to commencement of exploration of a mineral property in British Columbia, a company is required to post a reclamation bond against any potential land restoration costs that may be incurred in the future on certain properties, which is refunded to the Company upon completion of reclamation to the satisfaction of the Inspector of Mines. The Company has posted reclamation bonds of $20,000 (2018 - $20,000) with the Province of British Columbia, Canada. The reclamation bonds are held in term deposits which bear interest at a weighted average rate of 0.65% per annum (2018 - 0.65%). The Company has recorded a provision for decommissioning liabilities of $20,000 (2018 - $20,000), which is equal to the reclamation bonds in place. The provision has not been discounted due to uncertainty with respect to the timing of settlement.

As part of the Mining Operations with Purchase Option Agreement with APL (note 7), APL has agreed to assume all environmental liabilities accruing on or after the date of execution of the Agreement relating to the Bromley Creek property and only during such time where APL is the operator of the Bromley Creek Mine. Should APL default on this obligation, the Company will ultimately be responsible for all environmental liabilities relating to the property.

(ii) Included in other deposits is $2,259 (2018 - $1,550) paid by the Company as security deposits on its leased premises in Vancouver, British Columbia.

(iii) In 2011, failing the delivery of a contracted 43-101 report, the Company entered into a forbearance agreement dated December 8, 2010, to recover an associated deposit. To date the Company has recovered $53,485 (June 30, 2018 - $38,500). Additionally, and during the year ended June 30, 2019, the Company incurred legal fees of $11,750 (2018 – $14,707) to facilitate the recovery of this deposit. There is significant uncertainty as to the collection of the remaining amount. The Company has made a provision for doubtful accounts of $163,663 (June 30, 2018 - $160,642), which includes $97,148 in accrued interest (June 30, 2018 - $84,142).

9. Related party transactions and balances

During the year ended June 30, 2019, the Company entered into various transactions with related parties. The related parties consist of officers, directors and shareholders or companies controlled directly or indirectly by them. Details of the transactions and balances owing, or receivable are as follows:

(i) The Company recorded management fees of $108,000 (2018 - $108,000) to a director and officer.

(ii) The Company accrued interest of $29,400 (2018 - $31,000) on a promissory note of $735,000 (2018 - $735,000) payable to a director and officer of the Company. The note bears interest at 4% per annum (2018 - 4%) and payable on demand, therefore it has been classified as a current liability. In the prior year, the note holder has waived his right to repayment on June 30, 2019 and the note has therefore been classified as a non-current liability.

(iii) The Company paid fees to an officer of the Company for accounting services included in administrative expenses of $24,000 (2018 - $24,000).

(iv) The Company paid fees to an officer of the Company for corporate secretarial services included in administrative expenses of $38,000 (2018 - $30,000).

(v) Included in professional fees is $12,000 (2018 - $9,000) in accounting services charged by a company controlled by an officer and director.

(vi) Included in administrative expenses is $30,000 (2018 - $25,500) in administrative and rent expenses charged by the same company.

(vii) At June 30, 2019, amounts totaling $165,643 (2018 - $ 79,701) owing to related parties and companies controlled by related parties is included in accounts payable and accrued liabilities.

The above transactions were in the normal course of operations and were recorded at the exchange value which was the amount of consideration established and agreed to by the related parties.

Compensation paid to key management personnel and non-executive directors are as below. The Company defines key management personnel as its CEO, President, CFO and Board of Directors.

	2019	2018
Senior management compensation	**$ 194,121**	$ 199,500
Share-based compensation	**$ 83,065**	$ 19,016

10. Share capital

(i) Authorized

Unlimited number of common shares.

(ii) Issued and outstanding:

During the year ended June 30, 2019:
There were no changes to the issued and outstanding shares of the Company. At June 30, 2019, the Company had 36,649,462 common shares issued and outstanding.

During the year ended June 30, 2018:
On November 9, 2017, the Company completed a private placement of 2,947,267 Units at $0.30 per unit for gross proceeds of $884,180. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at $0.75 per share until November 9, 2018 and have been assigned a nominal amount of $2,947 under the residual value method. Each warrant is subject to an acceleration right that in the event the Company's common shares trade at or above $1.00 for ten consecutive days, the Company may accelerate the expiry date of the Warrants by giving notice to the holders by way of news release and in such case the Warrants will expire on the first day that is 30 business days after the date on which such notice is given. Share issue costs incurred amounted to $59,003.

On December 11, 2017, the Company issued 3,000,000 common shares related to the acquisition of a 100% interest in Earth Innovations Inc. ("Earth Innovations") from a privately held Canadian company. Pursuant to the terms of the purchase agreement, the shares are subject to an 18-month escrow arrangement and are being released in tranches of 1,00,000 shares on the 4-month, 12-month and 18-month anniversaries from the closing date (see note 5). As part of the acquisition, the Company issued an additional 210,000 common shares, valued at $73,500, as finder's fees which are included in transaction costs on the consolidated statements of operations and comprehensive loss.

Warrant holders exercised 673,667 warrants for gross proceeds of $262,730. An option holder exercised 100,000 options for gross proceeds of $13,500. The fair value of these options of $3,570 was transferred to share capital from contributed surplus upon exercise.

At June 30, 2018, the Company had 36,649,462 common shares issued and outstanding.

(iii) Stock option plan

The Company has adopted, and its shareholders have approved, a stock option plan whereby up to 10% of the outstanding shares of the Company as of the date of grant have been reserved for the grant and issuance of options to its employees, officers, directors and consultants. Under the plan, the exercise price of an option may not be set at less than the minimum price permitted by the TSX Venture Exchange, and the options may be exercisable for a period of up to five years. The aggregate number of options granted to any one individual during any 12-month period may not exceed 5% of the issued shares of the Company, or 2% in the case of consultants and investor relations representatives. The stock option plan provides for full vesting of the stock options on the date of approval of the options by the appropriate regulatory authority.

10. Share capital (continued)

(iii) Stock option plan (continued)

The following is a summary of changes in options during the year ended June 30, 2019 and 2018:

	Number of options	Weighted average price
	2,200,000	**$ 0.428**
Balance at July 1, 2017		
Options granted July 18, 2017	466,000	0.500
Options granted August 25, 2017	200,000	0.420
Options granted November 9, 2017	300,000	0.380
Options cancelled November 15, 2017	(100,000)	0.640
Options granted December 6, 2017	150,000	0.360
Options granted December 12, 2017	300,000	0.300
Options repriced - February 15, 2018	(1,983,000)	0.478
Options repriced - February 15, 2018	1,983,000	0.240
Options cancelled - February 15, 2018	(233,000)	0.240
Options granted March 1, 2018	300,000	0.240
Options exercised - June 20, 2018	(100,000)	0.135
Options expired - June 22, 2018	(250,000)	0.135
Balance at June 30, 2018	**3,233,000**	**$ 0.275**
Options cancelled – August 1, 2018	(300,000)	0.380
Options cancelled – August 1, 2018	(300,000)	0.240
Options granted August 8, 2018	150,000	0.130
Options expired – August 25, 2018	(50,000)	0.240
Options cancelled – September 25, 2018	(400,000)	0.240
Options expired – October 31, 2018	(200,000)	0.240
Options expired – November 30, 2018	(100,000)	0.240
Options expired – December 6, 2018	(150,000)	0.360
Options expired – December 12, 2018	(300,000)	0.300
Options granted January 2, 2019	1,650,000	0.105
Options expired – May 29, 2019	(1,000,000)	0.240
Options granted June 10, 2019	900,000	0.100
Balance at June 30, 2019	**3,133,000**	**$ 0.135**

The fair value of the stock options recognized during the year ended June 30, 2019 as calculated using the fair value method was $195,176 (2018 – $413,327) The fair value of options was calculated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate range of 2.01% to 3.50% (2018 - 1.19% to 1.71%); average annual volatility factor of the expected market price of the Company's common shares of 53.41% to 140% (2018 – 49% to 116%); expected dividend yield of 0.00% (2018 - 0.00%) and an expected life of the options of two years (2018 – two years). The weighted average remaining life of the options outstanding is 1.42 years (2018 – 0.74 years).

10. Share capital (continued)

A summary of stock options outstanding and exercisable at June 30, 2019 is set out below:

Number outstanding	Number exercisable	Exercise price	Expiry date
233,000	233,000	$ 0.240	July 18, 2019
200,000	200,000	$ 0.420	August 25, 2019
150,000	150,000	$ 0.130	August 8, 2020
1,650,000	1,650,000	$ 0.105	January 2, 2021
900,000	900,000	$ 0.100	January 10, 2021
3,133,000	**3,133,000**		

(iv) Share purchase warrants

The following is a summary of changes in warrants during the year ended June 30, 2019 and 2018:

	Number of warrants	Weighted average exercise price
Balance at July 1, 2017	**925,000**	**0.39**
Warrants exercised	(673,667)	0.39
Warrants expired	(251,333)	0.39
Issued on private placements	2,946,267	0.50
Balance at June 30, 2018 and June 30, 2019	**2,946,267**	**0.50**

A summary of the above purchase warrants outstanding at June 30, 2019 is set out below:

Number	Exercise Price	Expiry date
2,946,267	0.50 [(1)]	November 7, 2019

[(1)] In September 2018, the Company extended the expiry date of the warrants from November 7, 2018 to November 7, 2019 and reduced the exercise price from $0.75 to $0.50 per share, subject to an accelerated exercise provision that if the closing price of the Company's common shares is at or above $0.625 per share for a period of 10 consecutive trading days, the Warrants shall expire 30 days thereafter. This represented a modification of the instrument and accordingly an additional amount of $64,200 was recognized in contributed surplus and share based compensation expense. The fair value was calculated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate range of 2.14%; annual volatility factor of the expected market price of the Company's common shares of 119.4%; expected dividend yield of 0.00% and an expected life of one years.

11. Inventories

Inventories are comprised of the following:

As at	**June 30, 2018**	June, 30 2017
	$	$
Raw materials	**145,885**	40,456
Finished goods	**112,260**	74,565
Packaging and consumables	**-**	37,386
	258,145	152,407

Write-downs to net realizable value for obsolete and slow-moving inventories of $Nil (2018 - $Nil) were included in cost of goods sold for the year.

The amount of inventories recognized as an expense in the years ended June 30, 2018 and 2017 is equal to cost of goods sold presented in the statements of comprehensive income (loss).

12. **Segmented** information

The Company operates in two reporting segments, which are the exploration and development segment, and the retail and commercial sales segment. The Company's principal operations are carried out in Canada. At June 30, 2019, exploration activities are carried out only in Canada.

The following is an analysis of the Company’s financial performance for the years ended June 30, 2019 and 2018 by reportable segment:

Year ended June 30, 2018	**Exploration & Development**	**Retail & Commercial**	**Total**
Commission on bulk sales	$ 16,300	$ -	**$ 16,300**
Retail and commercial sales	-	381,177	**381,177**
Cost of sales	-	(235,896)	**(235,896)**
Gross margin	16,300	145,281	**161,581**
Operating expenses	1,110,161	388,564	**1,498,725**
Net and comprehensive loss	$ (1,093,861)	$ (243,283)	**$ (1,337,144)**

12. Segmented information (continued)

Year ended June 30, 2019	**Exploration & Development**	**Retail & Commercial**	**Total**
Commission on bulk sales	$ 10,668	$ -	**$ 10,668**
Retail and commercial sales	-	686,062	**686,062**
Cost of sales	-	(328,114)	**(328,114)**
Gross margin	10,668	357,948	**368,616**
Operating expenses	724,415	559,814	**1,284,229**
Net and comprehensive loss	$ (713,747)	$ (201,866)	**$ (915,613)**

Segment assets by operating segment are as follows:

As at June 30, 2018	**Exploration & Development**	**Retail & Commercial**	**Total**
Current assets	$ 693,129	$ 150,085	**$ 843,214**
Exploration and evaluation assets	267,551	-	**267,551**
Goodwill	-	742,669	**742,669**
Reclamation and other deposits	26,550	-	**26,550**
Total assets	$ 987,230	$ 892,754	**$ 1,879,984**

As at June 30, 2019	**Exploration & Development**	**Retail & Commercial**	**Total**
Current assets	$ 65,895	$ 268,098	**$ 333,993**
Exploration and evaluation assets	287,009	-	**287,009**
Goodwill	-	742,669	**742,669**
Reclamation and other deposits	22,259	-	**22,259**
Total assets	$ 375,163	$ 1,107,767	**$ 1,385,930**

13. Income taxes

Income tax expense

The Company's provision for income taxes differs from the amounts computed by applying the combined income tax rates as a result of the following:

	June 30, 2019	June 30, 2018
Loss before income tax	**$ 915,613**	1,337,144
Statutory tax rates	**26.5%**	26.09%
Expected tax recovery computed at statutory tax rates	**242,637**	349,000
Share-based payments	**-**	(107,000)
Non-deductible expenses	**(71,236)**	(4,000)
Non-capital losses acquired on business combination	**-**	260,000
Share issue costs	**-**	15,000
Other permanent differences	**45,010**	
Change in deferred tax asset not recognized	**(216,411)**	(513,000)
Income tax expense/recovery		

Deferred income taxes

The primary differences that give rise to deferred income tax balances are as follows:

	June 30, 2019	June 30, 2018
	$	$
Non-capital loss carry forwards	**1,723,393**	1,519,000
Foreign non-capital loss carry forwards	**111,096**	109,000
Share issue costs	**11,191**	15,000
Mineral property interests	**1,184,135**	1,163,000
Reserves for expenses not deducted	**117,305**	115,000
Decommissioning provision	**5,300**	5,000
Transactions costs	**16,992**	27,000
	3,169,411	2,953,000
Less: valuation allowance	**(3,169,411)**	(2,953,000)
Total unrecognized deferred tax assets	**-**	-

At June 30, 2019 and 2018, the Company had recorded a 100% valuation allowance against its deferred income tax balances due to uncertainty surrounding their realization.

As of June 30, 2019, the non-capital losses are as follows:

Expiry Year	Amount	Company
2026-2039	5,084,000	International Zeolite Corp
2034-2039	1,419,000	Earth Innovation Inc.
	$ 6,503,000	

14. Capital management

The Company manages its capital structure and makes adjustments based on the funds available in order to support continued operation and future business opportunities. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers its capital to be equity.

The Company’s operations are currently not generating positive cash flow; as such, the Company is dependent on external financing to fund its activities. In order to carry out potential expansion and to continue operations, and pay for administrative costs, the Company will spend its existing working capital, and raise additional amounts as needed. Companies in this stage typically rely upon equity and debt financing or joint venture partnerships to fund their operations. The current financial markets are very difficult and there is no certainty with respect to the Company’s ability to raise capital. However, the Company feels that it has sufficient working capital to continue with planned activities.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended June 30, 2019. The Company is not subject to externally imposed capital requirements.

15. Financial instruments and risk management

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. Unless otherwise disclosed their carrying values approximate their fair values due to the short-term nature of these instruments.

Credit Risk

Credit risk is the risk of loss associated with a counter-party’s inability to fulfill its payment obligations. The Company’s cash and trade and other receivables are exposed to credit risk. Cash is held with major Canadian-based financial institutions as such management believes that the associated credit risk is remote.

Trade and other receivables represents revenue earned from product sales. The Company has adopted a credit policy under which each new customer is analyzed individually for creditworthiness before the Company’s standard payment terms and conditions are offered. The Company’s exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. All of the Company’s customers are located in either Canada or the United States. When available, the Company reviews credit bureau ratings, bank accounts and financial information for each new customer.

15. Financial instruments and risk management (continued)

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company normally maintains sufficient cash to meet the Company's business requirements. At June 30, 2019, the cash balance of $41,201 is not sufficient to meet its obligations related to its accounts payable and accrued liabilities of $300,934. The Company will need to raise additional capital in the future to fund its administrative and exploration and evaluation expenditures as well as service its long-term debt obligations.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant and the Company, as all other companies in its industry, has exposure to these risks.

a. *Interest rate risk*
   The Company is not subject to material interest rate risk as its interest-bearing instruments are subject to fixed rates.

b. *Currency risk*
   The Company is exposed to foreign currency risk as certain monetary financial instruments are denominated in United States and Mexican currencies. At June 30, 2019, total assets include cash of US$857 (2018 - US$15,827) and cash of Mexican pesos 12,100 (2018 - Mexican pesos 12,100). The Company has not entered into any foreign currency contracts to mitigate this risk. The Company's sensitivity analysis suggests that a change in the absolute rate of exchange in the US dollar by 10% (2018 - 10%) would increase or decrease the net loss by $112 (2018 - $1,583) and a change in the absolute rate of exchange in the Mexican pesos by 10% (2018 - 10%) would increase or decrease the net loss by $72 (2018 - $160) in these Financial Statements.

16. Commitments

At June 30, 2019, the Company has a commitment in respect of an office lease amounting to $6,778 (2018 - $13,950). Monthly payments are $1,130 (2018 - $1,550).

17. Comparative figures

The Financial Statements have been reclassified, where applicable, to conform to the presentation method used in the current year. The changes had no impact on previously reported net loss and deficit.