

West Central Pelleting Ltd.

Financial statements
February 28, 2026 and 2025



Shape the future
with confidence

Independent auditor's report

To the Shareholders of
West Central Pelleting Ltd.

Opinion

We have audited the financial statements of **West Central Pelleting Ltd.** ["the Company"], which comprise the statements of financial position as at February 28, 2026 and 2025, and the statements of income (loss) and comprehensive income (loss), statements of changes in equity, and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2026 and 2025, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRS"].

Basis for opinion

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

Other information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis filed with relevant Canadian securities commissions.

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

In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, and remain alert for indications that the other information 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 in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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.

Saskatoon, Canada
May 20, 2026

Ernst & Young LLP

Chartered Professional Accountants



West Central Pelleting Ltd.

Statements of financial position

As at February 28

	2026	2025
	\$	\$
Assets		
Current		
Cash and cash equivalents <i>[note 3]</i>	1,989,787	1,820,814
Short-term investments <i>[note 4]</i>	2,292,662	1,760,483
Accounts receivable <i>[note 5]</i>	435,302	365,660
Inventories <i>[note 6]</i>	1,083,282	1,597,232
Prepaid expenses	51,232	48,439
Income taxes recoverable	-	848
Total current assets	5,852,265	5,593,476
Long-term investments <i>[note 7]</i>	33,186	30,679
Property, plant and equipment <i>[note 8]</i>	1,578,673	1,613,362
Deferred income taxes	126,240	92,358
	7,590,364	7,329,875
Liabilities and shareholders' equity		
Current		
Accounts payable and accrued liabilities <i>[note 9]</i>	522,305	534,218
Deferred revenue	62,100	146,798
Income taxes payable	136,774	-
Total liabilities	721,179	681,016
Shareholders' equity		
Share capital <i>[note 10]</i>	1,693,517	1,948,910
Retained earnings	5,175,668	4,699,949
Total shareholders' equity	6,869,185	6,648,859
	7,590,364	7,329,875

See accompanying notes

On behalf of the Board:

Graham Dobos Director

 Director

West Central Pelleting Ltd.

Statements of income (loss) and comprehensive income (loss)

Years ended February 28

	2026 \$	2025 \$
Sales		
Pellets <i>[note 14]</i>	8,402,903	7,382,032
Freight	505,280	406,955
	8,908,183	7,788,987
Cost of sales <i>[notes 6, 11 and 14]</i>	7,400,376	7,340,755
Gross profit	1,507,807	448,232
Operating expenses		
Administration	332,864	346,704
Bad debts (recovered)	(10,132)	23,930
Depreciation	6,562	8,753
Wages and benefits <i>[note 11]</i>	497,990	469,473
	827,284	848,860
Income (loss) before the following	680,523	(400,628)
Other income (expense)		
Gain on disposal of property, plant and equipment	2,000	-
Interest income	90,688	170,927
Insurance recovery, net <i>[note 8]</i>	-	60,000
Other income (expense)	104,572	(42,887)
	197,260	188,040
Net and comprehensive income (loss) before income taxes	877,783	(212,588)
Provision for (recovery of) income taxes <i>[note 13]</i>		
Current	175,589	40,543
Deferred	(33,882)	(42,962)
	141,707	(2,419)
Net income (loss) and comprehensive income (loss) for the year	736,076	(210,169)
Basic and diluted income (loss) per share <i>[note 12]</i>	45.72	(13.05)
See accompanying notes		

West Central Pelleting Ltd.

Statements of changes in equity

Years ended February 28

	Share capital	Retained earnings	Total equity
	\$	\$	\$
Balance, February 29, 2024	1,948,910	5,715,118	7,664,028
Net loss and comprehensive loss	-	(210,169)	(210,169)
Dividend	-	(805,000)	(805,000)
Balance, February 28, 2025	1,948,910	4,699,949	6,648,859
Net income and comprehensive income	-	736,076	736,076
Shares repurchased for cancellation <i>[note 10]</i>	(13,893)	(18,857)	(32,750)
Return of capital paid <i>[note 10]</i>	(241,500)	-	(241,500)
Dividend <i>[note 10]</i>	-	(241,500)	(241,500)
Balance, February 28, 2026	1,693,517	5,175,668	6,869,185

See accompanying notes

West Central Pelleting Ltd.

Statements of cash flows

Years ended February 28

	2026	2025
	\$	\$
Operating activities		
Net income (loss) and comprehensive income (loss) for the year	736,076	(210,169)
Add (deduct) items not involving cash		
Depreciation	345,761	329,708
Deferred income taxes	(33,882)	(42,962)
Gain on disposal of property, plant and equipment	(2,000)	-
Unrealized gain on short-term investments	(32,179)	(22,751)
Net change in non-cash working capital balances		
Accounts receivable	(69,642)	140,438
Inventories	513,950	149,506
Prepaid expenses	(2,793)	(9,624)
Accounts payable and accrued liabilities	(11,913)	(167,152)
Deferred revenue	(84,698)	(77,226)
Income taxes	137,622	(149,791)
Cash provided by (used in) operating activities	1,496,302	(60,023)
Investing activities		
Change in long-term investments	(2,507)	(2,467)
Proceeds on disposal of property, plant, and equipment	2,000	-
Purchase of property, plant and equipment	(311,072)	(2,748)
Purchase of short-term investments	(2,587,000)	(1,733,541)
Proceeds from redemption of short-term investments	2,087,000	2,700,000
Cash (used in) provided by investing activities	(811,579)	961,244
Financing activities		
Return of capital paid	(241,500)	-
Repurchase of common shares	(32,750)	-
Dividends paid	(241,500)	(805,000)
Cash used in financing activities	(515,750)	(805,000)
Net increase in cash and cash equivalents during the year	168,973	96,221
Cash and cash equivalents, beginning of year	1,820,814	1,724,593
Cash and cash equivalents, end of year	1,989,787	1,820,814
Supplemental disclosure of cash flow information		
Interest received	57,392	169,882
Income taxes paid	37,967	276,915

See accompanying notes

West Central Pelleting Ltd.

Notes to financial statements

February 28, 2026 and 2025

1. Nature of operations

West Central Pelleting Ltd. [the "Company"] was incorporated on February 9, 1996, under the laws of the Province of Saskatchewan. The Company has operations in Wilkie, Saskatchewan and Wolseley, Saskatchewan, which process grain screenings and feed grains into livestock feed.

The Company is located in the Province of Saskatchewan, Canada with its head office in Wilkie, Saskatchewan at a postal address of Box 298, 313-2nd Avenue East.

2. Summary of material accounting policies

Basis of presentation

The financial statements have been prepared in accordance with Part I of the *CPA Canada Handbook - Accounting*, "International Financial Reporting Standards" ["IFRS"]. The financial statements comply with IFRS as issued by the International Accounting Standards Board ["IASB"].

The financial statements were authorized for issuance by the Board of Directors of the Company on May 20, 2026.

The financial statements have been prepared using the historical cost basis, except for certain items which are measured at fair value, as explained in note 2, *Fair value of financial instruments*.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2, *Use of estimates and judgments*. The Company has also determined that there is only one operating segment which represents the Company's total profits, assets, liabilities all of which are operated in Saskatchewan.

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

Cash and cash equivalents

Cash and cash equivalents are defined as cash and highly liquid investments, consisting primarily of term deposits, with terms to maturity of three months or less at the date of purchase.

Short-term investments

Short-term investments consist of term deposits and Canadian treasury bills with terms greater than three months.

Inventories

Finished product is valued at the lower of cost and net realizable value and includes variable and fixed production overhead incurred in the production of product, allocated based on normal production capacity. All other inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation, accumulated impairment losses and related tax credits. Depreciation is calculated on a straight-line basis to write-off the cost of each depreciable item of property, plant and equipment to its residual value over its estimated useful life at the following annual rates:

Buildings	25 years
Computer equipment	3.3 years
Equipment	10 years
Paving	12.5 years

West Central Pelleting Ltd.

Notes to financial statements

February 28, 2026 and 2025

The carrying amount of the Company's property, plant and equipment are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the individual asset level unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets or else at the cash generating unit ["CGU"] level which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

An impairment loss is recognized in earnings for the period to the extent that the carrying amount of the asset, or CGU, exceeds the recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset, or CGU, does not exceed the carrying amount that would have been determined, net of depletion and depreciation, had no impairment loss been recognized for the asset, or CGU.

A reversal of an impairment loss is recognized immediately in earnings.

Accounts payable and accrued liabilities

Accounts payable are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Such liabilities are subsequently carried at amortized cost and because of their short-term nature they are not discounted. The amounts are unsecured and typically are paid within 30 days of recognition.

Taxation

Income tax expense is comprised of current and deferred taxes, which are recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

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

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between financial statement carrying amounts and amounts used for tax purposes. These amounts are measured using enacted or substantially enacted tax rates at the reporting date and remeasured annually for rate changes. Deferred income tax assets are recognized for the benefit of deductions available to be carried forward to future periods for tax purposes to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred income 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. Any effects of the remeasurement or reassessment are recognized in earnings in the period of change, except when they relate to items recognized directly in other comprehensive income.

Deferred taxes are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity or for different tax entities where the Company intends to settle its current tax assets and liabilities on a net basis or simultaneously.

West Central Pelleting Ltd.

Notes to financial statements

February 28, 2026 and 2025

Revenue recognition

Sales consist of the sale of pellets to customers and freight revenue realized to deliver the pellets to the customer. Each promised good is accounted for separately as a performance obligation if it is distinct and revenue is recognized when performance obligations are fulfilled.

Revenue from sale of goods is recognized at the point in time when control of products have been transferred to the customer which is upon delivery of goods. Revenue is measured based on the transaction price specified in the contract with the customer. Payments received in advance of delivery are deferred until performance obligations are fulfilled.

Freight revenue is recognized separately as a performance obligation if it is distinct and revenue is recognized when performance obligations are fulfilled. Revenue is measured based on the transaction price specified in the contract with the customer.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income ["OCI"], and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Purchases or sales of financial assets that required delivery of assets within a time frame established by regulation or convention in the market place are recognized on the trade date.

The Company's financial assets include cash and cash equivalents, short-term investments, accounts receivable and long-term investments.

Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost
- Financial assets at fair value through OCI ["FVOCI"] with recycling of cumulative gain and losses [debt instrument]
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition [equity instrument]
- Financial assets at fair value through profit or loss ["FVTPL"]

West Central Pelleting Ltd.

Notes to financial statements

February 28, 2026 and 2025

Financial assets at amortized cost

The Company has classified cash and cash equivalents and accounts receivable at amortized cost.

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount owing.

Financial assets at amortized cost are subsequently measured using the effective interest ["EIR"] method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through profit or loss

The Company has classified short-term investments and long-term investments at fair value through profit or loss.

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes equity investments which the Company has not irrevocably elected to classify at fair value through OCI. Dividends on equity instruments are recognized as other income in the statement of profit and loss when the right of payment has been established.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Company's financial liabilities include accounts payable and accrued liabilities.

Subsequent measurement

For the purpose of subsequent measurement, financial liabilities are classified as either:

- Financial liabilities at fair value through profit or loss
- Other financial liabilities

West Central Pelleting Ltd.

Notes to financial statements

February 28, 2026 and 2025

Other financial liabilities

The Company has designated accounts payable and accrued liabilities as other financial liabilities.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Financial asset impairment

The Company recognizes an allowance for expected credit losses ["ECLs"] for all debt instruments not held at fair value through profit or loss. For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Fair value of financial instruments

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's-length transaction on the measurement date. Fair values are determined by reference to quoted bid or asking prices in an active market. In the absence of an active market, the Company determines fair value based on internal or external valuation models, such as discounted cash flow analysis or using observable market based inputs [bid and ask price] for instruments with similar characteristics and risk profiles.

The Company classifies fair value measurement recognized in the statement of financial position using a three tier fair value hierarchy, which reflects the significance of inputs used in measuring fair value as follows:

- Level 1: Quoted prices [unadjusted] are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets [from level 1] that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Valuation techniques that include significant unobservable inputs.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

West Central Pelleting Ltd.

Notes to financial statements

February 28, 2026 and 2025

Use of estimates and judgments

The preparation of the financial statements required management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements, as well as, the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The most significant uses of judgments and estimates are as follows:

Allowance for doubtful accounts

The Company must make an assessment of whether accounts receivables are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment, taking into consideration individual customer credit worthiness, current economic and agronomic trends, as well as past experience. If future collections differ from estimates, future earnings would be affected.

Inventory valuation

The Company measures its inventories at the lower of cost and net realizable value. Given that the determination of net realizable value requires management to make estimates with respect to the selling value, costs to make the sale and, in some cases, the cost of completion, there is a level of measurement uncertainty. Assumptions are made based on past experience and actual grading standards may be subject to change. Estimates and assumptions are also required in determination of the fair values of commodity inventories. As such, actual inventory values realized may differ from estimated carrying amounts.

Property, plant and equipment

As part of the capitalization process, management must estimate the expected period of benefit over which capitalized costs should be depreciated. The considerations for estimated useful lives include the timing of technological obsolescence and competitive pressures, as well as historical experience and internal business plans for the projected use of related assets. Given that the expected period of benefit is an estimate, future results could be affected if management's current assessment of its property, plant and equipment's useful lives differs from actual performance.

West Central Pelleting Ltd.

Notes to financial statements

February 28, 2026 and 2025

Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not effective for the February 28, 2026 year end. The Company intends to adopt these new amended standards and interpretations, if applicable, when they become effective.

IFRS 18: Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1, *Presentation of Financial Statements*. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements [PFS] and the notes.

In addition, narrow-scope amendments have been made to IAS 7, *Statement of Cash Flows*, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after March 1, 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Company will be working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7

In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, *Amendments to the Classification and Measurement of Financial Instruments* [the "Amendments"]. The Amendments include:

- A clarification that a financial liability is derecognized on the 'settlement date' and the introduction of an accounting policy choice [if specific conditions are met] to derecognize financial liabilities settled using an electronic payment system before the settlement date;
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance ["ESG"] and similar features should be assessed;
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments; and
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income.

The Amendments are effective for annual periods starting on or after March 1, 2026 with early adoption permitted for classification of financial assets and related disclosures only. The Company does not anticipate that the amendments will have a material effect on the Company's financial statements.

West Central Pelleting Ltd.

Notes to financial statements

February 28, 2026 and 2025

3. Cash and cash equivalents

The Company has an authorized operating line-of-credit with a maximum limit of \$880,000 [2025 - \$1,000,000] bearing interest at bank prime [which was 4.45% at February 28, 2026, 5.20% at February 28, 2025], plus 1.25% and secured by inventory and accounts receivable. The operating line-of-credit limit is adjusted monthly, based on the accounts receivable and accounts payable balances. At year-end, the authorized limit of the line-of-credit was \$880,000, however, the Company has not utilized the operating line-of-credit at February 28, 2026 or 2025.

	2026	2025
	\$	\$
Cash	<u>1,989,787</u>	<u>1,820,814</u>

4. Short-term investments

The Company holds term deposits bearing interest at 3.20% [2025 - 3.85%] with a maturity date of January 2027.

The Company holds Canadian treasury bills with expected yields to maturity of 2.21% - 2.55% [2025 - 2.91% - 4.66%] and maturity dates between March 2026 and December 2026.

5. Accounts receivable

	2026	2025
	\$	\$
Accounts receivable	439,329	369,687
Allowance for doubtful accounts	<u>(4,027)</u>	<u>(4,027)</u>
	<u>435,302</u>	<u>365,660</u>
	\$	\$
Current	416,580	316,624
30 days	2,056	25,109
60 days	13	3,757
Over 90 days	<u>16,653</u>	<u>20,170</u>
	<u>435,302</u>	<u>365,660</u>

6. Inventories

	2026	2025
	\$	\$
Grain and screenings	747,963	1,251,349
Minerals and medications	167,490	139,529
Parts and supplies	129,301	151,100
Finished product	<u>38,528</u>	<u>55,254</u>
	<u>1,083,282</u>	<u>1,597,232</u>

The amount of inventories recognized as an expense and included in cost of sales is \$6,888,225 [2025 - \$6,928,998].

West Central Pelleting Ltd.

Notes to financial statements

February 28, 2026 and 2025

7. Long-term investments

	2026 \$	2025 \$
Innovation Credit Union equity	26,881	24,374
Conexus Credit Union equity	6,305	6,305
	33,186	30,679

8. Property, plant and equipment

Cost:

	Balance at February 29, 2024 \$	Additions and disposals \$	Balance at February 28, 2025 \$	Additions and disposals \$	Balance at February 28, 2026 \$
Buildings	5,767,362	-	5,767,362	-	5,767,362
Computer equipment	228,934	855	229,789	1,356	231,145
Equipment	3,567,742	(75,328)	3,492,414	286,616	3,779,030
Paving	115,248	-	115,248	-	115,248
	9,679,286	(74,473)	9,604,813	287,972	9,892,785
Land	48,950	-	48,950	-	48,950
	9,728,236	(74,473)	9,653,763	287,972	9,941,735

During the year ended February 28, 2026, the Company disposed of property and equipment with a cost of \$23,100 [2025 - \$nil] and a net book value of \$nil [2025 - \$nil].

During the year, the Company settled an insurance claim relating to equipment, with a cost of \$nil [2025 - \$77,221], that sustained damage. The net book value of the damaged equipment was \$nil [2025 - \$nil] and was netted against the insurance recovery amount.

Accumulated depreciation:

	Balance at February 29, 2024 \$	Depreciation and disposals \$	Balance at February 28, 2025 \$	Depreciation and disposals \$	Balance at February 28, 2026 \$
Buildings	4,282,568	230,694	4,513,262	230,694	4,743,956
Computer equipment	197,159	4,140	201,299	2,823	204,122
Equipment	3,192,939	17,653	3,210,592	89,144	3,299,736
Paving	115,248	-	115,248	-	115,248
	7,787,914	252,487	8,040,401	322,661	8,363,062

West Central Pelleting Ltd.

Notes to financial statements

February 28, 2026 and 2025

Carrying amount:

	2026	2025
	\$	\$
Buildings	1,023,406	1,254,100
Computer equipment	27,023	28,490
Equipment	479,294	281,822
	<u>1,529,723</u>	<u>1,564,412</u>
Land	48,950	48,950
	<u>1,578,673</u>	<u>1,613,362</u>

9. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$16,507 [2025 - \$19,891].

10. Share capital

Authorized

Unlimited Class A voting, common shares
Unlimited Class B voting, common shares
Unlimited Class C non-voting, preferred shares
Unlimited Class D non-voting, preferred shares

Issued

	2026	2025
	\$	\$
15,969 Class B common shares [2025 - 16,100]	<u>1,693,517</u>	<u>1,948,910</u>

During the year, the Company declared and paid a dividend of \$15 [2025 - \$50] per Class B common share and paid a return of capital of \$15 [2025 - \$nil] per Class B common share for a reduction of the stated capital of \$241,500.

During the year, 131 Class B common shares were purchased and cancelled under a normal course issuer bid ["NCIB"] for a total purchase amount of \$32,750 at a cost of \$250 per common share. As a result, the stated capital of the Class B common shares was reduced by \$13,893 and the residual purchase amount of \$18,857 was recorded to retained earnings.

11. Wages and benefits

Included in cost of sales is \$906,232 [2025 - \$1,029,986] of wages and benefits and included in operating expenses is \$497,990 [2025 - \$469,473], for total wages and benefits expense of \$1,404,222 [2025 - \$1,499,459].

The Company maintains a defined contribution pension plan that is administered by the Company. Contributions to the plan are expensed on an accrual basis and are recorded to wages and benefits. Pension expense included in cost of sales is \$29,408 [2025 - \$28,950] and included in operating expenses is \$18,628 [2025 - \$20,166], for total pension expense of \$48,036 [2025 - \$49,116].

West Central Pelleting Ltd.

Notes to financial statements

February 28, 2026 and 2025

12. Basic and diluted total comprehensive income (loss) per share

The basic and diluted total comprehensive income (loss) per share have been calculated using the weighted average number of common shares outstanding during the year. Since there are no items of a dilutive nature, the basic and dilutive share amounts are the same. The total basic and dilutive weighted average number of common shares for February 28, 2026 is 16,099 [2025 - 16,100].

13. Income taxes

The income tax expense differs from the amount computed by applying Canadian statutory rates to income before taxes for the following reasons:

	2026 \$	2025 \$
	27.00%	27.00%
Anticipated income tax (recovery of)	237,001	(57,399)
Tax effect of the following:		
Non-deductible expenses	640	31,541
Non-taxable carbon rebate	(10,381)	-
Reversal of prior year deferred income taxes realized at small business deduction tax rates	2,711	7,389
Rate reduction associated with manufacturing and processing activities	(17,119)	-
Investment income taxed at higher rates	21,466	19,191
Net refundable tax	(92,574)	-
Other	(37)	(3,141)
Income tax expense (recovery of)	141,707	(2,419)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Differences relating to property, plant and equipment make up the majority of the Company's deferred asset.

14. Related party transactions

During the year, the Company sold 337 [2025 - 313] tonnes of pellets to the directors for proceeds of \$107,856 [2025 - \$95,648].

During the year, the Company purchased nil [2025 - 94] tonnes of grain from the directors for a cost of \$nil [2025 - \$26,953].

Compensation of key management

The Company's key management consists of two [2025 - two] individuals including the general manager and one plant manager. Remuneration for the years ended February 28, 2026 and February 28, 2025 for the Board of Directors and key management who have the authority and responsibility for planning, directing and continuing the activities of the Company are as follows:

	2026 \$	2025 \$
Director honorariums	44,600	43,700
Salaries	319,655	326,093
	364,255	369,793

West Central Pelleting Ltd.

Notes to financial statements

February 28, 2026 and 2025

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

15. Capital management

The Company's objectives when managing capital are to continue as a going concern, to protect its ability to meet its ongoing liabilities and to maximize returns for shareholders over the long-term. For its own purposes, the Company defines capital as the sum of long-term debt and shareholders' equity.

The capital structure at February 28, 2026 and February 28, 2025 was as follows:

	2026 \$	2025 \$
Shareholders' equity	6,869,185	6,648,859

The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes sustainable operation goals. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary. The annual budgets are approved by the Board of Directors.

16. Financial instruments risks and uncertainties

The Company's activities expose it to a variety of market risks including foreign currency risk, price risk, credit risk and liquidity risk.

Credit risk management

The Company is exposed to credit risks on the accounts receivable from its customers. In order to reduce its risk, management has adopted credit policies that include credit applications and regular review of credit limits. The allowance for bad debts at February 28, 2026 was \$4,027 [2025 - \$4,027].

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through continuously monitoring and reviewing forecasted cash flows. Based on the forecasted cash flows, management believes that the Company will have sufficient capital to cover the likely short-term and long-term cash requirements. The Company estimates the following repayment of financial liabilities as follows:

	2026 \$	2025 \$
Less than 3 months	659,079	534,218

West Central Pelleting Ltd.

Notes to financial statements

February 28, 2026 and 2025

Financial instrument carrying values and fair values

For all current financial assets and financial liabilities, the carrying value is assumed to approximate fair value due to the short-term maturities of these items. The following table provides a summary of the financial instruments that are measured at fair value included in the statements of financial position, as at February 28, 2026 and February 28, 2025:

	2026 Fair value \$	2025 Fair value \$
Financial assets		
Short-term investments	2,292,662	1,760,483
Long-term investments	33,186	30,679
	2,325,848	1,791,162

	2026		
	Level 1 \$	Level 2 \$	Level 3 \$
Short-term investments	1,000,000	1,292,662	-
Long-term investments	-	-	33,186
	1,000,000	1,292,662	33,186

	2025		
	Level 1 \$	Level 2 \$	Level 3 \$
Short-term investments	500,000	1,260,483	-
Long-term investments	-	-	30,679
	500,000	1,260,483	30,679

Commodity price risk

Commodity price risk is the risk that the value of the inventory will fluctuate due to the change in market prices or a decline in quality of inventory. A change in price or quality will have a direct effect on the value of the inventory.

The Company is subject to commodity price risk of its raw materials inventory and finished feed stocks, as the Company must maintain competitive pricing levels, which can result in reduced margins. The Company's risk management policy provides limits within which management may maintain inventory and certain long or short commodity positions. A change of 10% in feed grain prices with all other variables held constant would result in a change in inventory costs of \$74,796 [2025 - \$125,139].

Foreign currency risk

The Company is not exposed to foreign currency risk as it does not hold any assets or liabilities in a currency other than the Canadian dollar.

17. Subsequent events

On May 20, 2026, the Board of Directors declared a dividend of \$35 per Class B common share and a return of capital of \$15 per Class B common share for a total payment of \$798,450.