Zacks Small-Cap Research

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Canadian Zeolite Corp. (V.CNZ – TSX-V)

Initiate Coverage of Canadian Zeolite with a target of $0.80

Based on a calculation of fully diluted share value of attributable resources, a target of CDN$0.80 per share is indicated.

Current Price (11/01/16)	$0.45
Valuation	$0.80

OUTLOOK

Canadian Zeolite is developing its British Columbia zeolite deposits (Bromley Creek and Sun Group) through a Mining Operations Agreement with Absorbent Products Limited. A 5,000-tonne bulk sample was quarried and field crushed in July and processed at APL's processing mill in Kamloops BC. Another 10,000 tonnes were crushed and screened in October to ensure that sufficient inventory is available to meet demand during the winter months. Management continues to pursue business development activities with potential customers, especially in the areas of municipal composting, animal feed additives, agricultural zeolitic soil conditioning and odor/moisture control.

SUMMARY DATA

52-Week High	**$0.47**
52-Week Low	**$0.08**
One-Year Return (%)	**330.0**
Beta	**1.09**
Average Daily Volume (shrs.)	**37,530**
Shares Outstanding (million)	**22.66**
Market Capitalization ($mil.)	**$10.15**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**N/A**
Insider Ownership (%)	**N/A**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2016 Estimate	**N/M**
P/E using 2017 Estimate	**N/M**

Risk Level	**Above Average**
Type of Stock	**Small - Value**
Industry	**Mining**

ZACKS ESTIMATES

Net Revenue
(in thousands of $CDN)

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Jun)	Year (Jun)
2014	0.0 A	0.0 A	0.0 A	0.0 A	0.0 A
2015	0.0 A	0.0 A	0.0 A	0.0 A	0.0 A
2016	0.0 A	0.0 A	0.0 A	0.0 A	0.0 A
2017					67.5 E

Earnings per Share
(EPS is operating earnings before non-recurring items)

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Jun)	Year (Jun)
2014	-$0.01 A	-$0.00 A	-$0.00 A	-$0.05 A	-$0.07 A
2015	-$0.00 A	-$0.00 A	-$0.01 A	-$0.02 A	-$0.03 A
2016	-$0.00 A	-$0.01 A	-$0.00 A	-$0.01 A	-$0.02 A
2017					-$0.02 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

Quarterly EPS may not equal annual EPS total due to rounding.

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KEY POINTS

- Canadian Zeolite Corp. is focused on the development of its **two zeolite properties** located in Similkameen Mining District of British Columbia, **Bromley Creek** and **Sun Group**.
- Management entered into a **Mining Operations Agreement** with Absorbent Products Limited (APL) **in November 2015** in order to mine, transport, process, package and ship zeolite from the Bromley Creek Property to fulfill current orders.
  - Under the agreement, for every tonne of zeolite mined, Canadian Zeolite receives a **net royalty of $9.00 per tonne**, and if sales are initiated by the company, commissions between 6% and 20% are also received through an Agency Sales Agreement.
  - A **Purchase Option** to acquire up to a 50% interest in the Bromley Creek and Sun Group Projects was granted to APL
  - The Agreement with APL is a **major catalyst for monetizing the company's zeolite resources**.
- **Bromley Creek Property**
  - comprised of 6 claims and a Mineral Lease encompassing an area of 1,144.5 hectares
  - NI 43-101-compliant report estimated that a portion of the Bromley Creek Property hosts a **Measured & Indicated resource** of **540,688 tonnes** of zeolite
  - was intermittently quarried between 2000 and 2005 to provide the field-processed zeolite ore for a $5,000,000 contract with Halliburton Canada for the manufacture of ZeoFume, a high-performance, lightweight down-hole cement
  - granted **30-year Mining Lease** in December 2000
  - granted new **Quarry Permit** in July 2015 to extract up to 50,000 tonnes of zeolite annually
  - **5,000-tonne** bulk sample quarried and field crushed in July 2016**,** quickly followed by another **10,000 tonnes** being crushed and screened in October
- **Sun Group Property**
  - consists of 10 contiguous claims encompassing 948.935 hectares
  - historic (2001) **non-compliant** Measured & Indicated resource of 7.9 million tonnes of zeolite
- Management's focus is to aggressively market the company's zeolite.
  - continuously sponsors or contributes zeolite samples to studies investigating or determining new applications
  - specifically targeting applications of municipal composting, animal feed additives, agricultural zeolitic soil conditioning, zeolitic substrates for greenhouse growing mediums (zeoponics) and odor/moisture control
  - in October 2016, announced **exclusive national distribution deal** with **Bella Turf** ,Canada's leading distributor of artificial turf landscape grasses
  - currently **working on a certification for animal feeds**
  - Management anticipates that 2017 will be a major year of growth and accomplishment
  - With the signing of the Bella Turf deal and by mining over 10,000 tonnes of zeolite during 2016, Canadian Zeolite is **on the verge of commercializing** its Bromley Creek zeolite deposit
- We **await a breakthrough application** (possibly several) for the company's zeolite in western Canada that will enable Canadian Zeolite to more rapidly monetize the resources at its Bromley Creek and Sun Group Properties.

OVERVIEW

Based in Vancouver, British Columbia, Canadian Zeolite Corp. (CNZ: TSX-V, CNZCF: OTCQB) focuses on the evaluation, acquisition and development (including mining, processing and marketing) of mineral properties (primarily zeolite and gold), thus far in British Columbia, Arizona and Mexico. Since 2012, management's efforts have been directed towards initiating commercial production of zeolite from two properties located in Similkameen Mining District of British Columbia, primarily **Bromley Creek** but also ultimately the **Sun Group**. Bromley Creek was intermittently quarried between 2000 and 2005.

A **30-year Mine Lease** was granted **on two claims of the Bromley Creek Property**, along with a **5-year Quarry Permit** approving the extraction of up to 50,000 tonnes of zeolite annually.

A NI 43-101-compliant report estimated that a portion of the Bromley Creek Property (adjusted for previous mining) hosts a **Measured & Indicated resource** of **540,688 tonnes** of zeolite with an additional 297,000 tonnes categorized as Inferred. A non-compliant report of the Sun Group Property estimated a Measured & Indicated resource of 7.9 million tonnes of zeolite.



Management is focused on generating new orders for zeolite, fulfilling current bulk zeolite orders as received and establishing new markets for zeolite. The company continuously sponsors or contributes zeolite samples to studies investigating or determining new applications. Specifically targeted larger bulk zeolite applications are

- a cost-effective additive for light-weight, high-performance drill-hole cement
- odor control for municipal composting of biodegradable waste
- increased vegetative growth for yield improvement at vineyards
- turf enhancement at golf courses
- supplement for animal feed the increases weight and health of pigs and poultry
- aquaculture for fish farming
- treatment of animal manure, maintenance of stalls, feedlots and poultry houses (horses, cattle, swine and poultry)
- zeolitic soil conditioning in agriculture by improving nutrient retention thereby providing a better growing medium
- wastewater filtration to improve the quality of grey water
- environmental remediation of both radioactive waste and accidental contamination

One such study concerning light-weight drill-hole cement led to Halliburton Canada **in 2004** placing a **$5,000,000 micronized zeolite order** to a joint venture, of which Canadian Zeolite was a founding member and for which the company supplied the bulk head ore material. According to the study, zeolite from Bromley Creek was the most effective zeolite in the Princeton area for the manufacture of ZeoFume, the low-cost zeolite alternative for silica fume in the formulation of high-performance, lightweight concrete for Halliburton's down-hole cementing system.

Testing has also shown the Bromley Creek zeolite meets the requirements for several other commercial applications. Canadian Zeolite's zeolite has been proven as an effective product in aquaculture to improve production in shrimp farming, in agriculture to enhance golf courses & vineyards and also for odor reduction applications.

Timeline

• June 5, 1987	Incorporated as Adamas Resources Inc.
• March 1, 1989	Name changed to Zeacan Products Ltd.

- June 15, 1993 Name changed to Canadian Zeolite Ltd.
- November 19, 1996 Name changed to The Canadian Mining Company Ltd.
- April 10, 2000 Name changed to Zeo-Tech Enviro Corp. (ZEO.V)
- June 2001 Granted Mining Permit for extracting up to 25,000 tonnes annually
- January 31, 2007 Name changed to Canadian Mining Company Inc. (CNG.V)
- July 2015 Granted Work Permit to mine up to 50,000 tonnes of zeolite annually
- September 2014 Regained control when Heemskirk Canada terminates option agreement
- February 9, 2016 Name changed to Canadian Zeolite Corp. (CNZ.V)
- September 14, 2016 Canadian Zeolite commenced trading on the OTCQB

Between 1999 and 2005, Canadian Zeolite embarked on a campaign to develop a market for the zeolite from the Bromley Creek deposit in southern British Columbia. Management proved that it is able to market, mine, process and ship product for processing in order to satisfy demand of commercial customers, especially in British Columbia and Alberta. However, starting in 2006, the company made a foray into gold exploration after optioning its Bromley Creek zeolite deposit to Heemskirk Canada.

In September 2014, the option agreement with Heemskirk Canada Limited terminated, returning a 100% interest in the Bromley Creek Project to Canadian Zeolite (then named Canadian Mining Company). Management returned the company's focus to zeolite and is now embarked on a campaign dedicated to advancing the Bromley Creek deposit towards commercial production. After securing a new Quarry Permit in 2015, a 5,000-tonne bulk sample was quarried at the Bromley Creek Zeolite Project in July 2016. Much of the zeolite at Bromley Creek deposit is at or near surface.

Through a **Mining Operations Agreement**, Absorbent Products Limited (APL) mines, transports, processes, packages and ships zeolite from the Bromley Creek Property to fulfill current orders. Under the agreement, for every tonne of zeolite mined, Canadian Zeolite receives a net royalty of $9.00, and if sales are initiated by the company, commissions between 6% and 20% are also received through an Agency Sales Agreement. A **Purchase Option** has been granted by which APL can acquire up to a 50% interest in Canadian Zeolite's Bromley Creek and Sun Group Projects for $1,450,000.

The company's zeolite effort continues to be in the developmental stage as management unceasingly has discussions with various potential customers to sell zeolite material for various applications. APL's processing facility in Kamloops facilitates Canadian Zeolite's ability to exert quality control (size, consistency, etc.) in order to assure specifically sized zeolite for each commercial customer or prospect.

Management's focus is to aggressively market the company's zeolite in order to generate incremental market demand. The applications of municipal composting, animal feed additives, agricultural zeolitic soil conditioning and odor/moisture control are being specifically targeted. Part of the sales initiative is participating in zeolite research studies. The initial goal is to generate near-term sales, but management is also vigorously seeking to formalize longer-term (2-5 year) supply contracts.

It is evident that the management of Canadian Zeolite is capable of developing not only the zeolite deposit at Bromley Creek, but also the zeolite markets for specific applications (documented in the Bromley Creek section). We expect a similar but accelerated process as management pursues the development of the Bromley Creek deposit, and we await the development of a breakthrough application to generate meaningful demand. Management is currently engaged in promoting and contributing samples to studies that would lead to promising applications for its zeolite. For example, in May 2016, Canadian Zeolite provided its zeolite for a study conducted by Alberta Agriculture and Forestry to reduce ammonia in the process of egg production. The findings of some recent studies include:

- Adding 1% zeolite (of volume) to beef feedyard manure reduces the ammoniac emissions by 42%.[i]
- Adding 3% zeolite to chopped straw pig slurry reduces the ammoniac emissions by 83%+.[ii]
- Adding 3% micronized zeolite to bio-compost results in an 85% reduction of odor emissions[iii]

These studies should provide the needed scientific documentation to confirm the economic benefits of utilizing zeolite

However, it is challenging to proffer a forecast of royalties or commissions at this point since the ramp up of royalty income from through the agreement with APL are not expected to be reported until early 2017. Also, at this stage of development, the potential of management's marketing efforts have not yet reached fruition. However, once orders are received from prospective municipal composting, the animal feed and agricultural customers, royalties and/or commissions are expected to increase considerably.

Management continues to pursue business development activities with potential customers and value-added processors for environmental, agricultural, absorbent, adsorption and other applications. **The foremost goal is to develop new markets for the company's zeolite** in order to generate revenue. Management continues to research and plans to develop new zeolite products for additional opportunities. We **await a breakthrough application** (possibly several) for the company's zeolite in western Canada that will enable Canadian Zeolite to more rapidly monetize the resources at the Bromley Creek and Sun Group Properties.

Seasonality

Industrial mineral products in Canada exhibit seasonality with the June quarter being the trough in the annual sales cycle. The weakness is related to the Spring Breakup when road transport restrictions are implemented by the government at the time of the winter thaw's end. The transportation of mineral material almost halts. When the road bans are lifted in June, the mineral product sales increase significantly for the September quarter.

Financing

To date, the company's activities have been funded through equity financings and promissory notes issued to directors and insiders, along with senior management deferring the receipt of compensation since 2015, which appear as part of the Current Liability item Related Party Advances on the company's balance sheet.

Recent Equity-Related Events

On March 25, 2015, Canadian Zeolite consolidated its outstanding shares by implementing a **1-for 6 reverse split**, and on April 24, 2015, Canadian Zeolite announced that $66,927.50 of its $480,000 in debt (related party loans and advances) will be settled by the issuance of 1,338,740 common shares.

On September 14, 2016, Canadian Zeolite **began trading on the OTCQB** in the United States under the symbol CNZCF. An OTCQB listing should expand awareness of the company with US investors, both retail and institutional. The company's primary continues to be the Toronto Venture Exchange under the symbol CNZ.

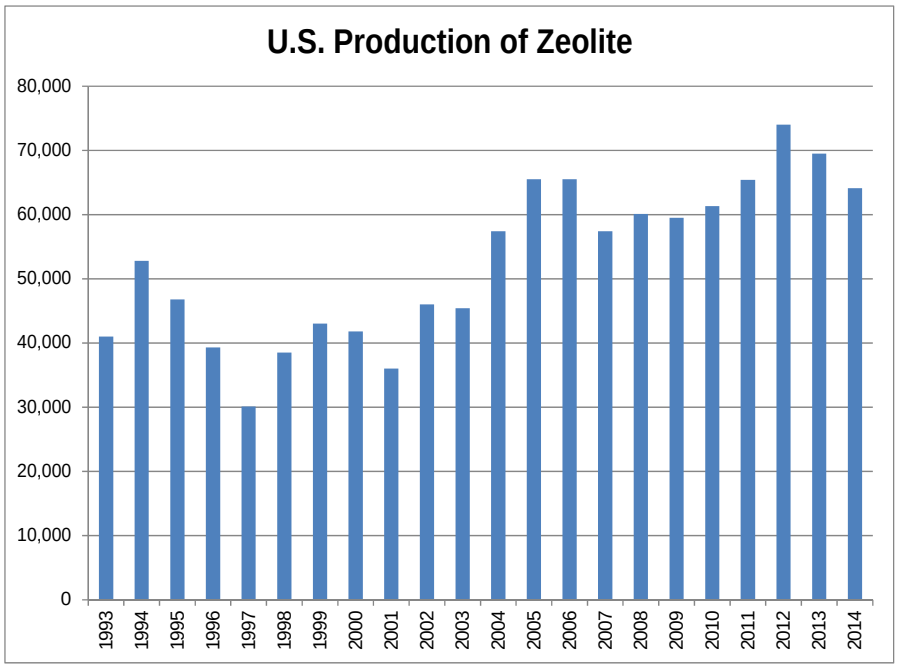
ZEOLITE MARKET OVERVIEW

In 2014 (latest statistics available), world production of natural zeolites was in the range of 2.7 to 3.2 million tonnes. China was the largest with production estimated to be the 1.8 to 2.2 million tonnes (about two-thirds of global production). In China and other countries producing large tonnages (Korea and Japan), zeolite is often used in low-value applications such as cat litter and lightweight aggregate.

In the United States, sales of natural zeolites declined 8.2% to 62,700 tonnes compared with 68,300 tonnes in 2013.[iv] Over the last decade, the zeolite market in the United States has remained essentially unchanged around 65,000 tonnes plus-or-minus 5,000 tonnes. Since a substantial portion of natural

zeolite sales are related to construction activities (dimension stone, lightweight aggregate and pozzolanic cement), a lower-than-average amount of zeolite was produced during the cyclical decline in demand between 2007 and 2009. Also, the increases in production in 2011 and 2012 may be related to remediating the Fukushima Daiichi plant after the 2011 Tsunami disaster in Japan. In general, demand for zeolite in North American markets is skewed toward higher-end value-added applications in the environmental and cement-related building sectors.

There is insufficient data for Canada to make reliable production estimates, but we estimate that approximately 4,000-to-8,000 tonnes of zeolite is mined and sold annually in Canada.



The market for zeolite in North America has yet to be fully developed; however, potential zeolite volumes are significant. We estimate the intermediate-term demand from existing annual demand for zeolite in western Canada and the northwestern United States to be around 10,000 tonnes. However, if zeolite is broadly used in applications for animal feed and odor control, the market potential is well over 50,000 tonnes annually.

BROMLEY CREEK PROPERTY (aka Zeo Property and Zeotech Group of Claims)

Situated in the Similkameen Mining Division of British Columbia, the **Bromley Creek Property** is located approximately 10 kilometers southwest of Princeton, British Columbia and today is comprised of 6 claims and a Mineral Lease encompassing an area of 1,144.5 hectares. The **Mineral Lease claim** (aka Mining Lease 380929) is located in the western portion of the Bromley Creek claims, and in December 2000, a **30-year Mine Lease** was granted, which conveys to the company the exclusive right to mine minerals from the property, potentially up to 250,000 tonnes of zeolite a year. Two Quarry Permits for mechanized work have been issued since then, the most recent being in July 2015, when Canadian Zeolite was issued **Quarry Permit** Q-15-012, which approved a work plan to extract up to 50,000 tonnes of zeolite annually for a 5-year period ending July 20, 2020.

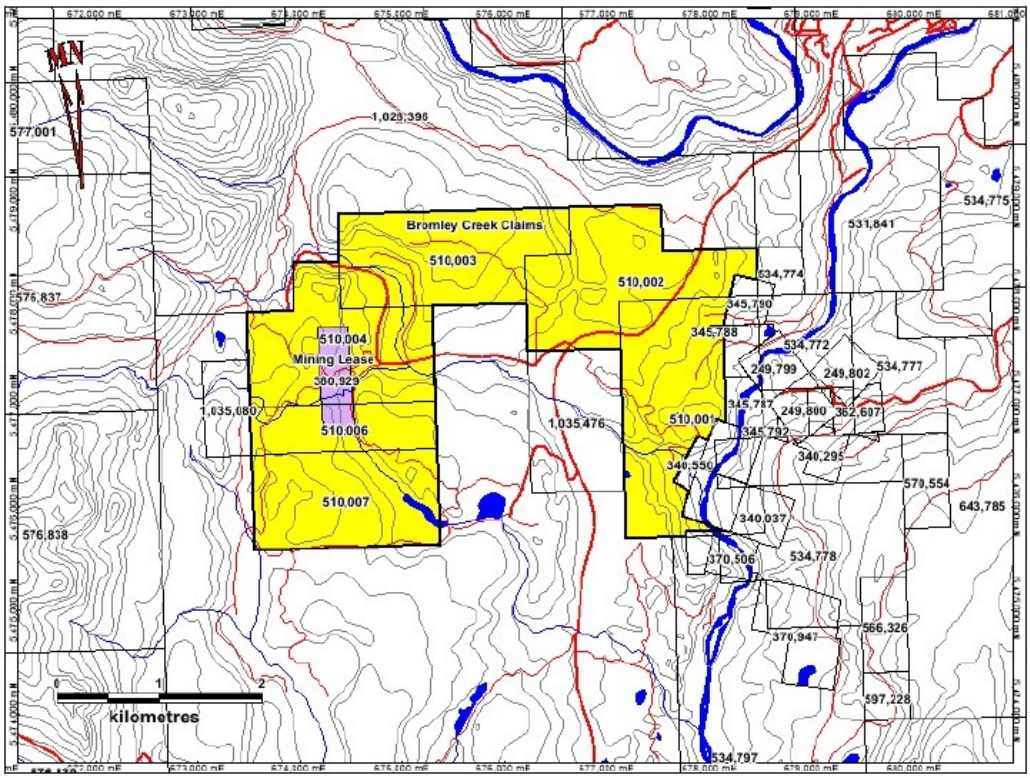
Based on the 1999 drilling campaign and adjustments for subsequent excavations, the resource of zeolite on the Mineral Lease is categorized and estimated as follows: a **Measured resource** of 326,378 tonnes, an **Indicated resource** of 214,310 tonnes and an **Inferred** resource 297,000 tonnes.

BROMLEY CREEK CLAIMS

Tenure No.	Claim Name	Owner	Map No	Expiry Date	Area (Hectares)
380929	Mineral Lease	142965 (100%)	092H048	2016/ Dec /15	30.800
510001	Bromley #4	142965 (100%)	092H	2016/ Apr /30	294.221
510002	Bromley #5	142965 (100%)	092H	2016/ Apr /30	189.097
510003	Bromley #6	142965 (100%)	092H	2016/ Apr /30	189.087
510004	Bromley #1	142965 (100%)	092H	2016/ Apr /30	189.115
510006	Bromley #2	142965 (100%)	092H	2016/ Apr /30	84.063
510007	Bromley #3	142965 (100%)	092H	2016/ Apr /30	168.146
			TOTAL:		**1,144.529**

Currently, Canadian Zeolite utilizes a contractor which intermittently quarries (drills and blasts) between 5,000 to 10,000 tonnes of zeolite at a time as demand warrants. The contractor crushes and screens the material to 1.5 inches, storing it on site until the partially processed material is later trucked to a mill at Kamloops for final processing to certain smaller sizes before being shipped to customers.

Claim Map



Bromley Creek Timeline

- August 27, 1999 Regained certain claims in Princeton area from Alan Harris
- September 10, 1999 Granted option to acquire 14 Zeo claims (key claims of Bromley Creek)
- September 15, 1999 Commenced drilling program on Zeo claims
- November 2, 1999 Formed Strategic Alliance with C2C Mining Corporation (CZC)
- March 2000 2,000-tonne bulk sample completed for orders and marketing campaign[v]
- August 8, 2000 Acquired JB claims (part of Bromley Creek) from Gordon Webster
- December 15, 2000 30-year Mine Lease granted
- June 6, 2001 Granted Mining Permit for extracting up to 25,000 tonnes annually
- October 18, 2001 Enter into a Licensing and Production Agreement with C2C Zeolite
- October 2002 Quarried 4,000-tonne bulk sample

- April 2003 Formed operating company of United Zeolite Products Ltd
- May 2003 Quarried 5,500-tonne bulk sample[vi]
- June 16, 2003 Zeolite resource estimate completed by John Jenks, P.Geo
- April 6, 2004 JV United Zeolite Products signed $5,000,000 zeolite contract
- June 2005 Quarried 10,000-tonne bulk sample
- January 30, 2006 Terminated agreements with C2C Mining and United Zeolite Products Ltd
- July 1, 2006 Entered into option agreement with Heemskirk Canada Ltd
- September 2014 Option agreement with Heemskirk Canada terminated
- November 30, 2015 Entered into Mining Operations Agreement & Purchase Option with APL
- July 21, 2015 Issued Quarry Permit to mine up to 50,000 tonnes of zeolite annually
- August 2016 Quarried 5,000-tonne bulk sample
- October 2016 10,000 tonnes crushed and screened for winter inventory

Accumulation of Claims

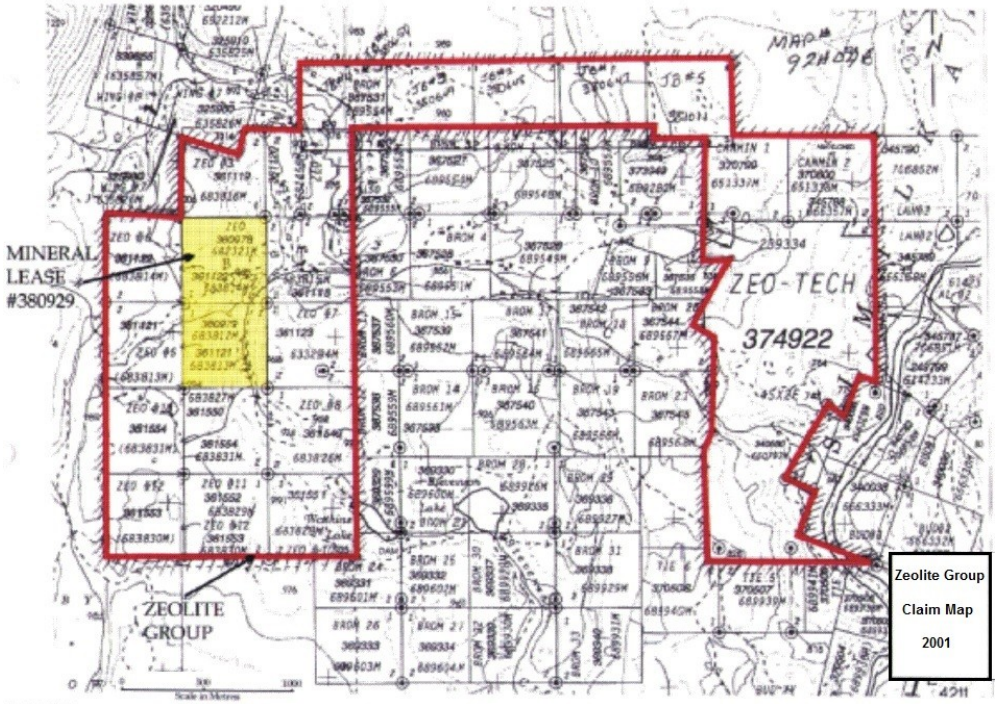
The western area of the Bromley Creek claims, including the 30.8 hectare Mining Lease, was **mined for coal from 1932 to 1943** by Bromley Vale Collieries Ltd., (1932-1933), Cascade Coal Company Ltd. (1934), Diamond Black Collieries Ltd. (1935-1936) and Granby Consolidated Mining (1937-1943). Approximately 462,000 tonnes of sub-bituminous coal was mined from a section measuring roughly 1,350 meters by 300 meters. Production totaled 462,082,264 kilograms (1,018,717,012 pounds) of coal. As a result, extensive underground coal mining works underlie Mining Lease 380929.

This same area was staked as the **STIK claims** by Kettle River Resources for the purpose of exploring for alluvial gold. The STIK 3, STIK 4 and STIK 9-14 claims were later optioned to Blackberry Gold Resources, which pursued an exploration program for gold and platinum. **The zeolite deposits were initially identified** during an industrial mineral study of several Tertiary sedimentary basins conducted by the British Columbia Ministry of Energy, Mines and Petroleum Resources **in 1985**. In 1986, Dr. Peter Read was commissioned by the British Columbia Geological Survey to map the Princeton Basin; his work delineated the zeolite deposits at Bromley Creek in 1987. Blackberry Gold conducted a preliminary evaluation of the Bromley Vale zeolites[vii] but yet, in August 1988, optioned the claims to Hillside Energy Corporation. After conducting mapping and sampling programs, Hillside Energy commissioned a report on the zeolite mineralization, which was completed on January 31, 1989. Hillside Energy did not exercise its option, and Blackberry Resources allowed the claims to lapse.

In 1989, the area was staked by the Princeton Industrial Minerals Joint Venture as the **BV Claims**. The four claims (BV 1, BV 2, BV 3 and BV 4) were recorded in the name of Stuart A.S. Croft, and later optioned and then transferred to Shirley Cook, who conducted market research and was granted a permit for work. Again, the claims were allowed to lapse. Princeton Industrial Minerals Joint Venture exited the zeolite industry in 1994.

The **key Bromley Creek claims** (aka the **Zeo claims**, but especially Zeo and Zeo 1) were staked by zeolite-prospector Gordon Webster in 1997. In 1999, Gordon Webster optioned 14 claims (Zeo – Zeo 13 which encompass 550 hectares) to Stone Mountain Quarries Ltd., from whom **Canadian Zeolite obtained the option agreement in September 1999**. Subsequently, by completing the work programs cited below, Canadian Zeolite earned a 100% interest in the claims under the terms of the option agreement. The claims are subject to a **$1.50 per tonne royalty** to Gordon Webster and a **$0.15 per tonne provincial government quarry royalty** payable to the British Columbia government.

On August 8, 2000, Canadian Zeolite acquired the **JB claims** (JB- JB 5) from Gordon Webster. Also the Zeo-Tech (an 8-unit claim), **CanMin 1** and **CanMin 2** claims were acquired. The Zeo Property expanded to 22 claims encompassing 750 hectares and organized into the **Zeolite Group**.



An application for a 30-year mineral lease for the Zeo and Zeo 1 claims was initiated in September 2000, and **Mineral Lease 380929 was granted on December 15, 2000** by the British Columbia Ministry of Energy and Mines. An application for a **Mining Permit** for extracting **up to 25,000 tonnes annually** was filed in March 2001 and **granted in June 2001**, replacing a bulk sampling permit that allowed up to 10,000 tonnes to be mined annually. The Mining Permit was scheduled to expire October 1, 2014.

1999 Drilling Campaign

On October 8, 1999, Canadian Zeolite completed a **310.6-meter drilling campaign** on the Zeo claim group. The 14 vertical holes, ranging in depth from 9.75 to 44.81 meters, identified a down-dipping zeolite deposit 350 meters long and up to 22 meters thick, of which 110 meters of strike length was defined by drilling.[viii]

Based on the 1999 drilling campaign, John Jenks P.Geo estimated a **Measured resource** of 350,218 tonnes and an **Indicated resource** of 214,310 tonnes for a Measured & Indicated resource of 564,528 tonnes (with an average CEC value of 97.7). In addition, a resource of 297,000 tonnes that extends along strike to the south is categorized as **Inferred**. The estimation was filed on SEDAR extends along strike to the south is categorized as **Inferred**. The estimation was filed as and was written to conform to NI 43-101 in June 2003.

Strategic Alliance with C2C Zeolite Corp. (1999-2005)

From 1999 to 2005, management of Canadian Zeolite (and its predecessor companies) worked towards commercial production of zeolite targeting several applications, particularly for use in lightweight specialty concrete and in absorbent products. The company entered into a strategic alliance and joint venture agreements in order to advance the Bromley Creek zeolite deposit.

On **November 2, 1999**, Canadian Zeolite (then known as The Canadian Mining Company Ltd.) formed a **strategic alliance with C2C Mining Corporation** (CZC.V). Under the alliance, Canadian Zeolite would utilize C2C's plant located at Ashcroft, British Columbia to process and package zeolite quarried from the Bromley Mining Lease area, increasing the utilization of C2C's plant, which has a capacity of approximately 45,000 tonnes per year. Also, C2C and Canadian Zeolite would jointly pursue product development, marketing and distribution initiatives. Ultimately, the two companies would become

engaged in a Collaborative Commerce Agreement under which research and product development would be conducted jointly, especially for the use of zeolite from Bromley Creek in concrete applications.

C2C developed and holds patents and proprietary information on formulations and blending of zeolites for many applications. Mining from its Z2 quarry at the Cache Creek claim, C2C processes zeolite at its Ashcroft plant to produce barn deodorizers (under the trade name *Mucker's Mate*), cat litters (*Zippity Doo*) and industrial absorbents (*Cage*).

Though it may seem counter-intuitive, C2C's Z-2 zeolite deposit near Cache Creek does not compete with the Canadian Zeolite's zeolite from Bromley Creek. **Each zeolite deposit has unique physiochemical properties** since there are over 40 different types of zeolites. These properties determine the suitability of each deposit for particular applications in horticulture, agriculture and industry. In general, Bromley Creek zeolite is a superior pozzolanic agent in the formulation of high-performance concrete while Cache Creek zeolite has been endorsed for a variety of agricultural and odor reduction applications. For example, trial conducted by ASTM International and Canadian Standards Association determined that Bromley Creek zeolite was best qualified for cementacious applications while in late 2000, C2C's zeolite was selected as a barn deodorizer by the United Farmers of Alberta. The strategic alliance broadened the opportunity to blend the zeolites to optimize a mixture for each application.

During mid-March 2000, approximately **2,000 tonnes bulk sample** of zeolite was quarried from the Zeo and Zeo 1 claims.[ix] A 4-day quarrying program consisted of drilling and blasting 122 3-meter holes.[x] Approximately 200 tonnes of the broken material was transported to a nearby gravel pit and crushed with a portable crusher to reduce the particle size to minus 2.54 cm (1 inch). The processed material was crushed further, dried, screened to **five different product sizes** and packaged at C2C's facility in Ashcroft, British Columbia. A portion of the material was utilized to fill existing commercial orders, including an order for bulk zeolite from five golf courses located in lower British Columbia. Of the remaining material, roughly 1,000 tonnes was transported to the mineral processing facility in Lethbridge, Alberta, (owned by Highwood Resources), around 600 tonnes was shipped overseas to users and wine growers and the remainder was left on site for at least three years.

Primarily, the zeolite was distributed through the company's marketing program by being **shipped as samples** to various end-users. Other processed material destined for testing, including for cation exchange capacity (CEC), trace element analysis, hardness, water absorption and acid and alkalinity stability. Also, some zeolite was studied for enhanced ammonia retention and odor reduction in composting of animal wastes. At this time, Canadian Zeolite was known as The Canadian Mining Company Ltd., but in the month after mining the zeolite (April 2000), the company's **name was changed to Zeo-Tech Enviro Corp**.

Mine Lease & Mining Permit

On December 1, 2000, the company announced that a **30-year Mine Lease** had been granted by the British Columbia Ministry of Energy and Mines for the Zeo and Zeo #1 claims (nka Mining Lease 380929). The allowable annual extraction tonnage increased from 10,000 tonnes to potentially as high as 250,000 tonnes. And on June 6, 2001, a **Mining (Quarry) Permit** was granted for extracting **up to 25,000 tonnes annually**, which was filed to be effective until October 1, 2014.[xi]

ZeoFume

During 2001, C2C Zeolite Corporation **developed a lightweight zeolite concrete** that meets the American Society for Testing of Materials C90 standard for load-bearing masonry units. The product additive was trademarked as **ZeoFume**.

In a two-year research program conducted from 1999 to 2001 by the Metals and Materials Engineering Department Ceramic Group at the University of British Columbia, three zeolite occurrences in British Columbia were tested according to 14 ASTM/Can/CSA trials and other performance parameters

(physical freeze thaw inter-grinding, examination of accelerators, retarders, water retention aids, etc.). After classifying the zeolite samples into specified codes of use, it was determined that **the zeolite from Bromley Creek was best qualified for cementacious applications**. ZeoFume produced with zeolite from Bromley Creek was designated PZM (Princeton Zeolite Material).

In terms of performance characteristics, concrete made with ZeoFume PZM is 40% lighter yet stronger than traditional concrete with increased acoustical and thermal properties, reduced efflorescence and increased chemical resistance as a result of the zeolite reacting with free lime in the concrete mixture to produce strength-enhancing binders. The improved characteristics makes **ZeoFume PZM concrete competitive with high performance concretes formulated with silica fume, but at a significantly lower cost**. Subsequently, ZeoFume was also qualified for shotcrete[xii] and downhole cementing as well as in structural and specialty construction product applications.[xiii]

On October 18, 2001, Canadian Zeolite and C2C Zeolite Corporation entered into a **Licensing and Production Agreement**, which covered the processing and manufacturing of the cement additive ZeoFume in Canada. The terms of the agreement were that Canadian Zeolite (then operating as Zeo-Tech) would pay a 10% royalty of sales to C2C while C2C Zeolite would assume responsibility for all technical support, marketing and the sales of PZM zeolite products.

In April 2002, C2C Zeolite Corporation proclaimed that it had established market of a 20,000 tonnes per year for PZM ZeoFume, and an initial order of 2,000 tonnes of ZeoFume had been received from Halliburton Canada. In November 2002, Canadian Zeolite began shipping bulk PZM (Princeton zeolite material) to the plant for this oil field cementing application.

Overseas Aquaculture & Odor Control

On July 29, 2002, Canadian Zeolite announced the shipment of a container of zeolite to Taiwan for use in the aquaculture industry. The Taiwanese shrimp farming concern reported a 45% increase in production after the addition of zeolite improved the water quality of its shrimp ponds.

Also in July 2002, Canadian Zeolite introduced **N.O.C.** (Natural Odor Control) for reducing respiratory problems in penned animals. The product absorbs ammonia and other gases.

For these industries, the zeolite is processed to a specific size to fit the needs of aquacultural, horticultural and agricultural applications. Zeolite from the Princeton area for these applications has traditionally been processed at the Ashcroft processing and packaging plant.

The 2002 Bulk Sample

In October 2002, **4,000 tonnes of zeolite was blasted** at Zeo claim quarry and shipped to C2C Mining's processing facilities in Ashcroft. The zeolite was used to manufacture ZeoFume PZM for distribution in Western Canada.

The 2003 Bulk Sample

On May 17, 2003, **2,840 tonnes**[xiv] of zeolite was blasted from the Zeo and Zeo 1 claims in quarrying program consisted of drilling and blasting 132 holes; the maximum depth was 7.3 meters (24 feet).[xv]

Micronized Zeolite for Halliburton's Down-Hole Cement

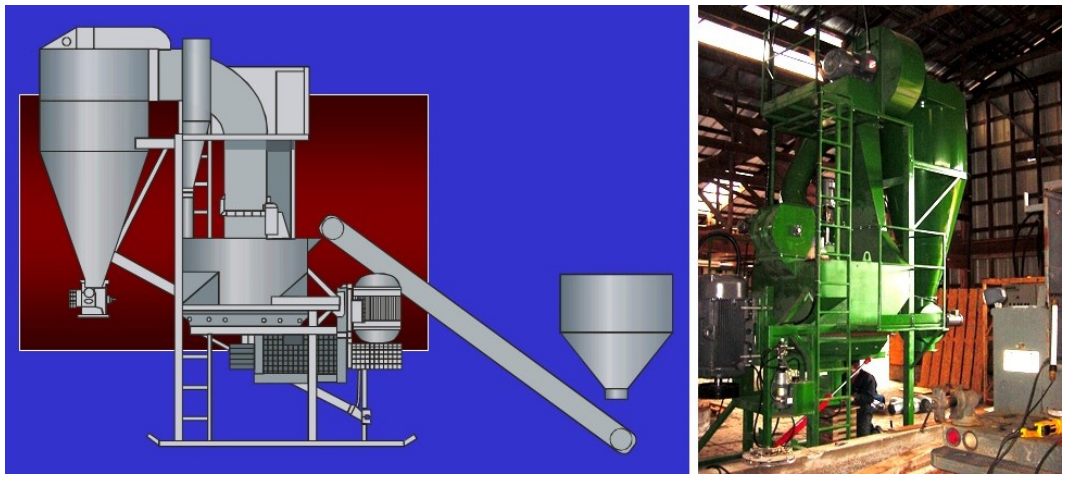
C2C Zeolite Corporation also was involved in a joint project with the National Research Council of Canada and the University of British Columbia that tested the use of zeolite as a pozzolanic additive in the concrete mix for the application of down-hole cementing of gas and oil wells.[xvi] In July 2001, C2C Zeolite Corporation entered into a Joint Development Agreement with Halliburton Energy Services Inc. in

order to develop a lightweight cementing system. The agreement specifically **specified the use of zeolite from Bromley Creek**.

In April 2003, Canadian Zeolite and C2C Zeolite Corporation formed **United Zeolite Products Ltd**[xvii] (initially 50/50 ownership), a joint operating company to oversee the engineering, **construction and operation of a processing plant** in Princeton, British Columbia. The plant was designed to process zeolite into micronized zeolite for the production of both ZeoFume and downhole cement. Through the relationship between C2C Zeolite and Halliburton Energy Services, United Zeolite Products received a **five-year supply contract for up to 30,000 tonnes**[xviii] of micronized zeolite by Halliburton Group Canada to service downhole cementing activities for oil and gas well completions in Western Canada. On April 6, 2004, United Zeolite Products signed a **contract to supply up to CDN$5,000,000 worth of micronized zeolite** to be delivered **over three years**.[xix]

Prior to the processing plant being completed, zeolite from Bromley Creek was sold to United Zeolite Products for $25/tonne (FOB Princeton) and trucked to a processing facility in Lethbridge Alberta (then owned by Mountain Minerals Ltd. but later by Heemskirk Canada Limited). The Lethbridge plant had the capabilities to produce micronized zeolite. Under the terms of the Licensing and Production Agreement, United Zeolite Products was responsible for conveying the royalty payment of $2.50 per tonne to C2C Zeolite. Between November 2002 and June 2004, Canadian Zeolite shipped **6,057 tonnes** to Lethbridge.

KDS Micronex™ Machine



In February 2004, United Zeolite Products was restructured when **First American Scientific Corp** became an equal owner, with Canadian Zeolite, C2C Zeolite and First American Scientific each holding a third ownership stake with Canadian Zeolite supplying the raw materials from its Bromley Creek resource, C2C Zeolite contributing the contractual rights to the formulation of the cement and **First American Scientific providing the processing equipment** and **acting as the operator of the micronizing mill**. First American Scientific was a specialty processing equipment manufacturer, notably of the KDS Micronex™, a patented grinder-dryer that processes zeolite into fine, dry powder of micronized zeolite. In the prior year, United Zeolite began the engineering studies and design work for constructing the specialty zeolite micronizing plant at Princeton. Now, with the plant being under construction, First American Scientific was contracted to deliver two KDS Micronex™ machines on five-year leases. The terms of the leases were for a royalty of $6 for each ton of zeolite processed with a lump sum $375,000 payment due at the end of the lease. One machine was installed at the plant in Princeton but no royalties were ever paid.

Part of the strategic alliance with C2C Mining Corporation formed in November 1999 was the plan to construct a zeolite micronizing plant to be located upon or near the Bromley Creek claims in Princeton, British Columbia. The timing of the construction was dependent on the demand for micronized zeolite and on the ability to obtain financing, originally estimated to be $2.5 million. Subsequently, the development of ZeoFume in 2001 and the contract with Halliburton Group Canada in April 2003 drove

the economics of the project. By eliminating the transportation costs of shipping zeolite raw material to Lethbridge Alberta and reducing the micronizing costs, the contract with Halliburton Group Canada could be directly serviced at lower costs.

On May 15, 2004, United Zeolite Products completed the purchase of a 5-acre parcel of industrial land at Princeton, and in June 2004, the construction of the zeolite processing facility commenced.

In August 2004, **Thelon Ventures Ltd.** joined United Zeolite Products as a fourth equal partner, reducing Canadian Zeolite's stake to 25%. To earn its equity position, Thelon **committed CDN$450,000 in cash through a loan agreement** to fund the completion of the facility's construction in Princeton.

Also, in August, 2004, Canadian Zeolite committed to provide raw zeolite to the processing plant's site with all costs of mining, milling, transportation and royalties being paid by United Zeolite Products. In return, Canadian Zeolite would receive from United Zeolite Products a royalty of $6 per net tonne processed and sold. Utilizing United Zeolite's mining equipment, during October 2004, Canadian Zeolite crushed and stockpiled zeolite to provide startup inventory for the processing plant.

However, Canadian Zeolite continued to ship bulk zeolite to the processing facility in Lethbridge in order to service the Halliburton Group Canada contract. During fiscal 2015 (July 1, 2004 through June 30, 2005) Canadian Zeolite supplied **4,161 net tonnes** of zeolite, which generated $24,964 in royalty income.[xx]

On February 21, 2005, the construction of the processing plant at Princeton was completed. Between February 1 and 4, equipment trials were conducted which recorded and evaluated the production flow to the standards set by Halliburton Group Canada. Zeolite raw material was stock piled on site as start-up inventory in preparation for the initiation of production for bulk shipments to Halliburton. However, despite the construction of the building having been completed and the KDS equipment having been delivered and being operational, there was not any micronized zeolite product ever delivered to the Halliburton Group Canada from United Zeolite's processing facility.

On January 30, 2006, Canadian Zeolite, C2C Zeolite, Thelon Ventures and United Zeolite Products entered into a Termination Agreement. Raymon Paquette, CEO of Canadian Zeolite, resigned as President and Director of United Zeolite Products. Canadian Zeolite received $50,000 from United Zeolite Products for previously delivered zeolite raw material, which was valued at $48,783.

The 2005 Bulk Sample

In June 2005, Canadian Zeolite drilled, blasted and crushed **10,000 tonnes** of zeolite, which was prepared on site with a mobile crusher and used as raw material to supply the Halliburton contract, initially by Canadian Zeolite and starting in 2006 under Heemskirk Canada Ltd.

Heemskirk Canada Ltd. Options Bromley Creek Zeolite Project (2006-2014)

Effective July 1, 2006, Canadian Zeolite optioned the Bromley Creek quarry to **Heemskirk Canada Ltd.,** a wholly-owned subsidiary of Heemskirk Consolidated Ltd. (HSK: ASX), which is publicly traded on the Australian Stock Exchange. The agreement granted a 4-year option for **Heemskirk Canada** to purchase a 100% interest in the Bromley Creek zeolite project for $1,450,000, payable by an **initial payment of $100,000** upon signing (which was paid) and **royalty payments of $7.50 per tonne of zeolite** mined and removed during the option period subject to certain minimum royalty payments. Both the initial deposit and the royalty payments were to apply towards the purchase price. During the term of the option agreement, which initially was slated to expire on July 1, 2010, Heemskirk Canada was granted unlimited access to and exclusive possession of the Princeton mine, which encompassed all 6 Bromley Creek claims and Mining Lease 380929 for the purposes of exploration and commercial production.

Also, under the terms of the option agreement, Heemskirk Canada purchased a 6,000-tonne inventory of zeolite in the first year at a price of $25 per tonne. The inventory had been stockpiled at a staging area near the quarry site in preparation for fulfilling the contract with Halliburton. A deposit of $50,000 was paid to Canadian Zeolite on June 26, 2006.[xxi] In addition, Heemskirk Canada was committed to make minimum royalty payments in second, third and fourth years of the option period.

Heemskirk Canada continued to service the Halliburton contract until April 2007 by transporting the previously-quarried zeolite ore (during the 2005 bulk sample) to the processing plant in Lethbridge. Heemskirk Canada had acquired the Lethbridge plant from Dynatec in mid-2005, along with the Cache Creek zeolite mine, in a strategic investment of assets in western Canada.

On August 30, 2010 Canadian Zeolite and Heemskirk Canada agreed to extend the option agreement until June 30, 2015. The terms of the option to purchase and the royalty of $7.50 per tonne on zeolite were not altered. However, in **September 2014**, the **option agreement with Heemskirk Canada was terminated** and Canadian Zeolite regained a 100% interest in the Bromley Creek deposit, including the mine lease and quarry permit. Bromley Creek was put on care and maintenance.

Bromley Creek Zeolite Project (2015-present)

Upon regaining the Bromley Creek Property, Canadian Zeolite filed a Notice of Work that resulted in the issuance of **five-year Quarry Permit** by the British Columbia Ministry of Energy and Mines **for up to 50,000 tonnes of zeolite per year** with an effective date of July 21, 2015.

On November 30, 2015, Canadian Zeolite entered into a **Mining Operations Agreement** and **Purchase Option** with **Absorbent Products Limited** (APL), a privately owned company based in Kamloops, British Columbia, which provides animal feed additives, absorbents and products for deodorization and ammonia control in barns, stalls and chicken coops. APL's cat litters (Pick of the Litter and Wundercat) contain zeolite. Under the agreement, APL will help Canadian Zeolite commercialize the Bromley Creek deposit by mining, transporting, processing, packaging and shipping zeolite.

The Purchase Option grants to Absorbent Products the **right to acquire up to a 50% interest** in the Bromley Creek Project and the Sun Group Zeolite Project **for $1,450,000** payable in cash or earned-in through royalty payments $9.00 per tonne.



On July 6, 2016, Canadian Zeolite reported that during June **over 5,000 tonnes of zeolite** at its Bromley Creek zeolite quarry had been crushed and screened to 1.5 inches for shipping to the Kamloops processing facility. The zeolite had been previously drilled and blasted as part of an earlier exploration program.




On July 19, 2016, Canadian Zeolite reported that the field crushed and screened zeolite from Bromley Creek is being **further processed at the Kamloops processing facility**.



On August 3, 2016, Canadian Zeolite announced that **processed zeolite from the Kamloops mill is being shipped to end-user customers**. The company continues to be in negotiations with a growing list of prospective customers.

In mid-October 2016, Canadian Zeolite **quarried an additional 10,000 tonnes**, which was crushed and screened on site. The material is being stockpiled to ensure that sufficient inventory is available to meet demand during the winter months.




Resource Estimation

On November 17, 2000, a Summary Report of the Work Program conducted on the Zeolite Claim Group by John Jenks P.Geo. was filed on SEDAR. The report estimated a **Measured resource** of 350,218 tonnes and an **Indicated resource** of 214,310 tonnes. In addition, a resource of 297,000 tonnes that extends along strike to the south is categorized as **Inferred**. The estimation was written to conform to NI 43-101 and filed on SEDAR on June 16, 2003.

2003 Mineral Resources

Resource Block	Dimensions	Measured	Indicated	Total M & I	CEC	Inferred
Section 10160N	879 sq.m x 30m	58,014		58,014	111	
	660 sq.m x 30m		55,950	55,950	111	
Section 10130N	1191 sq.m x 30m	126,126		126,126	93	
Section 10100N	1037 sq.m x 30m	68,442		68,442	99	
	690 sq.m x 22m		33,400	33,400	99	
Section 10068N	1268 sq.m x 35m	97,636		97,636	93	
	770 sq.m x 15m		25,410	25,410	93	
Section 10025N	700 sq.m x 25m		38,500	38,500	93	
Section 10000N	925 sq.m x 30m		61,050	61,050	93	
Bromley Ck south	150m x 10m x 90m					297,000
Totals		**350,218**	**214,310**	**564,528**	**97.7**	**297,000**

Between 2000 and 2005, at least 18,840 tonnes were mined from the Bromley Creek quarry resulting in the production of 18,840,000 kilograms (41,535,090 pounds) of zeolite.[xxii] More recently, in July 2016, Canadian Zeolite reported that over 5,000 tonnes of zeolite had been mined, along with another 10,000 tonnes in October. This subsequent quarrying requires the resource to be adjusted to reflect the excavated ore; therefore, we believe the Measured Resource has decreased to approximately 316,378 tonnes.

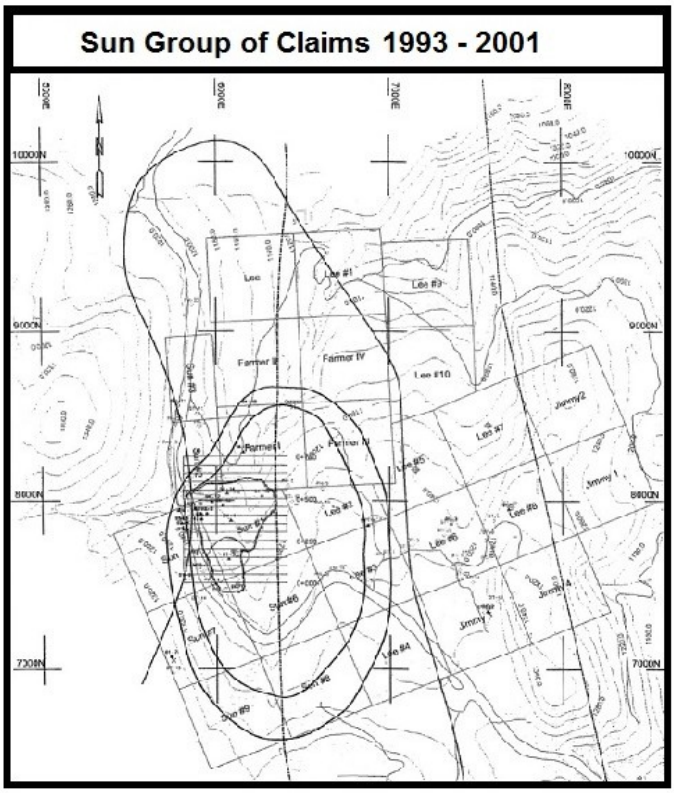
SUN GROUP PROPERTY

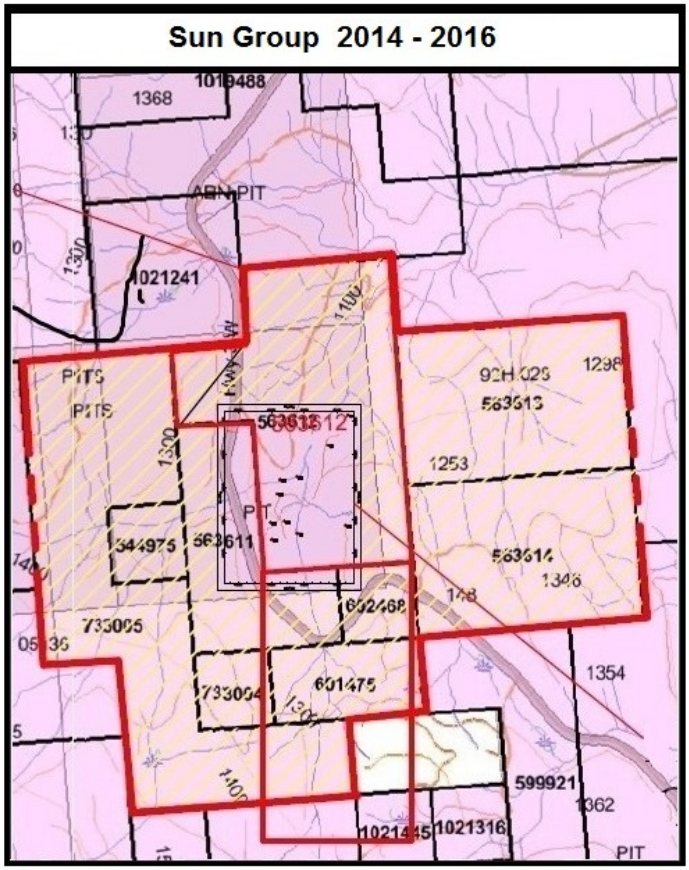
Located approximately 22 kilometers southwest of the company's Bromley Creek Property and about 30 kilometers south of Princeton, the **Sun Group** Property consists of 10 contiguous claims (see list below) encompassing 948.935 hectares. The claims host an historic (2001) non-compliant Measured & Indicated resource of 7.9 million tonnes of zeolite.

SUN GROUP CLAIMS

Tenure No.	Claim Name	Owner	Map No:	Expiry Date:	Area (Hectares)
544975	ZEO-TECH 1	142965 (100%)	092H	2020/ Jan /31	21.087
563611	SUNDAY CREEK 1	142965 (100%)	092H	2020/ Jan /31	84.349
563612	SUNDAY CREEK 2	142965 (100%)	092H	2020/ Jan /31	189.758
563613	SUNDAY CREEK 3	142965 (100%)	092H	2020/ Jan /31	126.505
563614	SUNDAY CREEK 4	142965 (100%)	092H	2020/ Jan /31	126.525
1012692	SUNDAY CREEK 5	142965 (100%)	092H	2020/ Jan /31	84.379
601475	SUNDAY CREEK 6	142965 (100%)	092H	2020/ Jan /31	42.180
602468	SUNDAY	142965 (100%)	092H	2020/ Jan /31	21.089
733004	ZEO-TECH 2	142965 (100%)	092H	2020/ Jan /31	21.090
733005	ZEO-MAR 3	142965 (100%)	092H	2020/ Jan /31	231.973
			TOTAL:		**948.935**

The Sun Group Property is bordered by **Provincial Highway No. 3**, which can be seen in the maps below and gives perspective to the Sun Group claims pre- and post-ownership by Canadian Zeolite.





In April 1993, Canmark International Resources Inc. acquired the 8 Sun claims for $4,500 and 200,000 shares (worth $26,000), and later that year, in December, acquired the 4 Farmer claims for $5,000 and 100,000 shares (worth $20,000). In early 1994, another 5 claims were acquired for 100,000 shares (worth $25,000) and later Canmark staked an additional 6 claims. All told, the Sun Group was then composed of 23 two-post claims (8 Sun, 4 Farmer and 11 Lee claims) encompassing 492 hectares. For $100,000, Canmark granted a 3% gross overriding royalty on all the properties to an individual investor.[xxiii] Many years later, in 2001, 4 additional claims (Jimmy 1-4) were staked contiguous to the area of the claims.

In March 1994, Canmark completed a diamond drilling program (9 holes totaling 438 meters), which contributed to an historic **non-compliant estimated resource** completed by Phoenix Engineering Ltd in July of the same year. The resource consists of a Measured resource of 3.5 million tonnes, an Indicated resource of 4.4 million tonnes and an Inferred resource of 38.6 million tonnes.

In the spring of 1995, a 20-year Mine Lease was granted and also a Mine Development Certificate. Later that year, **Canmark mined a 10,000-tonne bulk sample** from the Sunday Creek zeolite deposit.[xxiv] Canmark had signed a contract with Sun-Ray Resources Ltd for 2,000 tonnes of zeolite with an option for an additional 3,000 tonnes within the next 12 months. In 1997, Canmark reactivated its 10,000-tonne bulk sample permit, and in September, sold 51 tonnes of zeolite to Cominco Alaska for testing in environmental reclamation work

In 2001, Canmark International conducted second drilling program consisting of 7 holes totaling 400 meters, which led to **another non-compliant estimated resource** which increased the upgraded 1.0 million from the Indicated to Measured category. The Inferred resource edged up to 38.7 million tonnes.

In November 2005, Canadian Zeolite (then known as Zeo-Tech Enviro Corp.) acquired a 100% interest in the Sun Group of claims. Mineral products removed from the property are subject to a royalty of $0.75 per tonne.[xxv]

Sun Group Timeline

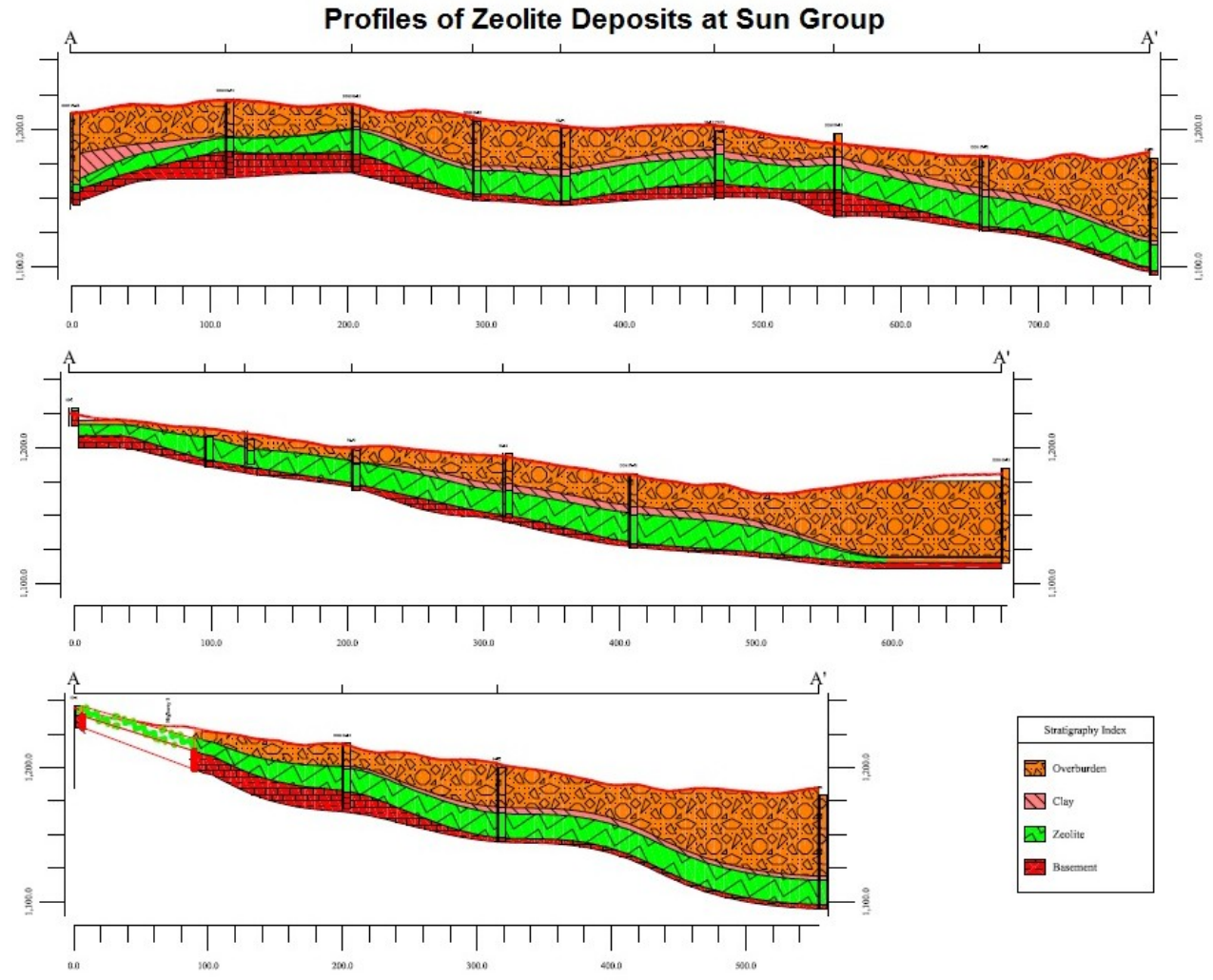
- April 1, 1993 Canmark International Resources acquired 8 Sun claims
- December 20, 1993 Canmark acquired 4 Farmer claims
- January 6, 1994 Canmark acquired 5 additional claims
- March 14, 1994 Canmark completed drilling program
- 1995 Canmark mined a 10,000-tonne bulk sample
- July 17, 1999 Filed Reserve Estimate and Mine Feasibility Review
- August 2001 Canmark completed drilling program
- December 13, 2001 Filed Exploration Program and Resource Evaluation
- November 2005 Sun Group acquired by Canadian Zeolite
- September 26, 2007 Canadian Zeolite acquires contiguous claims
- November 6, 2012 Completed drilling program
- November 30, 2015 Entered into Purchase Option Agreement with APL

On September 26, 2007, Canadian Zeolite acquired contiguous claims (415524, 415925, 305974 and 305975) to the Sun Group of claims increasing the area to 948.935 hectares. Consideration for the new claims was 50,000 shares.

In June 2009, management of Canadian Zeolite, being focused more on gold properties and its rental property (a processing facility located in Aguila Arizona), wrote-off the Sun Group Property and took an impairment charge of $12,598.

However, in 2012, management's interest in the claims renewed. In November 2012, Canadian Zeolite completed a 2-phase, 10-hole drilling program at the Sun Group. The purpose of the campaign was to confirm the size and grade of the zeolite deposit as well as provide technical data that ultimately should contribute to the preparation of a NI 43-101-compliant Technical Report on the Sun Group Zeolite Project. Also, a 24-hour ammonia field test was conducted on some core samples to test the adsorption qualities of the zeolite.

The Sun Group zeolite resource occurs mostly in zones that are 10-to-15 meters thick (but up to 22 meters) and is covered by overburden between 0 and 64 meters deep. Though a small, thin portion of the deposit is at surface, it appears that the higher overburden-to-resource ratio for the deeper zones of zeolite is one of the reasons that has delayed the development of this resource, since currently Bromley Creek zeolite can be easily excavated at surface by blasting. The average cation exchange ratio (CEC) for the material at the Sun Group is 108.3.



RECENT FINANCINGS

On December 3, 2015, Canadian Zeolite completed a private placement **2,100,000 Units** priced at $0.075 per Unit. **Net proceeds were $153,034**. Each Unit consisted of one common share and one common share purchase warrant exercisable at $0.12 per share for one year.

On June 22, 2016, Canadian Zeolite announced the completion of a non□brokered **private placement of 4,200,000 Units** priced at $0.10 per Unit. The total is a result of an oversubscribed offering of up to 3,500,000 Units originally announced in mid-May. **Gross proceeds were $420,000**. Each Unit consists of one common share and one share purchase warrant, entitling the holder to acquire an additional common share at $0.15 per share for a one year period. The proceeds were used to advance the company's operations, including marketing, corporate accounting and geological services.

On September 8, 2016, Canadian Zeolite announced it had closed a **private placement of 1,000,000 Units**, each consisting of one common share and 1-year one share purchase warrant exercisable at $0.40 per share. Priced at $0.30 per Unit, **gross proceeds were $300,000**, and net proceeds are estimated to be $294,400. Insiders purchased $66,400 worth of Units (or approximately 22% of the offering). Proceeds are earmarked for general corporate and working capital purposes, including new product development.

RECENT NEWS

Operations

On July 6, 2016, Canadian Zeolite reported that during June **over 5,000 tonnes of zeolite** at its Bromley Creek zeolite quarry had been crushed and screened to 1.5 inches for shipping to the Kamloops processing facility. The zeolite had been previously drilled and blasted as part of an earlier exploration program.

On October 12, 2016**,** Canadian Zeolite reported that APL's crushing and screening equipment arrived at Bromley Creek. Subsequently, over the next week, over **10,000 tonnes of zeolite** was crushed and screened. The material was stockpiled on site to serve as winter inventory, which can be shipped to the Kamloops facility to be processed and sized for specific customer orders.

On October 24, 2016, Canadian Zeolite announced the signing of an **exclusive national distribution deal** with **Bella Turf**. Canadian Zeolite will supply zeolite to Bella Turf for distribution throughout Canada both for the installation of artificial turf (which generally entails the use of 1.5-to-2.0 pounds of zeolite per square foot) and as an infill product. Currently, Bella Turf sells a premium zeolite pet odor infill product known as ZeoFill, an organic turf deodorizer.

Miscellaneous

On September 14, 2016, Canadian Zeolite **commenced trading on the OTCQB** in the United States under the symbol CNZCF. An OTCQB listing will expand awareness of the company with US investors, both retail and institutional. The company's primary continues to be the Toronto Venture Exchange under the symbol CNZ.

VALUATION

Managements of junior industrial mineral companies create value through evaluating, acquiring, exploring and/or developing properties. **Management's strategy** is to increase shareholder value through **monetizing the company's zeolite properties**, Bromley Creek and the Sun Group. The **Mining Operations Agreement with Absorbent Products Limited** (APL) **appears to be the catalyst to fast-track the properties to commercial production**. All quarry/mining operations at Bromley Creek and subsequent processing of the zeolite (including the associated costs) are being assumed by APL, including the payment of royalties to British Columbia. Canadian Zeolite collects a **royalty of $9.00 per tonne** until the cumulative total reaches $725,000, after which the royalty becomes $4.50 per tonne. The same holds true for the Sun Group. In addition, Canadian Zeolite will receive **commissions of between 6% and 20% on sales initiated by the company**.

Our calculation of **share value of attributable resources** is based on the ascertained net asset value of each property, which is determined by assessing the cash flow (royalties) from an estimated production schedule of the *in situ* resources. In addition, the resources are assigned a **confidence factor** that attempts to take into account the risks of each project, such as the locality of the deposits, the assurance level of the resources, various production risks, etc. The methodology also accounts for balance sheet adjustments for working capital and assets. The resource valuation methodology involves the following assumptions:

1) At Bromley Creek, the extent of the resources appears to be under-estimated; therefore, we are assigning a 95% confidence factor to measured & indicated resources and a 70% factor for the inferred resource.

2) At the Sun Group, not only is the historical resource estimate not NI 43-101-compliant, but also it is not anticipated that the resource will be exploited until it is no longer opportune for operations at Bromley Creek to meet demand; therefore, only a 10% confidence factor is being assigned to the measured & indicated resources and a 2% factor for the inferred resource. Despite the low confidence factors, **the potential size of the resources at the Sun Group** results in this deposit accounting for the second largest component in the calculation of our asset value per share.
3) The resources estimates of both Bromley Creek and the Sun Group offer blue sky opportunities. Being more focused on developing applications for zeolite and forming customer relationships, management has not fully explored both properties to best ascertain the size of the resources.
4) **Management's marketing efforts** to generate sales of zeolitic products are anticipated to result in a growing stream of commissions for the company. Over time, the average commission is expected to rise, along with the average price per tonne, as more sophisticated applications are accepted by the marketplace. **The commission stream is the largest contributor to our valuation of NAV**.
5) Finally, our asset value per share takes into account the effects of the company having issued warrants and options which are now exercisable below our target price. The effects include both the anticipated increase in shares and the proceeds that the company will received upon the exercise of these derivative securities.

Based on our calculation of share value of attributable resources (see table below), **our target for Canadian Zeolite stock is $0.80.**

Canadian Zeolite Corp.

Projects	Measured & Indicated Resource (tonnes)	Inferred Resource (oz)	Average Production Costs ($CDN)	pre-APL option CNZ Net Royalty ($CDN)	post-exercise CNZ Net Royalty ($CDN)	Other Royalties (%)	% Ownership	Net Present Value to CNZ
Bromley Creek	540,688	297,000	0	9.00	4.50	0.0%	100%	2,402,909
	43-101-compliant							
Sun Group	7,900,000	38,600,000	0	9.00	4.50	0.0%	100%	6,617,124
	non-compliant							
ADJUSTMENTS								
Working capital								(817,326)
Estimated commissions								15,097,170
Option proceeds, if exercised								180,625
Warrant proceeds, if exercised								1,127,466
				Net Assets & Resources				24,607,968
				Shares Outstanding				22,659,862
				Options Outstanding				1,975,000
				Warrants Outstanding				6,018,666
				Fully Diluted Shares				30,653,528
						Discounted Asset Value ($CDN)		**0.80**

RISKS

- The company's zeolite effort continues to be in the developmental stage. Though several bulk samples have been quarried from Bromley Creek over the last 16 years, commercial production has yet to be achieved. Management anticipates a break-through application, possibly several, will arise, allowing the company to benefit from shipping tens of thousands of tonnes of zeolite to address new applications for this industrial mineral.
- At Bromley Creek, underground workings, particularly open stopes from previous coal mining operations, create challenges for extracting zeolite since buffers of hanging wall rock in these undercut areas are necessary not only to support the movement heavy equipment on the surface, but also to facilitate the shattering effect of blasting to produce better rock breakage.
- The company currently has a significant number of options and warrant outstanding that are exercisable below the current market price. One would assume these options and warrants would be exercised prior to expiration, diluting current shareholders. As of June 30, 2016, 2,050,000 options were outstanding with an average exercisable price of at $0.092; also, 5,900,000 warrants were outstanding, of which 1,300,000 are exercisable at $0.12 and expire October 31, 2016. Subsequent to June 30, 2016, another 1,018,666 options (exercisable at $0.40 per share until September 6, 2017) were issued in a private placement of Units. Also, 900,000 warrants and 75,000 options were exercised providing gross proceeds of $121,125

BALANCE SHEET

Canadian Zeolite Corp.						
Year ending June 30th	FY 2011	FY 201	FY 201	FY 201	FY 201	FY 201
(Canadian Dollars)	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016
ASSETS						
Cash and cash equivalents	543,186	139,914	4,464	4,577	3,594	390,440
Receivables	13,034	12,672	1,731	724	989	4,037
Prepaid expenses	1,321	1,321	1,321	1,321	1,321	1,429
Total Current Assets	**557,541**	**153,907**	**7,516**	**6,622**	**5,904**	**395,906**
Exploration and evaluation assets	1,302,478	1,231,525	785,945	248,422	252,583	243,826
Reclamation and other deposits	20,196	20,196	20,196	17,040	22,040	22,040
TOTAL ASSETS	**1,880,215**	**1,405,628**	**813,657**	**272,084**	**280,527**	**661,772**
Liabilities and Stockholders' Equity						
Accounts payable and accrued liabilities	59,325	46,282	292,660	456,147	619,247	740,892
Related party advances	438,261	453,725	477,844	561,350	534,491	472,340
Total Current Liabilities	**497,586**	**500,007**	**770,504**	**1,017,497**	**1,153,738**	**1,213,232**
TOTAL LIABILITIES	**497,586**	**500,007**	**770,504**	**1,017,497**	**1,153,738**	**1,213,232**
Share capital	10,168,234	10,161,894	10,161,894	10,166,694	10,302,161	11,174,959
Warrants	49,132	55,472	-	-	-	-
Contributed surplus	881,655	884,341	939,813	939,813	982,545	801,172
Accumulated deficit	(9,716,392)	(10,196,086)	(11,058,554)	(11,851,920)	(12,157,917)	(12,527,591)
Total Stockholders' Equity	**1,382,629**	**905,621**	**43,153**	**(745,413)**	**(873,211)**	**(551,460)**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**1,880,215**	**1,405,628**	**813,657**	**272,084**	**280,527**	**661,772**
Shares outstanding	11,826,123	11,826,123	11,826,123	11,866,123	13,904,862	21,084,862

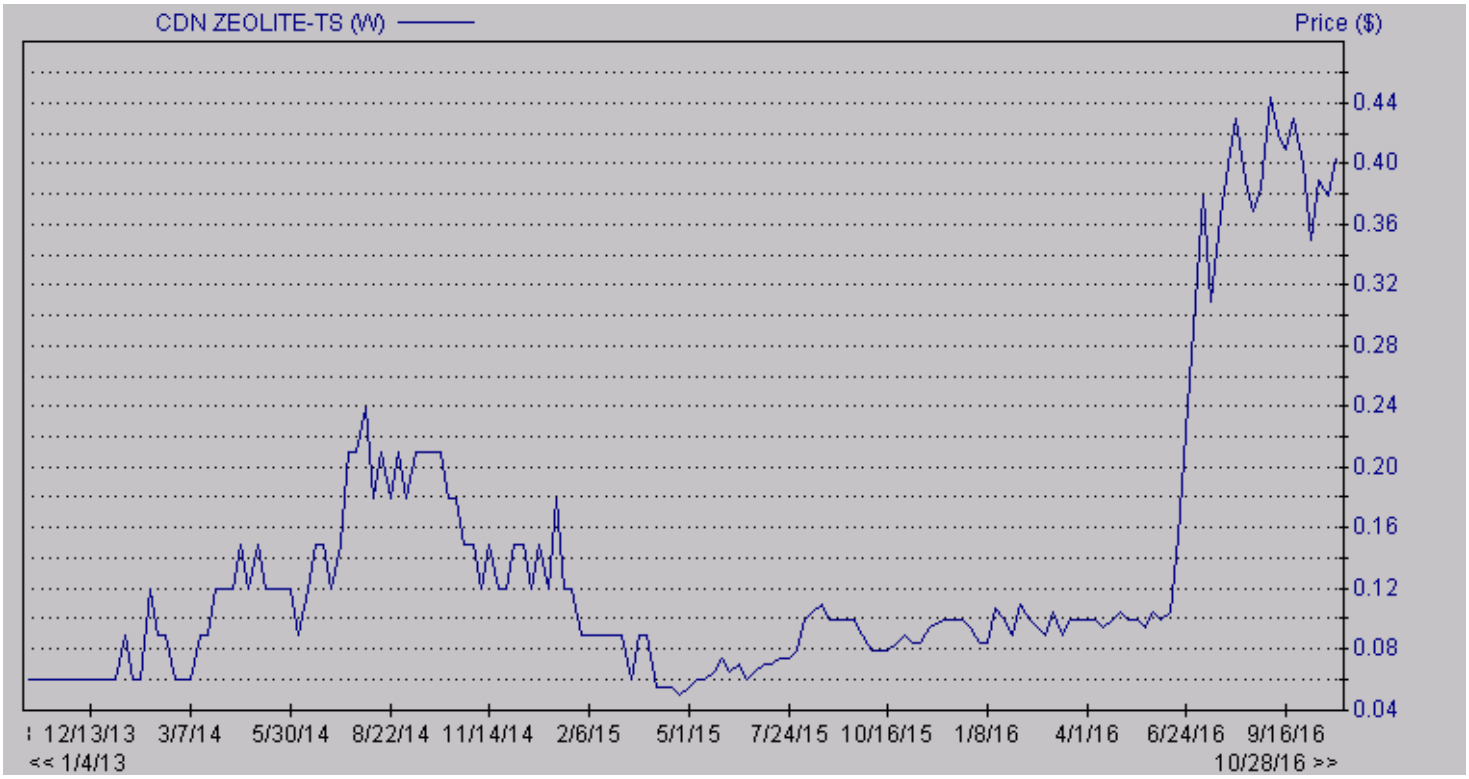
INCOME STATEMENT

Canadian Zeolite Corp.							
Income Statement (Canadian Dollars)	FY 2010	FY 2011	FY 201	FY 201	FY 201	FY 201	FY 201
Period ending	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016
Revenues	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cost of Sales							
Cost recoveries							
Royalties paid							
Royalties received							2,813
Total Gross Revenues	**0**	**0**	**0**	**0**	**0**	**0**	**2,813**
Other Income							
Rental income (net)	34,340	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	(2,813)
Total Net Revenue	**34,340**	**0**	**0**	**0**	**0**	**0**	**0**
General and Administrative Expenses							
Depreciation & amortization	2,137	0	0	0	0	0	0
Administrative	257,853	153,618	153,426	121,048	99,116	75,613	160,701
Management fees	99,000	108,000	108,000	108,000	108,000	108,000	108,000
Consulting fees	151,575	56,984	22,637	31,400	0	0	0
Investor relations	0	0	10,000	0	0	0	0
Exploration costs							
Stock-based compensation	164,730	17,663			4,800	65,762	48,301
Loss Before Other Income (Expenses)	**(640,955)**	**(336,265)**	**(294,063)**	**(260,448)**	**(211,916)**	**(249,375)**	**(317,002)**
Other income (expense):							
Interest income (expense)	0	(116,750)	(42,297)	(40,000)	(42,686)	(46,967)	(41,820)
Debt forgiveness (provision)	0	(126,783)	4,858	10,347	(9,139)	(9,655)	(10,852)
Impairment of exploration and evaluation assets	0	0	(145,506)	(572,367)	(529,625)	0	0
Gain (loss) on disposal of assets	99,850	0	0	0	0	0	0
Share-based payments	0	0	(2,686)	0	0	0	0
Total other income (expense)	99,850	(243,533)	(185,631)	(602,020)	(581,450)	(56,622)	(52,672)
Net Loss Before Tax	**(541,105)**	**(579,798)**	**(479,694)**	**(862,468)**	**(793,366)**	**(305,997)**	**(369,674)**
Current income tax expense	48,811	0	0	0	0	0	0
Net Loss	**(589,916)**	**(579,798)**	**(479,694)**	**(862,468)**	**(793,366)**	**(305,997)**	**(369,674)**
Net loss per share:							
Basic and diluted loss per share	**(0.07)**	**(0.06)**	**(0.04)**	**(0.07)**	**(0.07)**	**(0.03)**	**(0.02)**
Wgted avg. shares - basic & diluted	8,252,057	9,910,021	11,826,123	11,826,123	11,866,123	12,122,733	15,688,086

INCOME STATEMENTS (FY2000 – FY 2006)

Canadian Zeolite Corp.							
Income Statement (Canadian Dollars)	FY 2000	FY 200	FY 200	FY 2003	FY 200	FY 2005	FY 200
Period ending	6/ 30/ 2000	6/ 30/ 2001	6/ 30/ 2002	6/ 30/ 2003	6/ 30/ 2004	6/ 30/ 2005	6/ 30/ 2006
Revenues	**0**	**27,216**	**7,205**	**33,872**	**118,260**	**0**	**0**
Cost of Sales	0	15,170	5,884	26,988	75,793	0	0
Cost recoveries	0	0	0	0	0	9,502	7,126
Royalties paid	0	0	0	4,199	20,939	1,348	0
Royalties received	0	0	0	0	0	26,518	29,454
Total Gross Revenues	**0**	**12,046**	**1,321**	**2,685**	**21,528**	**34,672**	**36,580**
Other Income							
Rental income (net)	0	0	48,811	**42,081**	**34,171**	**48,727**	**47,355**
Miscellaneous	7,240	0	0	0	0	0	0
Total Gross Income	**7,240**	**12,046**	**50,132**	**44,766**	**55,699**	**83,399**	**83,935**
General and Administrative Expenses							
Depreciation & amortization	4,914	3,047	5,600	5,376	5,084	4,884	4,692
Administrative	139,698	286,509	121,779	165,220	114,108	260,947	152,559
Management fees	82,000	118,000	102,000	90,000	90,000	90,000	90,000
Exploration costs				46,806			
Stock-based compensation						152,480	69,584
Loss Before Other Income (Exp)	**(219,372)**	**(395,510)**	**(179,247)**	**(262,636)**	**(153,493)**	**(424,912)**	**(232,900)**
Other income (expense):							
Interest income (expense)	698	1,173	730	372		(2,820)	(14,527)
Debt forgiveness							17,176
Write down of deferred mining costs		(1,277,737)	(3,203)				
Gain (loss) on disposal of assets		(35,249)					48,822
Total other income (expense)	698	(1,311,813)	(2,473)	372	0	(2,820)	51,471
Net Loss	**(218,674)**	**(1,707,323)**	**(181,720)**	**(262,264)**	**(153,493)**	**(427,732)**	**(181,429)**
Net loss per share:							
Basic and diluted loss per share	**(0.01)**	**(0.09)**	**(0.01)**	**(0.01)**	**(0.01)**	**(0.02)**	**(0.01)**
Wgted avg. shares - basic & diluted (as reported)	16,269,277	19,521,711	20,818,386	24,453,465	24,706,643	25,565,146	26,904,000

HISTORICAL STOCK PRICE



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[i] USDA, Controlling Feedyard Ammonia Emissions with Surface-Applied Natural Zeolite Clinoptilolite, May 2014
[ii] Bernal, M.P. Application of natural zeolites for the reduction of ammonia emissions during the composting of organic wastes in a laboratory composting simulator**.**
[iii] Canadian Mining's Zeolite Effective in Municipal Compost Odor Control, Junior Mining News, March 30, 2015

[iv] USGS 2014 Minerals Yearbook, Zeolites, July 2015, 83.1.
[v] According to the BC Geological Survey - Ministry of Energy, Mines and Natural Gas, Minfile Production Report, 2,000 tonnes were mined.
[vi] According to the BC Geological Survey - Ministry of Energy, Mines and Natural Gas, Minfile Production Report, 2,840 tonnes were mined.
[vii] Sadlier-Brown,T.L., A Report on Some Test Results from Zeolite Samples from the BV Claims (Borovik 1987) June 15, 1992, page 3.
[viii] Jenks, John, P.Geo., Summary Report of Work Program, The Zeolite Claim Group, November 17, 2000, page 9.
[ix] The mining effort consisted of blasting 122 blast holes drilled to a depth of 3 meters. Zeolite Claim Group Assessment Report, March 10, 2001, page 6.
[x] Jenks, John, P.Geo., Assessment Report – The Zeolite Claim Group, March 10, 2001, page 6.
[xi] Jenks, John, P.Geo., Assessment Report – The Zeolite Claim Group, March 10, 2001, Appendix VI.
[xii] Shotcrete is a process by which concrete is forced through a hose and nozzle at a high velocity by compressed air.
[xiii] Zeo-Tech Enviro new release, March 4, 2002
[xiv] The amount of zeolite mined varies from 2,840 tonnes according to the production Minfile of the BC Geological Survey - Ministry of Energy, Mines and Natural Gas to 5,500 tonnes as stated in The Bromley Creek Zeolite Deposit, Geology, Resources and Marketing Considerations, The Zeolite Claim Group, June 16, 2003, page 1.
[xv] Jenks, John, P.Geo., The Bromley Creek Zeolite Deposit, Geology, Resources and Marketing Considerations, The Zeolite Claim Group, June 16, 2003, page 8.
[xvi] Verta, Robert L., U.S. Geological Survey Minerals Yearbook - 2001, Zeolites, page 84.2: North American Minerals News, 2001a
[xvii] United Zeolite Products Ltd was originally incorporated under the name North American Industrial Minerals Corp in British Columbia. The name change was affected by special resolution on April 26, 2003 through the filing of an Altered Memorandum under the Company Act of British Columbia.
[xviii] Jenks, John, P.Geo., The Bromley Creek Zeolite Deposit, Geology, Resources and Marketing Considerations, The Zeolite Claim Group, June 16, 2003, page 10.
[xix] First American Scientific Corp. Annual Report, Form 10-KSB, Fiscal 2004, page 9.
[xx] For the fiscal year ending June 30, 2005, the $24,964 royalty income owed by United Zeolite Products was included in accounts receivable.
[xxi] Verta, Robert L., U.S. Geological Survey Minerals Yearbook - 2006, Zeolites, page 83.2
[xxii] BC Geological Survey - Ministry of Energy, Mines and Natural Gas, Minfile Detail Report 092HSE166 on ZEO claims
[xxiii] Canmark International Resources Inc Quarterly Report for period ending June 30, 1997.
[xxiv] BC Geological Survey - Ministry of Energy, Mines and Natural Gas, Minfile Detail Report, Sunday Creek.
[xxv] Zeo-Tech Enviro Corp, Annual Financial Statements, Fiscal 2006.