

**FLUID ENERGY LIMITED****Translated Version of Statement of Financial Position**

As at March 31, 2024

(Stated in thousands)

Particulars	(In CAD)	(In INR)
	As on March 31, 2024	As on March 31, 2024
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	10,767	6,61,632
Accounts receivable	15,560	9,56,162
Accounts receivable related parties (note 8)	1,864	1,14,543
Inventory (note 4)	9,618	5,91,026
Prepaid expenses	2,546	1,56,452
Other current assets	460	28,267
	<u>40,815</u>	<u>25,08,082</u>
Plant and equipment (note 5)	890	54,691
Intangible assets (note 6)	4,091	2,51,392
Goodwill (note 3)	4,395	2,70,073
<b>Total Assets</b>	<b>50,191</b>	<b>30,84,237</b>
<b>Liabilities and Shareholder Equity</b>		
Current Liabilities		
Accounts payable and accrued liabilities	5,404	3,32,076
Accounts payable related parties (note 8)	7,979	4,90,310
Income taxes payable	57	3,503
Other government remittances	250	15,363
	<u>13,690</u>	<u>8,41,251</u>
Shareholder loan (note 7)	22,161	13,61,793
Total Liabilities	<u>35,851</u>	<u>22,03,044</u>
<b>Shareholder equity</b>		
Share capital (note 9)	14,954	9,09,356
Deficit	(614)	(28,162)
	<u>14,340</u>	<u>8,81,193</u>
<b>Total Liabilities and Shareholder Equity</b>	<b>50,191</b>	<b>30,84,237</b>

For Manian & Rao  
Chartered Accountants  
Firm Registration No - 001983S

Paresh Daga  
Partner  
Membership No. 211468  
Date : November 14, 2024

For and on behalf of the Board of Directors

  
Steve Franklin, Director

  
Chad Leier, Director

Date : November 14, 2024

**FLUID ENERGY LIMITED**

Translated version of Statement of operations and deficit for the year ended March 31, 2024

(Stated in thousands)

Particulars	(In CAD)	(In INR)
	For the Year ended March 31, 2024	For the Year ended March 31, 2024
Revenue (note 8)	81,959	50,07,031
Cost of sales (notes 4 and 8)	43,995	26,87,738
Gross margin	37,964	23,19,293
Expenses		
General and administrative	11,513	7,03,351
Depreciation and amortization (notes 5 and 6)	1,193	72,883
	12,706	7,76,234
Income from operations	25,258	15,43,059
Other (expenses) income:		
Interest expense (note 7)	(1,912)	(1,16,808)
Interest income	381	23,276
Transaction related costs (note 3)	(1,050)	(64,146)
Foreign exchange gain	(228)	(13,929)
Royalties paid to shareholder (note 8)	(26,824)	(16,38,729)
Total other expenses	(29,633)	(18,10,336)
Net loss before taxes	(4,375)	(2,67,277)
Income tax expense (note 10)	520	31,753
Net loss	(4,895)	(2,99,030)
Surplus, beginning of the year	4,281	2,18,079
Foreign Currency Translation Reserve	-	52,788
Deficit, end of year	(614)	(28,162)

For Manian & Rao  
Chartered Accountants  
Firm Registration No - 001983S

Paresh Daga  
Partner  
Membership No. 211468  
Date : November 14, 2024

For and on behalf of the Board of Directors



Steve Franklin, Director



Chad Leier, Director

Date : November 14, 2024

**FLUID ENERGY LIMITED****Translated version of the Statement of Cash Flow**

For the year ended March 31, 2024

(Stated in thousands)

Particulars	(In CAD)	(In INR)
	For the Year ended March 31, 2024	For the Year ended March 31, 2024
<b>Cash and cash equivalents provided by (used in):</b>		
<b>Operating activities</b>	<b>(4,895)</b>	<b>(2,99,030)</b>
Net loss after taxes		
Non-cash adjustments for:		
Depreciation and amortization (notes 5 and 6)	1,193	72,883
Inventory write down & disposal	115	7,026
Funds used in operating activities before changes in non-cash working capital	<b>(3,587)</b>	<b>(2,19,121)</b>
Change in non-cash working capital from operations		
Accounts receivable	(3,052)	(1,86,452)
Accounts receivable related party	(42)	(2,566)
Inventory	2,572	1,57,128
Prepaid expenses	(1,150)	(70,256)
Other current assets	(118)	(7,209)
Accounts payable and accrued liabilities	2,594	1,58,472
Accounts payable related party	7,979	4,87,452
Income taxes payable	(193)	(11,791)
Other government remittances	(9)	(550)
Net cash generated from operating activities	<b>4,994</b>	<b>3,05,108</b>
<b>Investing activities</b>		
Purchase of plant and equipment (note 5)	(554)	(33,845)
Net cash used in investing activities	<b>(554)</b>	<b>(33,845)</b>
<b>Increase in cash and cash equivalents</b>	<b>4,440</b>	<b>2,71,263</b>
<b>Translation Exchange Difference</b>	<b>-</b>	<b>6,106</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>6,327</b>	<b>3,84,263</b>
<b>Cash and cash equivalents, end of year</b>	<b>10,767</b>	<b>6,61,632</b>

For Manian & Rao  
Chartered Accountants  
Firm Registration No - 001983S

Paresh Daga  
Partner  
Membership No. 211468  
Date : November 14, 2024

For and on behalf of the Board of Directors

  
Steve Franklin, Director

  
Chad Leier, Director

Date : November 14, 2024

## **FLUID ENERGY LIMITED**

### **Notes to the Translated version of Financial Statements**

For the year ended March 31, 2024

(Stated in thousands, except number of shares)

#### **NOTE 1 - NATURE OF BUSINESS**

##### **Nature of business**

Dorf Ketal Chemicals Ltd was incorporated on December 15, 2022, under the laws of the Province of Alberta to purchase all of the outstanding shares of erstwhile Fluid Energy Ltd. ("EFEL") for \$32,136 (₹19,54,197) on January 4, 2023 (note 3). EFEL was a wholly owned subsidiary of Dorf Ketal Chemicals Ltd incorporated under the laws of the Province of Alberta, Canada on May 20, 2022. Dorf Ketal Chemicals FZE is the parent company of Dorf Ketal Chemicals Ltd and is incorporated under the laws of the United Arab Emirates.

On January 1, 2024, Dorf Ketal Chemicals Ltd and EFEL amalgamated into one entity with Fluid Energy Limited ("FEL") being named the successor entity. The impact of the amalgamation has no change to the operational functions of the business as Dorf Ketal Chemicals Ltd was incorporated as a holding company and 100% of the revenue was derived from EFEL and is included in these financial statements. Dorf Ketal Chemicals FZE continues to be the 100% owner of the company. The financial statements including the opening balance movement, income statement and capital are presented as if it was always consolidated.

The acquisition of EFEL was completed by Dorf Ketal Chemicals FZE via Dorf Ketal Chemicals Ltd. This business combination is accounted in the books of Dorf Ketal Chemicals FZE and the resultant goodwill has been allocated to FEL for accounting purposes.

FEL provides chemicals and services through contract manufacturing for use in the stimulation of oil and gas wells, water treatment, food and beverage, construction and coating, and transportation.

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business.

#### **NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of presentation**

These Translated version of financial statements have been prepared from the financial statements audited by other auditor. The Audited Financial Statements have been prepared in accordance with Part II of the Chartered Professional Accountants of Canada ("CPA") Accounting Handbook - Accounting Standards for Private Enterprises ("ASPE"), which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada. FEL and Dorf Ketal Ltd have been used interchangeably. The opening balances are the consolidated opening balances of FEL.

In accordance with ICDR regulations for the purpose of the proposed Indian Public Offer (IPO), financial statements have been translated from the functional currency i.e., Canadian Dollar (CAD) to INR. For this purpose, assets and liabilities have been translated using exchange rates prevailing on the balance sheet date. Statement of profit and loss has been translated using average exchange rates. Translation adjustments have been reported as foreign currency translation reserve in the statement of changes in equity.

The following is a summary of significant accounting policies used in the preparation of these Translated version of financial statements:

##### **Basis of measurement**

The Translated version of financial statements are stated in and recorded in thousands of Canadian dollars, which is FEL's reporting currency and have been prepared on a historical cost basis.

### Measurement uncertainty

The preparation of Translated version of financial statements in accordance with ASPE requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality.

Accounts receivables are stated after evaluation as to collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of plant and equipment. Testing for impairment requires estimating future revenues and operating costs and involves significant management assumptions and estimates. Assets acquired and liabilities assumed in a business combination are accounted for at fair value on the transaction date.

By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes of estimates in future periods could be significant. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the statement of operations in the year in which they become known.

### Cash and cash equivalents

Bank balances are presented as cash and cash equivalents or bank indebtedness. Cash equivalents may include highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. An investment qualifies as a cash equivalent when it has an original term to maturity of three months or less.

### Inventory

Inventory consists of raw and blended chemical products and is carried at the lower of cost, determined under the first-in, first-out method, and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

### Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation. Major betterments are capitalized. Repairs and maintenance expenditures, which do not extend the useful life of the capital asset, are expensed.

Depreciation is calculated using the straight-line method over the estimated useful life of the asset as follows:

Machinery and equipment	5 years
Furniture and fixtures	5 years
Computer equipment	3 years
Leasehold improvements	Term of lease

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Management bases the estimate of the useful life of its plant and equipment on expected utilization and technological change. Although management believes the estimated useful lives of FEL's plant and equipment are reasonable, it is possible that changes in estimates could occur which may affect the expected useful lives of the plant and equipment. Plant and equipment under construction are not amortized until they are available for use.

### Intangible assets

The Company's intangible assets include software and customer relationships. Costs attributable to intangible assets are capitalized if future economic benefits are reasonably assured. Intangible assets with a finite life are initially recorded at cost and are amortized using the straight-line method through the combined statement of operations over their estimated useful lives when the realization of economic benefits begins.

Amortization is calculated using the straight-line method over the estimated useful life as follows:

Capitalized software	5 years
Customer relationship	10 years

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## **Goodwill**

Goodwill, arising on the acquisition of a business, represents the excess of the cost of acquisition over FEL's interest in the net fair value of the identifiable assets and liabilities of the business recognized at the date of acquisition. Goodwill is initially recognized at cost and is subsequently measured at cost less any impairment losses. Goodwill is not amortized and is tested for impairment whenever changes in circumstances indicate that the carrying amount may exceed the fair value.

## **Impairment of long-lived assets**

Long-lived assets, including property and equipment, intangible assets subject to amortization, and goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the asset's carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, FEL uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

The carrying amount of an intangible asset whose life is determined to be indefinite is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may exceed its fair value. An impairment loss is recognized when the asset's carrying amount exceeds its fair value. Impairment losses are not subsequently reversed.

## **Accrued liabilities**

An accrued liability or provision is recognized if, as a result of a past event, FEL has a present or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the Company expects some or all of a provision to be reimbursed the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statements of loss net of any reimbursement. Non-current provisions are determined by discounting the expected future cash flows using a risk-free rate. Provisions are not recognized for future operating losses.

## **Revenue recognition**

Revenue from sale of goods is recognized once all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the price is fixed and/or determinable, (iii) delivery has occurred and / or title has transferred to the customer, and (iv) collectability is reasonable assured.

FEL also generates revenue from the sale of certain input chemical products directly to various contract manufacturing partners who in turn will blend those inputs into other chemical product outputs and sell those directly to their customers. The Company recognizes revenue from the sale of the chemical input when the product is shipped or delivered to the manufacturing partner, price is fixed, and collection is reasonably assured. FEL recognizes product technology revenue from the blending of its chemical output when the manufacturing partner ships the company's products to the end user and collection from the partner is reasonably assured.

## **Foreign currency translation**

Transactions denominated in foreign currencies are translated into their Canadian dollar equivalent at exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities reflect the exchange rates at the balance sheet date. Gains and losses on translation or settlement are included in the determination of net loss for the current year.

## **Financial instruments**

FEL recognizes financial instruments when FEL becomes a party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, except for related party transactions, which are recorded at the carrying or exchange amount depending on the circumstances. Subsequently, FEL measures freestanding derivative instruments that are not in qualifying hedging relationships and equity instruments at fair value and all other financial instruments at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance, or assumption of financial instruments subsequently measured at fair value are immediately recognized in the statement of operations. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost and any investments in equity instruments at cost less impairment.

FEL assesses the impairment of all its financial assets measured at cost or amortized cost. FEL groups assets for impairment testing when there are numerous assets affected by the same factors. When there is an indication of impairment, FEL determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, FEL reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in the statement of operations.

FEL reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the statement of operations in the year the reversal occurs.

#### **Income taxes**

FEL accounts for income taxes using the taxes payable method. Under this method, only current income tax assets and liabilities are recorded to the extent they are unpaid or recoverable. In addition, the benefit relating to a tax loss incurred in the current period and carried back to prior periods is recognized as a current asset. Current income tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

#### **Business combinations**

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued, and liabilities incurred or assumed at the acquisition date. The excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill.

If the cost of an acquisition is less than the fair value of the net assets of the business acquired, FEL reconsiders the amounts allocated to the identifiable assets and liabilities. If after careful reconsideration, the excess continues to be present, FEL recognizes a bargain purchase gain in net income.

Transaction costs associated with the business combination are expensed as incurred.

**FLUID ENERGY LIMITED****Notes to the Translated version of Financial Statements**

For the year ended March 31, 2024

(Stated in thousands, except number of shares)

**NOTE 3 – BUSINESS COMBINATION AND AMALGAMATION****3.1 Business Combination**

On January 4, 2023, Dorf Ketal Chemicals Ltd acquired 100% of the shares of FEL for cash consideration of \$32,136 (₹19,54,197).

The determination of the fair values of net identifiable assets required management to make assumptions about market conditions and future estimated cash flows. The surplus of consideration transferred over the fair value of net identifiable assets is recorded as goodwill.

Goodwill results from the Company's ability to leverage an existing workforce, utilize established facilities and fully implemented processes. The operating results and corresponding cash flows and earnings related to the acquisition were included in FEL's financial statements from the day after the closing date of January 4, 2023. Estimated fair values of the assets acquired and liabilities are as follows:

	2023	2023
	In CAD	In INR
Cash consideration of FEL	32,136	19,54,197
Allocated as:		
Working capital (net of cash)	21,908	13,32,230
Equipment	1,186	72,121
Customer relationships	4,647	2,82,585
Goodwill	4,395	2,67,261
Total identifiable net assets acquired (net of cash)	32,136	19,54,197

Transaction costs related to the business combination of \$1,050 (₹ 63,851) were expensed in the statement of operations and deficit and include the following: \$888 (₹53,999) paid as retention bonuses to employees who transferred to FEL and \$162 9 (₹9,851) paid to various legal firms for transaction services.

**3.2 Amalgamation**

On January 1, 2024, Dorf Ketal Chemicals Ltd and EFEL amalgamated into one entity with Fluid Energy Limited ("FEL") being named the successor entity. At the time of amalgamation, Dorf Ketal Chemicals Ltd. contained the following net assets and liabilities:

	2024	2024
	In CAD	In INR
Aggregate value of net assets and liabilities amalgamated	32,136	20,21,538
Broken down as:		
Working capital (net of cash)	(3,151)	(1,98,216)
Inter company Debt	22,161	13,94,053
Common shares	14,954	9,40,692
Interest expense	(1,519)	(95,554)
Foreign exchange loss	(307)	(19,312)
Bank fees	(2)	(126)
Aggregate value of net assets and liabilities amalgamated	32,136	20,21,538

The above has been presented line by line in the statement of operations and deficit and balance sheet respectively net of inter-company and equity eliminations. Refer note 1.



**NOTE 4 – INVENTORY**

Inventory consists of the following components as at March 31:

	2024	2024
	<b>In CAD</b>	<b>In INR</b>
Raw materials	6,003	3,68,884
Finished goods	3,615	2,22,142
Inventory	<u>9,618</u>	<u>5,91,026</u>

Inventory expensed as part of cost of sales was \$39,585 (₹24,18,323) for the year. FEL recorded an inventory write-down in the amount of \$115 (₹7,026) for the year.

**NOTE 5 – PROPERTY AND EQUIPMENT**

	2024	2024
	<b>In CAD</b>	<b>In INR</b>
<b>Cost:</b>		
Machinery and equipment	1,027	63,109
Computer equipment	77	4,732
Furniture and fixtures	74	4,547
Leasehold improvements	522	32,077
	<u>1,700</u>	<u>1,04,465</u>
<b>Accumulated amortization:</b>		
Machinery and equipment	382	23,474
Computer equipment	58	3,564
Furniture and fixtures	61	3,748
Leasehold improvements	309	18,988
	<u>810</u>	<u>49,775</u>
Net book value	890	54,691

Depreciation expense of \$672 (₹41,054) was recognized in the statement of operations and deficit for the year.

**NOTE 6 – INTANGIBLE ASSETS**

	2024	2024
	<b>In CAD</b>	<b>In INR</b>
<b>Cost:</b>		
Capitalized software	94	5,776
Capitalized customer relationships	4,647	2,85,558
<b>Accumulated amortization:</b>		
Capitalized software	69	4,240
Capitalized customer relationships	581	35,702
Net Book Value	4,091	2,51,392

Amortization expense of \$521 (₹31,829) was recognized in the statement of operations and deficit for the year.

**FLUID ENERGY LIMITED****Notes to the Translated version of Financial Statements**

For the year ended March 31, 2024

(Stated in thousands, except number of shares)

**NOTE 7 – LOANS**

FEL has a loan agreement with Dorf Ketal Chemicals FZE, its parent, terms are as follows:

	Interest Rate	Maximum Borrowing	2024	
Loan Agreement			In CAD	In INR
The loan agreement is non-revolving and is repayable 5 years from the date of disbursement. Under the loan agreement, FEL may borrow with Canadian dollars up to a maximum of \$22,161 (₹13,61,793).	Quarterly, at the secured overnight financing rate +1.65.	\$22,161	22,161	13,61,793

Interest accounted on the loan for the year was \$1,912 (₹1,16,808).

In addition, FEL has an uncommitted credit facility with a lender for a maximum of \$10,000 (₹6,14,500) for general corporate purposes. The facility bears interest at the lenders prime rate plus 2% or the Canadian dollar commercial loans rate ("CDOR Rate") and is repayable 5 years from the date of disbursement. As of March 31, 2024, no amounts have been drawn on this facility. The facility is guaranteed by Dorf-Ketal Chemical India Private Limited, the parent of Dorf Ketal Chemicals FZE and is secured by the underlying assets of FEL. There are no covenants attached to the loan.

**NOTE 8 – RELATED PARTY TRANSACTIONS EXCLUDING LOANS**

As part of the transaction in Note 3, Dorf Ketal Chemicals FZE acquired all the intellectual property of Fluid Energy Group Limited ('Previous holding company of EFEL'). On January 4, 2023, Dorf Ketal Chemicals FZE transferred the intellectual property they acquired from the seller for \$70,000(₹42,76,433) to that entity and as such is not included in these financial statements. During the year FEL entered into a license agreement with Dorf Ketal Chemicals FZE to acquire the exclusive right and license to manufacture, sublicense, sell, import, and use products related to this intellectual property since inception. The royalties are calculated using the transactional net margin method ("TNMM") of transfer pricing which allows a service fee based on the ratio of operating profit to an appropriate base earned by comparable independent enterprises. The royalties are due on an annual basis and Dorf Ketal Chemicals FZE charged FEL \$26,824(₹16,38,729.13) this year. Any royalty amounts outstanding to a related party are non-interest-bearing. During the year the company purchased raw materials in the amount of \$264 (₹16,128.26) from Dorf Ketal Chemicals FZE.

As of March 31, 2024, \$6,694 (₹ 4,11,346.30) is payable to Dorf Ketal Chemicals FZE and is included in accounts payable.

In relation to the above, FEL also entered into an Intellectual Property Development Agreement with Dorf Ketal Chemicals FZE, where FEL will continue to conduct all the research and development activities in relation to the intellectual property that was transferred. FEL will then be reimbursed for the development services incurred by an amount equal to all allowable costs plus the appropriate mark-up on an annual basis. With regards to this agreement, FEL charged Dorf Ketal Chemicals FZE \$796(₹48,629.15) for the year. FEL sold raw materials at cost to Dorf Ketal Chemicals FZE in the amount of \$2,566 (₹1,56,761.82) during the year which is fully paid as of March 31, 2024. Any amounts outstanding to a related party are non-interest bearing and as at March 31, 2024, \$807(₹49,590.15) is included in accounts receivable.

FEL is owed \$851(₹52,293.95) from Dorf Ketal Chemicals FZE for amounts paid to seller after the transaction closed in relation to the final working capital adjustment. The amount remains outstanding as of March 31, 2024 and is included in accounts receivable.

As at March 31, 2024 the total outstanding receivables is \$1,657.(₹1,01,822.65)

FEL sold an asset at net book value to Dorf Ketal Chemicals India Pvt. Ltd., the ultimate parent company, in the amount of \$100 (₹60109.19)for the period ending March 31, 2024 as well as raw materials in the amount of \$128(₹7819.76) during the period. \$128(₹7,865.60) remains outstanding at March 31, 2024 and is included in accounts receivable.

Fluid USA is a wholly owned subsidiary of Dorf Ketal Chemicals FZE. As FEL is also a wholly owned subsidiary of Dorf Ketal Chemicals FZE it is a sister company of Fluid USA. As such, related party transactions also occur between Fluid USA and FEL.

Fluid USA provides business development services to FEL for sales support on a continuous basis. During the year ended March 31, 2024, business development fees of \$3,941 (₹240763.18)were charged to FEL.

FEL charges management services to Fluid USA for administrative support on a continuous basis. During the year ended March 31, 2024, management fees of \$167(₹10,202.35) were charged to Fluid USA.

Fluid USA licenses the right to use intellectual property from FEL and pays royalty fees as consideration. During the year ended March 31, 2024, royalty fees of \$3,898(₹2,38,136.23) were charged to Fluid USA by FEL.

FEL sold raw materials to Fluid USA in the amount of \$1,867(₹1,14,058.58) and purchased raw materials in the amount of \$633 (₹38,671.17)during the year ended March 31, 2024. Fluid USA also reimbursed certain expenses in the amount of \$51(₹3,115.69) during the year.

As at March 31, 2024, accounts receivable from Fluid USA was nil and accounts payable to Fluid USA amounted to \$1,285. (₹78,963.25)

FEL sold raw materials to Dorf Ketal Brasil LTDA a related sister entity in the amount of \$93 (₹5,714.85) and is fully outstanding as of March 31, 2024.

FEL sold raw materials to Dorf Ketal Energy Services Ltd. a related sister entity in the amount of \$20 (₹1,221.84) during the year. There is advance received of \$11(₹675.95) as of March 31, 2024.

These transactions are all measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**FLUID ENERGY LIMITED****Notes to the Translated version of Financial Statements**

For the year ended March 31, 2024

(Stated in thousands, except number of shares)

**NOTE 9 – SHARE CAPITAL**

FEL issued common shares on incorporation and for the acquisition (note 3) as follows:

**Issued and Outstanding – Common Shares**

	Number of Shares	Amount (In CAD)	Amount (In INR)
<b>Balance, March 31, 2023 (Dorf Ketal)</b>	<b>1,09,59,180</b>	14,775	8,98,471
Transaction costs adjusted to Equity	-	179	10,885
<b>Balance, March 31, 2024</b>	<b>1,09,59,180</b>	<b>14,954</b>	<b>9,09,356</b>

On January 4, 2023 as part of the business combination (note 3) \$14,954 (₹9,09,356) of shares were acquired for cash of Dorf Ketals Chemicals Ltd. Refer notes 1 and 3.

**NOTE 10 - INCOME TAXES**

The reconciliation of FEL's effective income tax recovery is as follows:

	2024	
	Amount (In CAD)	Amount (In INR)
Loss before income tax	(4,375)	(2,67,277)
Combined federal and provincial income tax rate	23%	23%
Expected tax recovery	(1,006)	(61,474)
Difference in CCA claim and amortization	110	6,720
Non-deductible expenses	105	6,415
Benefit of tax assets not recognized	1,311	80,091
Actual tax expense	520	31,753

As at March 31, 2024, FEL has \$nil unused income tax losses to carry forward. FEL follows a calendar year for tax filing.

**NOTE 11 – COMMITMENTS**

FEL has one office and two facility lease agreements with estimated minimum annual payments as follows:

Fiscal Year	Annual payment (In CAD)	Annual payment (In INR)
2024-25	679	41,724.55
2025-26	310	19,049.50
2026-27	179	10,999.55
2027-28	30	1,843.50

**NOTE 12 - FINANCIAL INSTRUMENTS**

FEL's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and shareholder loans. At March 31, 2024, the fair values of the financial instruments approximate their carrying values due to being short-term in nature.

FEL's activities expose it to a variety of financial, credit, liquidity, and market risks, including interest rate and foreign exchange rate risks. Financial risk management is carried out by FEL's management team.

**Credit risk**

Credit risk refers to the possibility that a customer or counterparty will fail to fulfill its obligations and as a result, create a financial loss for FEL. Financial instruments that subject FEL to credit risk consist primarily of accounts receivable and cash and cash equivalents. To manage its exposure to credit risk, FEL assesses the credit worthiness of its customers, as well as monitoring the amount and age of balances outstanding. FEL's credit risk exposure on cash is minimized substantially by ensuring the cash and cash equivalents is held with credible financial institutions, and bank accounts are regularly monitored.

At March 31, 2024, three customers accounted for 60% of accounts receivable and 48% of revenues. FEL believes that there is no significant risk exposure associated with the collection of these receivables. FEL performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. At March 31, 2024, no allowance has been recorded. The maximum exposure to credit risk from cash and cash equivalents and accounts receivable is their carrying value.

**Liquidity risk**

Liquidity risk is the risk that FEL will not be able to meet its financial obligations as they are due. FEL manages its liquidity risk by monitoring its operating requirements, anticipating operating, investing and financing activities and ensuring there are enough funds to cover these activities by preparing budgets and cash forecasts. FEL anticipates that its working capital and cash provided by operating activities will be adequate to satisfy its liquidity requirements over the next twelve months.

**Commodity price risk**

FEL is not directly exposed to commodity price risk as it does not have any contracts which are directly based on commodity prices. However, a change in commodity prices, specifically petroleum and natural gas prices, could have an impact on oil and gas production levels and could therefore affect the demand for FEL's services the impact of which cannot be estimated in the financial statements.

**Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. As of March 31, 2024, FEL is exposed to interest rate risk on its floating rate loans and borrowings with a related party (note 7).

**Foreign currency risk**

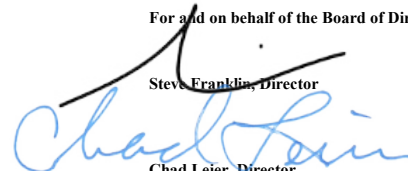
Currency risk arises from fluctuations in foreign exchange rates and their degree of volatility. FEL is exposed to foreign currency fluctuations as its operational currency is Canadian dollars and proceeds from some revenues are denominated in U.S. dollars and Euros. As well, some of FEL's expenditures are incurred in foreign currencies which result in some offset of exposure to the impact of fluctuating foreign exchange rates. FEL does not hedge its exposure to foreign currency risk.

**For Manian & Rao**  
**Chartered Accountants**  
**Firm Registration No - 001983S**

**Paresh Daga**  
**Partner**  
**Membership No. 211468**  
**Date : November 14, 2024**

**For and on behalf of the Board of Directors**

**Steve Franklin, Director**



**Chad Leier, Director**

**Date : November 14, 2024**