Athabasca MINERALS INC.

YEAR ENDED DECEMBER 31, 2020

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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Management’s Responsibility for Financial Reporting Report

The accompanying consolidated financial statements of Athabasca Minerals Inc. are the responsibility of management and have been approved by the Board of Directors on recommendation by the Audit Committee.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. Where alternative accounting methods exist, management has chosen those which it deems most appropriate under the circumstances. Financial statements are not precise since they include amounts based on estimates and judgments. Management has determined such amounts to the best of its ability in a manner it deemed reasonable in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Management has prepared financial information presented elsewhere in the accompanying management discussion and analysis and has ensured that it is consistent with that in the consolidated financial statements. In support of its responsibility, management maintains a system of internal controls to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility through its Audit Committee.

The Audit Committee is comprised of financially literate directors, appointed by the Board of Directors. The Audit Committee meets periodically with management and the external auditors to discuss internal controls over financial reporting processes, auditing matters and financial reporting issues to satisfy itself, that each party is properly discharging its responsibilities, and to review the consolidated financial statements and the external auditor’s report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

These consolidated financial statements have been audited by Grant Thornton LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Grant Thornton LLP has full and free access to the Audit Committee.

(signed) “*Robert Beekhuizen*”

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Robert Beekhuizen
Chief Executive Officer

(signed) “*Mark Smith*”

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Mark Smith
Chief Financial Officer

April 20, 2021
Edmonton, Alberta

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Independent Auditor's Report

To the Shareholders of
Athabasca Minerals Inc.

Opinion

We have audited the consolidated financial statements of Athabasca Minerals Inc. ("the Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Heather Murk**.**

Edmonton, Canada

Grant Thornton LLP

April 20, 2021

Chartered Professional Accountants

Consolidated Statements of Financial Position

	Notes	As at December 31, 2020	As at December 31, 2019
ASSETS			
Current			
Cash		$ 1,954,371	$ 1,995,280
Trade and other receivables	5, 22	490,918	1,011,903
Amounts due from related entities	20	88,876	-
Inventory	6	846,599	1,112,475
Prepaid expenses and deposits		32,414	115,582
Current Assets		3,413,178	4,235,240
Long-term deposits	7	769,078	803,288
Restricted cash	8	1,076,595	1,761,470
Contract costs	9	2,434,300	392,879
Property and equipment	10	739,100	982,306
Right-of-use assets	11	250,967	175,414
Intangible assets	12	84,923	-
Resource properties	13	6,250,770	6,288,436
Investments in associates	14	3,524,291	3,633,427
Total Assets		$ 18,543,202	$ 18,272,460
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	22	$ 1,003,696	$ 1,348,550
Income taxes payable	4, 18	45,084	-
Current portion of bank loans	15	1,286,924	-
Current portion of lease obligations	16	159,640	93,685
Current portion of environmental rehabilitation obligations	17	-	16,693
Current Liabilities		2,495,344	1,458,928
Bank loans	15	140,000	-
Lease obligations	16	78,521	86,205
Environmental rehabilitation obligations	17	2,644,503	2,455,513
Total Liabilities		5,358,368	4,000,646
Subsequent events	27		
Shareholders' Equity			
Share capital	19	18,955,877	16,734,732
Contributed surplus		5,186,552	4,964,152
Deficit		(10,957,595)	(7,427,070)
Total Shareholders' Equity		13,184,834	14,271,814
Total Liabilities and Shareholders' Equity		$ 18,543,202	$ 18,272,460

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

Approved by the Board of Directors

" Don Paulencu "
Director

"Terrance Kutryk"
Director

Consolidated Statements of Loss and Comprehensive Loss

	Notes	Years ended December 31, 2020	2019
Aggregate sales revenue	25	$ 1,271,759	$ 1,689,792
Management services revenue, net of royalties	25	673,421	911,034
Revenue		**1,945,180**	2,600,826
Operating costs		(1,897,737)	(3,324,299)
Depreciation, depletion, and amortization expense	10, 11, 12	(446,771)	(341,079)
Cost of sales		(2,344,508)	(3,665,378)
Gross loss		**(399,328)**	(1,064,552)
General and administrative expenses		(2,764,941)	(3,256,651)
Share of loss from associates	14	(109,136)	(104,883)
Share-based compensation	19	(337,348)	(364,445)
Other operating income (expenses)	24	(217,717)	1,944,834
Operating loss		**(3,828,470)**	(2,845,697)
Finance costs	24	(86,874)	(3,292)
Other non-operating income	24	393,277	39,827
Interest income		22,190	90,319
Loss before income taxes		**(3,499,877)**	(2,718,843)
Income tax expense	18	(30,648)	(1,825)
Total loss and comprehensive loss		**$ (3,530,525)**	$ (2,720,668)
Loss per common share - basic	19	$ (0.071)	$ (0.063)
Loss per common share - diluted	19	$ (0.071)	$ (0.063)
Weighted average number of shares outstanding	19	49,657,351	43,354,271

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

Consolidated Statements of Changes in Shareholders' Equity

	Notes	Number of Shares		Share Capital		Contributed Surplus		Deficit		Total Shareholders' Equity
Balance as at December 31, 2018, as previously stated		40,240,606	$	14,465,325	$	4,908,045	$	(4,701,467)	$	14,671,903
Adjustment on initial application of IFRS 16, net of tax of $1,825		-		-		-		(4,935)		(4,935)
Adjusted balance as at January 1, 2019		**40,240,606**	**$**	**14,465,325**	**$**	**4,908,045**	**$**	**(4,706,402)**	**$**	**14,666,968**
Shares issued in purchase of investment	14, 19	2,100,000	$	1,129,800	$	-	$	-	$	1,129,800
Share-based compensation	19	-		-		286,924		-		286,924
Stock options exercised	19	998,334		347,484		(131,442)		-		216,042
Warrants exercised	19	1,987,500		795,000		(99,375)		-		695,625
Share issuance costs, net of tax of $nil	19	-		(2,877)		-		-		(2,877)
Total loss and comprehensive loss for the year		-		-		-		(2,720,668)		(2,720,668)
Balance as at December 31, 2019		**45,326,440**	**$**	**16,734,732**	**$**	**4,964,152**	**$**	**(7,427,070)**	**$**	**14,271,814**
Shares issued	19	13,733,713	$	2,227,641	$	-	$	-	$	2,227,641
Share-based compensation	19	-		-		227,555		-		227,555
Stock options exercised	19	50,000		13,655		(5,155)		-		8,500
Share issuance costs, net of tax of $nil		-		(20,151)		-		-		(20,151)
Total loss and comprehensive loss for the year		-		-		-		(3,530,525)		(3,530,525)
Balance as at December 31, 2020		**59,110,153**	**$**	**18,955,877**	**$**	**5,186,552**	**$**	**(10,957,595)**	**$**	**13,184,834**

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

Consolidated Statements of Cash Flows

	Notes	Years ended December 31, 2020	2019
OPERATING ACTIVITIES			
Receipts from customers		$ 2,601,482	$ 3,399,868
Payments to suppliers		(2,868,979)	(3,685,164)
Payments to employees		(1,706,420)	(2,591,445)
Interest received		22,190	90,319
Finance costs paid		(86,874)	(3,292)
Net cash used in operating activities		(2,038,601)	(2,789,714)
INVESTING ACTIVITIES			
Long-term deposits	7	34,210	(2,056)
Restricted cash	8	684,875	393,980
Spending on contract costs	9	(1,546,368)	(392,879)
Proceeds on disposal of property and equipment	10	8,000	6,700
Purchase of property and equipment	10	(15,740)	(51,372)
Spending on resource properties	13	(2,807)	(75,609)
Cash acquired in TerraShift acquisition	4	151,832	-
Cash consideration paid for acquisition of TerraShift	4	(25,000)	-
Consideration paid for investments in associates	14	-	(1,022,000)
Net cash used in investing activities		(710,998)	(1,143,236)
FINANCING ACTIVITIES			
Proceeds from issuance of common share units	19	1,480,000	-
Common share issuance costs	19	(20,151)	(2,877)
New financing from bank loans	15	1,600,000	
Repayment of bank loans	15	(213,076)	
Repayment of lease obligations	16	(146,583)	(59,097)
Net proceeds from exercise of warrants and stock options	19	8,500	911,667
Net cash from financing activities		2,708,690	849,693
Net change in cash		(40,909)	(3,083,257)
Cash, beginning of year		1,995,280	5,078,537
Cash, end of year		$ 1,954,371	$ 1,995,280

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

Note 1 - Nature of Business

Athabasca Minerals Inc. (the "Corporation") is a public corporation incorporated under the Business Corporations Act (Alberta) in 2006, and its shares are listed on the TSX Venture Exchange under the symbol the AMI-V (previously ABM-V). The Corporation's head office is located at 4409 94 Street NW, Edmonton, Alberta, Canada T6E 6T7.

The Corporation is an is an integrated group of companies capable of full life-cycle development and supply of aggregates and industrial minerals. The Corporation is comprised of the following business units:

- **AMI Aggregates** division produces and sells aggregates out of its corporate pits and manages the Coffey Lake Public Pit on behalf of the Government of Alberta.
- **AMI Silica** division (www.amisilica.com) is positioning to become a leading supplier of premium domestic silica sand with three regional deposits located in Alberta and NE-BC (White Rabbit, Firebag and Montney), and holds a 5-year purchase agreement with Shell Canada for the supply of proppant.
  - **Privco1 & Privco2** are private Alberta corporations owned by AMI that hold the Montney and White Rabbit domestic sand deposits, respectively which are strategically located with respect to the Montney and Duvernay sedimentary basins. Privco2 supports the Duvernay Sand Project, which is finalizing FEED (Front-End Engineering & Development) with the participation of an international industrial partner who brings access to rail, power, industrial water and heat recovery with green benefits, utilities and infrastructure.
- **AMI RockChain** division (www.amirockchain.com) is a midstream, technology-enabled business that deploys its proprietary RockChain™ digital platform, associated industry econometrics, supply-chain algorithms, quality-assurance & safety programs to bring customers integrated supply-delivery solutions of industrial minerals to industry, infrastructure and construction sectors.
  - **TerraShift Engineering** (www.terrashift.ca) was acquired by AMI RockChain in June 2020. TerraShift offers engineering and project services, proprietary technology applications such as TerraMaps, with expertise in resource exploration & development, mine planning, environmental reclamation and remediation, regulatory approvals, and compliance reporting, serving a growing customer base across Western Canada and Ontario.

The consolidated financial statements for the year ended December 31, 2020 including comparatives were approved and authorized for issue by the Board of Directors on April 20, 2021.

Note 2 - Basis of Presentation

a) Statement of Compliance

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

b) Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis. These consolidated financial statements have been prepared using significant accounting policies as set out in Note 3.

Note 2 - Basis of Presentation - continued

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries AMI RockChain Inc. ("AMI RockChain"), which was incorporated on March 19, 2018 and AMI Silica Inc. ("AMI Silica"), which was incorporated on May 30, 2018 (collectively the "subsidiaries"). Additionally, as at June 30, 2020, AMI RockChain acquired 100% of the shares in TerraShift.

As at December 31, 2020, the Corporation also holds a 49.2% ownership interest in a private Alberta corporation that owns the Montney In-Basin Project (Note 14) and a 49.6% ownership interest in a private Alberta corporation that holds the Duvernay Project in Alberta (Note 14). These interests are accounted for using the equity method. Refer to Note 27 for discussion of acquisition of control subsequent to year end.

The assets, liabilities, equity, income, expenses, and cash flows of the Corporation and its wholly-owned subsidiaries to the date of these consolidated financial statements have been combined from the date that control commences until the date control ceases, and any intercompany investments and transactions have been eliminated upon consolidation. Uniform accounting policies are used by all entities. All transactions in the subsidiaries are reflected in these consolidated financial statements.

c) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars which is the functional currency of the Corporation and its subsidiaries.

d) Use of Estimates and Judgements

The preparation of consolidated financial statements in conformity with IFRS as issued by the IASB requires management to make estimates and judgments that affect the amount reported in the consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are subject to measurement uncertainty. The effect on the consolidated financial statements of changes in such estimates in future reporting periods could be significant.

Significant estimates and areas where judgment is applied that have significant effect on the amount recognized in the consolidated financial statements are described below.

Significant Management Judgements

Economic Conditions and Measurement Uncertainty
In light of the COVID-19 pandemic and related climate of economic uncertainty, the Corporation's below listed assumptions and judgments were impacted by heightened measurement uncertainty for the year ended December 31, 2020.

Going Concern
These consolidated financial statements have been prepared on a going concern basis that contemplates the realization of assets and discharge of liabilities at their carrying values in the normal course of business for the foreseeable future. The application of the going concern basis requires judgement regarding the likelihood of management expectations for future cash flows, economic environment, and strategy. Any such estimates and assumptions may change as new information becomes available.

Realization of Assets
The investment in and expenditures on resource properties comprise a significant portion of the Corporation's assets. Realization of the Corporation's investment in these assets is dependent upon the successful exploration, development and the attainment of successful production from the properties or from the proceeds of their disposal.

Note 2 - Basis of Presentation - continued

Exploration and Development Expenditures
Mineral exploration and development is highly speculative and involves inherent risks. While the rewards if a resource body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of minerals.

The application of the Corporation's accounting policy for exploration and development expenditures requires judgement to determine whether future economic benefits are likely from either future exploration or sale or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. In addition to applying judgement to determine whether future economic benefits are likely to arise from the Corporation's exploration and development assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Corporation has to apply a number of estimates and assumptions. The determination of a mineral resource is an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e., measured, indicated or inferred). The estimates impact when the Corporation defers exploration and development expenditures. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, particularly, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If after the expenditure is capitalized information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalized amount is written off to the consolidated statements of loss and comprehensive loss in the period when the new information becomes available.

Impairment of Resource Properties
Resource properties are reviewed and evaluated for impairment at each reporting period or when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Common indicators of impairment of a resource property include, but is not limited to:

- the right to explore in a specific area has expired, or will soon expire, and is not expected to be renewed;
- substantive expenditure on further exploration in a specific area is neither budgeted nor planned;
- exploration in an area has not led to the discovery of commercially viable quantities of mineral resources, or the results are not compelling enough to warrant further exploration, and the Corporation has decided to discontinue activities in the area; or
- sufficient data exists to indicate that, although exploration or development in an area is likely to proceed, the carrying amount of the resource property is unlikely to be recovered in full by successful development or by sale.

Commencement of Commercial Production
The Corporation assesses the stage of each resource property under development to determine when a property reaches the stage when it is substantially complete and ready for its intended use. The Corporation considers various relevant criteria to assess when the commercial production phase is considered to commence. Some of the criteria used will include, but is not limited to, the following:

- the completion of a reasonable period of testing of mine plant and equipment;
- the ability to produce saleable aggregates;
- the ability to achieve production targets;
- sufficiency of hauling access from the pit;
- ability to sustain ongoing production;
- capital expenditures incurred relative to the expected costs to complete.

Note 2 - Basis of Presentation - continued

Leases

Management uses judgement to determine if contracts contain a lease. To make the assessment, management evaluates if the contract identifies a specific asset, the Corporation has the right to obtain substantially all the economic benefits from use, and if the Corporation has the right to direct the use of the asset.

Management uses judgement in determining the effective term for contracts where an extension or termination clause exists. Management considers historical behaviour, forecasting, and future strategy when considering what a reasonable outcome is.

Degree of Control Over Investees

In determining the degree of control or influence that exists between the Corporation and an investee, the Corporation considers to what extent it is exposed to or has the right to variable returns and whether it has the ability to use its power to affect those returns. If the Corporation determines that it has the power to affect its returns, then the investee is consolidated into the Corporation's consolidated financial statements using the acquisition method.

If the Corporation determines that it does not have the power to affect its returns in the investee, then it considers all relevant factors in assessing whether it has significant influence over the investee. If the Corporation determines that it has the power to participate in the financial and operating decisions of the investee, but that it does not control the investee, then the interest in the investee is accounted for using the equity method.

Management Estimates

Collectability of Accounts Receivable

In determining the collectability of a trade or other receivable, the Corporation considers all available information in assessing the risk or probability of a credit loss occurring over the contractual period of the receivable, even if the probability is low.

The Corporation uses a provision matrix to calculate expected credit losses for trade receivables. The provision matrix is initially based on the Corporation's historical observed default rates. The Corporation will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The Corporation's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Inventory Valuation

The Corporation values inventory at the lower of cost and net realizable value ("NRV"). The NRV of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and costs to sell. Estimates of NRV are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. The key assumptions require the use of management judgement regarding reliability of evidence available and are reviewed on a quarterly basis. Write-downs of inventory in stockpiles, in-process and finished inventories resulting from NRV impairments are reported as a component of other operating expenses.

Depreciation and Amortization and Determining Useful Lives

Mineral properties in production and other tangible assets used directly in resource production activities are depreciated on a unit-of-production basis ("UOP") over the productive life of the mine based on the economically recoverable reserves and resources including proven and probable reserves.

Note 2 - Basis of Presentation - continued

The calculation of the UOP rate, and therefore the annual depreciation expense could be materially affected by changes of estimates of mineral reserves and of the underlying mineral properties. Changes in estimates can be the result of:

- actual future production differing from current forecasts of future production;
- expansion of mineral reserves through exploration activities;
- differences between estimated and actual costs of mining development; and
- differences in the mineral prices used in the estimation of mineral reserves.

Property and equipment is depreciated, net of residual value, over its useful economic life. Depreciation commences when assets are available for use. The assets' useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at each fiscal year end.

Significant judgment is involved in the determination of useful life and residual values. No assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

Mineral Reserves

Proven and probable mineral reserves are the economically mineable parts of the Corporation's measured and indicated mineral resources demonstrated by, at a minimum, a preliminary feasibility study. The Corporation estimates its proven and probable mineral reserves based on information compiled by appropriately qualified persons. Geological estimates of the size, depth and shape of the mineral body requires complex judgements.

The estimation of future cash flows related to proven and probable mineral reserves is based upon factors such as:

- estimates of commodity prices;
- future capital requirements;
- mineral recovery factors and production costs;
- unforeseen operational issues; and
- geological assumptions and judgements made in estimating the size and grade of the mineral body.

Changes in the proven and probable mineral reserves or mineral resource estimates may impact the carrying value of resource properties, property and equipment, environmental rehabilitation obligations, recognition of deferred taxes, amortization, depletion and accretion. The Corporation conducts an annual review of its reserves and mineral resources. Changes in estimates are accounted for prospectively.

Provision for Reclamation and Decommissioning Obligations

Accounting for reclamation and decommissioning obligations requires management to make estimates of the timing and amount of future costs the Corporation will incur to complete the reclamation and decommissioning work required to comply with existing laws, regulations and contractual agreements at each mining operation. Timing and actual costs incurred may differ from those estimated.

Future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Corporation. Increases in future costs and timing of those costs could materially impact the amounts estimated for reclamation, remediation and decommissioning. The Corporation assesses its provision for asset retirement obligations on an annual basis or when new material information becomes available.

If after a provision is recognized, information becomes available suggesting that recovery of the corresponding asset is unlikely, the asset is written off to the consolidated statements of loss and comprehensive loss in the period when the new information becomes available. When the Corporation is virtually certain that all or a portion of the costs will be reimbursed by another party, the Corporation uses judgement to determine whether it would be liable for the entire provision in the event that the other party failed to pay and then presents the reimbursement as a separate asset. However, if the Corporation determines that it would have no further liability for those costs if the other party failed to pay then the provision is net with the expected reimbursement.

Note 2 - Basis of Presentation - continued

Impairment of Non-Current Assets
The Corporation assesses each asset or cash generating unit ("CGU") at each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, reserves and operating performance. These estimates and assumptions are subject to risk and uncertainty and therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Income Taxes
Income taxes are measured by applying estimated annual effective income tax rates that are expected to be in effect when the temporary differences that give rise to deferred tax assets and liabilities are expected to reverse or when losses are expected to be utilized. The estimated average annual effective income tax rates are re-estimated at each reporting date.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

The Corporation evaluates the recoverability of deferred tax assets based on an assessment of the Corporation's ability to utilize the underlying future tax deductions against future taxable income before they expire. The Corporation's assessment is based upon existing tax laws, estimates of future taxable income, and the expected timing of taxable temporary difference reversals. To the extent that future cash flows and taxable profit differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the reporting date could be impacted. Future changes in tax laws could limit the ability of the Corporation to obtain tax deductions in future periods.

Calculation of Share-based Compensation
The amount expensed for share-based compensation is determined using the Black-Scholes Option Pricing Model based on estimated fair values of all share-based awards at the date of grant and is expensed to profit or loss over each award's vesting period. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Valuation of Warrants Issued in Private Placements
Warrants issued along with common shares in a private placement of units are valued using the relative fair value method. This method involves separately valuing the common shares at the fair value on the date of the transaction and the warrants using the Black-Scholes Option Pricing Model. The proceeds from the private placement are allocated based on the common shares and warrants proportionate valuations and credited to share capital or contributed surplus respectively. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the warrant. Changes in these input assumptions can significantly affect the fair value estimate.

Business Combinations
Business combinations are accounted for using the fair value of consideration and the fair value of assets and liabilities acquired, including separately identified intangible assets and goodwill, as at the date of acquisition. Share-based consideration is valued using the trading price at the closing date of the acquisition, and contingent consideration is valued based on estimated probabilities of a range of outcomes identified. Changes in these input assumptions can significantly affect the fair value estimate.

Note 3 - Significant Accounting Policies

a) Cash

Cash in the statement of financial position comprises cash on deposit with financial institutions and on hand but excludes any restricted cash.

b) Inventory

Inventory is valued at the lower of cost and net realizable value. Net realizable value is calculated as the estimated selling price in the ordinary course of business less estimated costs required to sell the inventory. Cost is determined by the weighted average method, including direct purchase costs, the associated costs of crushing and hauling and an appropriate portion of direct overhead costs including applicable amortization and depletion of estimated resource properties. Any write down of inventory is recognized as a charge against income in the period the write down occurs.

Inventory does not include any parts and supplies on hand. Parts and supplies are insignificant and are expensed in the period they are acquired.

c) Restricted Cash

Restricted cash is cash on deposit with financial institutions which is not available for use by the Corporation and shall not be released until certain conditions are met under contractual obligations. Restricted cash is cash set aside for the specific use of reclamation obligations.

d) Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. The initial cost of an asset comprises its purchase price and any costs directly attributable to bringing the asset into operation. The purchase price is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Amortization begins when the asset is available for use. Maintenance costs are expensed as incurred. Major improvements and replacements, which extend the useful life of an asset, are capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Corporation.
The Corporation provides for depreciation on its property and equipment using the following methods and rates:

	Method	Rate
On-site buildings	Straight line	10 years
Scale and scale houses	Straight line	10 years
Stockpile pad	Straight line	5 years
Computer software	Straight line	1-3 years
Office equipment	Straight line	3 years
Computer hardware	Straight line	3 years
Large equipment	Declining balance	20%
Vehicles	Declining balance	30%
Other equipment	Straight line	3 years

The residual values, useful lives and method of depreciation of property and equipment are reviewed each financial year and adjustments are accounted for prospectively, if appropriate. An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of an asset is included in profit or loss in the period the asset is derecognized.

Depreciation expense from property and equipment used in inventory production is included in the cost of inventory; depreciation from equipment used for exploration is capitalized under the associated exploration and development mineral properties; and depreciation from administrative capital assets is charged against operations in the period.

Note 3 - Significant Accounting Policies – continued

e) Intangible Assets

Software and customer relationships acquired in a business combination that qualify for separate recognition are recognized as intangible assets at their fair values. All finite-lived intangible assets are amortized over their estimated useful lives of one year for customer relationships and five years for software.

The residual values, useful lives and method of depreciation of intangible assets are reviewed each financial year and adjustments are accounted for prospectively, if appropriate. An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of an asset is included in profit or loss in the period the asset is derecognized.

Depreciation expense from intangible assets is charged against operations in the period.

f) Exploration Expenditures

Mineral exploration expenditures relate to the initial costs incurred for investigation of potential mineral reserves and resources, including exploratory drilling, sampling, mapping and other activities in searching for mineral bodies and to evaluate the technical and commercial viability of developing mineral properties identified through exploration. Exploration expenditures are recorded on a property-by-property basis and deferred as exploration costs until the technical and commercial viability for that property is established and the property is placed into development, sold or abandoned or determined to be impaired.

The establishment of technical and commercial viability is assessed based on technical studies carried out in compliance with industry standards and regulatory requirements and is deemed to be achieved when the Corporation determines that the project will provide a satisfactory return relative to its perceived risks. Once the technical and commercial viability for a resource property is established and the development decision has been made, the property is considered to be under development. Previously capitalized exploration costs related to the property are at that time tested for impairment and if no indicators of impairment are present, the costs are then transferred to pit development costs. Exploration expenditures incurred before the Corporation has obtained the legal right to explore an area are expensed as incurred.

Title to mineral properties involves inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently unreliable conveyance history, which is typical for many mineral properties. The Corporation has investigated title to all its mineral properties and, to the best of its knowledge, all its properties are in good standing.

g) Pit Development Expenditures

A resource property is under the development stage once the property is determined to be commercially and technically viable and development decision has been made. The costs incurred to design and engineer an open pit, to build access roads, camps and other infrastructure for mining, and to remove overburden and other mine waste materials in order to access the mineral body at open pit operations ("stripping costs") prior to the commencement of commercial production are categorized as pit development expenditures. Development expenditures to this point, including depreciation of related plant and equipment, are capitalized to the related property. Pit development expenditures are depreciated on a UOP basis over the productive life of the resource property based on proven and probable reserves.

Stripping and clearing costs incurred during the development of a pit or mine are capitalized in resource properties. Stripping costs incurred during the production phase of a mine are considered production costs and are included in the cost of inventory produced during the period in which stripping costs are incurred. Stripping costs incurred to prepare the resource body for extraction or to provide access to a resource body that will be extracted in future periods and would not otherwise have been accessible are capitalized as pit development expenditures and depreciated on a UOP basis over the reserves and resource that directly benefit from the stripping activity. New infrastructure costs incurred during the production phase for future probable economic benefit are also capitalized to the related mineral property subject to depreciation on a UOP basis.

Note 3 - Significant Accounting Policies – continued

h) Impairment of Non-Financial Assets

The carrying amounts of non-financial assets are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. The recoverable amount of an asset or CGU is determined as the higher of its fair value less costs of disposal and its value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Management has assessed its CGUs as being an individual mine site, which is the lowest level for which cash inflows are largely independent of those of other assets/CGUs. An impairment loss exists if the asset's or CGU's carrying amount exceeds the recoverable amount and is recorded as an expense in the period.

Tangible assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. A reversal of an impairment loss is recognized in profit or loss immediately.

i) Environmental Rehabilitation Obligations ("ERO")

The Corporation recognizes a liability for restoration, rehabilitation and environmental obligations associated with long-lived assets, including the abandonment of resource properties and returning properties to the condition required in order to satisfy regulatory obligations.

The present value of future rehabilitation cost estimates is capitalized to the corresponding asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the present value.

The Corporation's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates. The discounted liability is increased for the passage of time and adjusted for changes to the current discount rate, and the amount or timing of the underlying cash flows needed to settle the obligation. The liability is subsequently adjusted for the passage of time and is recognized in income or loss as accretion expense.

Additional disturbances or changes in rehabilitation cost will be recognized as additions or charges to the corresponding assets and asset retirement obligation when they occur. If there is a decrease in the estimated rehabilitation costs beyond the corresponding asset balance, this decrease is recognized in income when it occurs.

When the Corporation is virtually certain that all or a portion of the costs will be reimbursed by another party, the Corporation determines whether it would be liable for the entire obligation in the event that the other party failed to pay and then presents the reimbursement as a separate asset. However, if the Corporation determines that it would have no further obligation for those costs in the event that the other party failed to pay then the obligation is net with the expected reimbursement.

j) Lease obligations

The Corporation assesses at contract inception, all arrangements to determine whether they are, or contain, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation is not a lessor in any transactions, it is only a lessee.

The Corporation applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Corporation recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Note 3 - Significant Accounting Policies – continued

The Corporation recognizes right-of-use assets at the commencement date of the lease (i.e., the date when the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Office leases – 2.5 years
- Motor vehicles – 4 years
- Office equipment – 5 years

If ownership of the leased asset transfers to the Corporation at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

At the commencement date of the lease, the Corporation recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (and, in some instances, in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Corporation and payments of penalties for terminating the lease, if the lease term reflects the Corporation exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Corporation uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is generally not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Corporation applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). These lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

k) Provisions

Liabilities are recognized when the Corporation has a present legal or constructive obligation arising as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

A provision is a liability of uncertain timing or amount. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using the pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as a finance cost.

l) Share-based Compensation

The Corporation grants stock options, restricted share units, and deferred share units to directors, officers, employees and consultants of the Corporation pursuant to a stock option plan. The fair value of stock options granted is recognized as an expense with a corresponding increase in contributed surplus. The fair value of restricted share units and deferred share units granted are recognized as an expense with a corresponding increase in current liabilities.

Note 3 - Significant Accounting Policies – continued

Share-based compensation to employees and others providing similar services are measured on the grant date at the fair value of the instruments issued as measured using the Black-Scholes Option Pricing Model. The amount recognized as an expense is adjusted to reflect the actual number of options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value.

Share-based payments to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

Any consideration received upon exercise of options is credited to share capital and the associated amounts originally recorded in contributed surplus are transferred to share capital. Any consideration received upon exercise of restricted share units or deferred share units are credited to share capital, and the associated liabilities are transferred to share capital. In the event instruments are forfeited prior to vesting, the amount recognized in prior periods in relation to the instrument is reversed.

m) Warrants Issued in a Private Placement of Share Units

Warrants issued along with common shares in a private placement of units are valued using the relative fair value method. This method involves separately valuing the common shares at the fair value on the date of the transaction and the warrants using the Black-Scholes Option Pricing Model. Then the proceeds from the private placement are allocated based on the common shares and warrants proportionate valuations and credited to share capital or contributed surplus, respectively.

n) Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity and other comprehensive income, in which case the tax expense is also recognized directly in equity and other comprehensive income, respectively.

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

Deferred tax assets and liabilities are provided for using the liability method on temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the year in which temporary differences are expected to be recovered or settled. Changes to these balances, including changes due to changes to income tax rates, are recognized in profit or loss in the period in which they occur.

Deferred tax assets are recognized to the extent future recovery is probable. Deferred tax assets are reduced to the extent it is no longer probable that enough taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are generally recognized in full, although IAS 12 “Income Tax” specifies limited exemptions. As a result, the Corporation does not recognize deferred tax on temporary differences relating to goodwill and other intangible assets.

o) Revenue Recognition

The Corporation’s revenue is primarily derived from the sale of aggregates. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those goods or services.

Note 3 - Significant Accounting Policies – continued

Prior to revenue being recognized in the consolidated statements of loss and comprehensive loss, the Corporation must have an enforceable sales contract, in accordance with customary business practices that clearly outline each party's rights regarding the goods to be transferred, payment terms, etc.; the contract must have economic substance; and it must be probable that the Corporation will ultimately receive payment.

The Corporation determines the transaction price, which is the contract price net of discounts plus variable consideration, and then allocates the transaction price to the performance obligations stated in the contract. Typically, the only performance obligation stated in the majority of the Corporation's contracts is to transfer control of aggregate to the customer.

Revenue is recognized as follows:

Aggregate sales revenue
The Corporation sells aggregates from pits which it owns through the Alberta Metallic and Industrial Minerals Permits and Surface Material Leases. The Corporation transfers control to the customer and recognizes revenue at the point in time where the aggregate material leaves the pit.

The Corporation also sells third-party aggregate via AMI RockChain. The Corporation has concluded that it is the principal in the sale of third-party aggregate materials because it controls the product before transferring control to the customer. Revenue is recognized at the point in time where the aggregate material is delivered to the customer.

In certain contracts where transportation occurs subsequent to acceptance and transfer of control of aggregate to the customer, the Corporation recognizes revenue for the performance obligation relating to the sale of the aggregate as part of a bill and hold arrangement. At that time, control is transferred to the customer as the reason for the bill and hold arrangement is substantive, the Corporation cannot sell the aggregate to another customer, the aggregate can be identified separately and is ready for physical transfer to the customer. Revenue for the transportation of the aggregate is recognized as the performance obligation is satisfied when the aggregate is delivered to the customer.

Management services revenue, net of royalties
The Corporation recognizes revenue for various management services, including project work and the sale of aggregate from public pits. Until Q2 2019, the Corporation managed the Susan Lake aggregate pit, and in Q1 2020 the Corporation began managing the Coffey Lake aggregate pit, where a management fee is earned based on the volume extracted from the pit. The Corporation transfers control to the customer and recognizes revenue at the point in time where the aggregate material leaves the pit.

For general contractor services on certain projects, the Corporation recognizes revenue as the performance obligation is satisfied as the services are performed.

Contract costs
Any incremental costs of obtaining a contract, such as sales commissions and costs of fulfilling a contract, such as permitting and development costs, are capitalized as a contract cost on the statement of financial position, as long as the Corporation expects to recover those costs, the costs relate directly to the contract, and they enhance resources of the Corporation that will be used to satisfy performance obligations under the contract in the future. Any costs to obtain a contract that would have been incurred whether or not the contract was obtained are expensed through the statement of loss and comprehensive loss. Any contract costs capitalized are amortized over the contract term. An impairment loss is recognized when the carrying amount of the contract costs exceeds the remaining amount of consideration that the Corporation expects to receive under the contract less the direct costs associated with transferring control of the aggregate to the customer. These impairment losses are recognized through the statement of loss and comprehensive loss, along with any reversals of previous impairment losses.

Note 3 - Significant Accounting Policies – continued

p) Segmented Reporting

The Corporation has three reportable segments:

a) AMI Aggregates: The Corporation produces and sells aggregate out of its Corporate pits, manages the Coffey Lake aggregate pit on behalf of the Government of Alberta for which aggregate management services revenue are earned, and manages other contract work for customers.

b) AMI RockChain: The Corporation sells third-party aggregate using the RockChain™ digital platform to provide integrated supply and transportation solutions for industrial and construction markets. TerraShift is a newly acquired entity within the AMI RockChain division. It offers technology-based applications that support resource exploration and development, environmental and regulatory planning, resource management, compliance reporting, and reclamation for a customer base across Western Canada and Ontario.

c) AMI Silica: The Corporation owns a 100% interest in the Firebag silica sand project. As at December 31, 2020, the Corporation owned a 49.2% interest and a 49.6% interest in the private Alberta corporations that own the Montney In-Basin Project and the Duvernay Project, respectively. Refer to Note 27 for discussion of acquisition of control subsequent to year end. The Corporation aims to delineate and develop the resource and produce and sell domestic premium silica sand in Western Canada through its wholly owned subsidiary, AMI Silica.

The Corporation's operating segments are components that engage in business activities and earn revenues and/or incur expenses for which there is discrete financial information available that is regularly reviewed by management to make resource allocation decisions and assess the segment's performance.

The Corporation aggregates reportable segments with similar economic characteristics. Reportable segments are determined based on the corporate structure and operations. Corporate is disclosed for reconciliation purposes only.

q) Investment in Associates

The Corporation accounts for investments in associates with significant influence using the equity method.

r) Loss Per Common Share

Basic loss per common share is calculated by dividing the net loss for the period by the weighted average number of common shares outstanding during the financial reporting period.

Diluted loss per share is calculated by adjusting the weighted average number of shares for the dilutive effect of options and warrants. The computation of diluted income per share assumes the conversion, exercise or contingent issuance of securities only when such conversion would have a dilutive effect on income. It is assumed that outstanding options, warrants, and similar items are exercised or converted into shares and that the proceeds that would be realized upon such exercise or conversion are used to purchase common shares at the average market price per share during the relevant period.

Note 3 - Significant Accounting Policies – continued

s) Financial Instruments

Fair Value

When measuring fair values of financial assets and liabilities, the fair values are grouped into three levels of a hierarchy based on the observability of significant inputs used in making the measurements, as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation can assess at the measurement date;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly as prices or indirectly derived from prices; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

Initial recognition and measurement

The Corporation initially recognizes a financial instrument when it has become party to the contractual provisions of the financial instrument. Financial instruments are initially measured at fair value plus or minus directly attributable transaction costs to acquire or issue the instrument.

Classification and subsequent measurement

Financial assets:

The Corporation classifies its financial assets as either measured at 1) amortized cost using the effective interest method 2) fair value through other comprehensive income or 3) fair value through profit or loss. Classification is based on the Corporation's business model for managing financial assets, which is to hold the financial asset to collect contractual cash flows, and the contractual cash flows of the asset, which are solely payments of principal and interest.

Derivative financial instruments, such as share purchase options, are initially measured at fair value less directly attributable transaction costs and are classified as either fair value through profit or loss or fair value through other comprehensive income based on the Corporation's business model for managing financial assets and the contractual cash flow characteristics of the derivative.

Financial liabilities:

The Corporation classifies and measures its financial liabilities at amortized cost.

Derecognition

Financial assets are derecognized when the contractual rights to the cash flows expire or the financial asset is transferred to another entity and the Corporation is no longer entitled to the contractual cash flows or has an obligation to pay the cash flows to another party.

The Corporation writes-off a financial asset when the party to the financial asset has defaulted on their obligations to the Corporation. Default is when there is no longer a reasonable expectation of recovering the asset, which is subject to management judgement, but is typically when either one or a combination of the following events have occurred:

- The party to the financial asset is continuously unresponsive to management's collection efforts,
- The Corporation has placed a lien on the customer's project, and/or
- The Corporation has commenced legal action against the customer.

Financial liabilities are derecognized when the liability is discharged, canceled, or expired.

Note 3 - Significant Accounting Policies – continued

Impairment for trade receivables

The loss allowance for trade receivables without a significant financing component classified at amortized cost are measured using the simplified approach and records a loss allowance as the lifetime expected credit losses. Under the simplified approach, expected credit losses are measured using a present value and probability-weighted model that considers all reasonable and supportable information available without undue cost or effort along with the information available concerning past defaults, current conditions and forecasts at the reporting date. Impairment losses are presented as a decrease in accounts receivable and an expense through the statement of loss and comprehensive loss as impairment loss on trade receivables. If in a subsequent period the estimated credit loss decreases, the previously recognized impairment loss will be reversed through the consolidated statement of loss and comprehensive loss.

t) Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method, using the adopted amendments to IFRS 3 definition of a business. The cost of the business combination is measured as the aggregate of the consideration transferred, measured at the acquisition date at fair value. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, "Business Combinations" are recognized at their fair values at the acquisition date. Acquisition costs incurred are expensed in the period in which they are incurred except for costs related to shares issued in conjunction with the business combination.

Goodwill is initially measured at the excess of the fair value of consideration transferred less the fair value of the net identifiable assets acquired and liabilities assumed. If this amount is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the consolidated statement of loss and comprehensive loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized but is subject to an annual impairment test. Goodwill impairment is evaluated annually or more frequently, if events or changes in circumstances indicate that the asset might be impaired.

u) Government Assistance

Government grants related to income are accounted for as a deduction in reporting the related expense, and are recognized in the period in which the grant becomes receivable. Government loans with forgiveness options are treated as government grants in the period in which there is reasonable assurance that the forgiveness terms of the loans will be met.

Recent Accounting Pronouncements

v) Standards Issued but not yet Effective

Each year new standards and interpretations are issued, but not yet effective, for the Corporation's current financial statements. When the new standards are reasonably expected to have an impact, the Corporation discloses the potential impact that these new standards may have on its disclosures, financial position or performance when applied at a future date. The Corporation intends to adopt these standards when they become effective.

Of the standards and interpretations that are issued, but not yet effective, none of them are expected to have any significant impact on the Corporation's financial statements in the near future.

Note 4 – Acquisition of TerraShift

On June 30, 2020, the Corporation announced that it had acquired the shares and assets of TerraShift; a privately-owned company based in Edmonton, Alberta with proprietary technology (TerraMaps) that focuses on resource data, search intelligence and geospatial software that will further strengthen the functionality and capabilities of the Corporation's proprietary RockChain™ digital platform. The TerraShift team also brings technical services with highly efficient methods and streamlined approaches for resource exploration and development, environmental and regulatory planning, resource management, compliance reporting, and reclamation that benefits a customer base across Western Canada and Ontario.

AMI RockChain acquired 100% of the common shares of TerraShift from its two shareholders. Payment to the shareholders for the acquisition of TerraShift is comprised of three types of payments:

Initial payment: $25,000 cash and $75,013 in AMI common shares paid on June 30, 2020

Trailing payments: Additional payments of $75,000 in AMI common shares on each of June 30, 2021 and June 30, 2022

Performance payout: Additional payments of 50% of TerraShift earnings before interest, taxes, depreciation and amortization ("EBITDA") higher than an agreed upon amount for each of the first and second year of operations post-closing. If the EBITDA targets are exceeded, these performance payments can be paid by the Corporation in cash or AMI common shares.

The trailing payments and performance payout are both contingent on the two former TerraShift shareholders remaining employed by the Corporation, and as such, under IFRS 3, they are considered part of employee remuneration. As a result of the trailing payments and performance payout being excluded from the TerraShift purchase price, AMI RockChain recorded a gain on acquisition. AMI RockChain will accrue an estimate for each of these employee bonuses on a quarterly basis going forward and expense the amounts in the consolidated statement of loss and comprehensive loss.

Management's estimate of the fair value of the purchase price for the acquired assets and liabilities assumed is as follows:

	Notes		Total
Purchase price consideration			
AMI common shares (542,002 common shares @ $0.1384 per share)	**19**	$	75,013
Cash			25,000
Total purchase price		**$**	**100,013**

Note 4 – Acquisition of TerraShift – continued

The purchase price allocation to the following identifiable assets and liabilities is based on their estimated fair values as at June 30, 2020:

	Notes		Total
Purchase price allocation			
Cash		$	151,832
Trade and other receivables			30,178
Property and equipment	**10**		7,741
Intangible assets - customer relationships and software	**12**		143,447
Accounts payable and accrued liabilities			(35,693)
Income taxes payable			(14,436)
Bank loan ("CEBA" loan)	**15**		(40,000)
Total net assets acquired		**$**	**243,069**
Total purchase price			100,013
Gain on acquisition of TerraShift		**$**	**143,056**

The trade and other receivables had a gross contractual amount of $106,050, of which $75,872 was not expected to be collected as at the time of acquisition.

The intangible assets acquired represent anticipated future cash flows related to existing customer relationships and software developed by TerraShift. It is estimated that these intangible assets will generate cash flows for a period of one year for the customer relationships and five years for the software. The software is being amortized on a straight-line basis over the estimated useful life, and the customer relationships are being amortized as revenue is earned on key customer accounts.

Included in the consolidated statement of loss and comprehensive loss are revenue of $267,302 and after-tax profit of $102,604 derived from TerraShift's operations subsequent to the acquisition. Based on unaudited financial information available, management estimates that had the acquisition occurred on January 1, 2020, the Corporation would have reported revenue of $2,079,219 and a loss of $3,489,582 in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2020.

Note 5 – Accounts Receivable

Trade and other receivables are non-interest bearing and are carried at amortized cost, and impaired using the simplified approach which provides for potential losses using a matrix based on historical observed default rates. These provisions are known as lifetime expected credit losses.

During the year ended December 31, 2020, the estimated credit loss amounted to $262 (2019: $262).

Note 6 – Inventory

Inventory with a production cost of $1,153,991 (2019: $1,302,435) was sold and is included in operating costs for the year ended December 31, 2020.

Due to a lack of sales at current marketed prices, the Corporation recognized a write-down of $265,876 (2019: $nil) included in operating costs, based on an updated estimate of net realizable value of unprocessed gravel and crushed gravel. During the year ended December 31, 2020, the Corporation recognized a stockpile loss of $nil (2019: $26,052) included in operating costs.

The inventory balance of $846,599 (2019: $1,112,475) consists of $264,180 of unprocessed gravel and $582,419 of crushed gravel (2019: $264,180 of unprocessed gravel and $848,295 of crushed gravel).

Note 7 – Long-term Deposits

	Notes	As at December 31, 2020	December 31, 2019
Security deposits on gravel leases		**$ 629,188**	$ 665,188
Security deposits on miscellaneous leases		**106,520**	106,520
Security deposits on exploration leases		**33,370**	31,580
		$ 769,078	$ 803,288

Note 8 – Restricted Cash

	Notes	As at December 31, 2020	December 31, 2019
Funds on deposit			
Poplar Creek site		**$ -**	$ 300,000
House River pit		**-**	56,406
Guaranteed investment certificates for letters of credit			
Susan Lake pit		**230,705**	228,540
Poplar Creek Site, storage yard		**180,000**	183,600
Emerson pit		**75,240**	76,004
Coffey Lake reclamation		**296,520**	296,520
Coffey Lake indusrial miscellaneous lease		**74,130**	-
Coffey Lake performance bond		**100,000**	500,000
Coffey Lake right of way		**100,000**	100,000
Credit card facility		**20,000**	20,400
		$ 1,076,595	$ 1,761,470

In prior years, the Corporation placed funds on deposit to be applied toward the costs of reclamation for the Poplar Creek site and the House River pit, based on contractual obligations which expired in 2020. The restricted cash balance as at December 31, 2020 is $nil (December 31, 2019: $356,406).

The Corporation has secured its letters of credit to the benefit of the Government of Alberta for decommissioning and restoration with guaranteed investment certificates as at December 31, 2020 in the amount of $1,056,595 (December 31, 2019: $1,384,664). This amount includes $896,520 put in place in December 2019 as well as $74,130 put in place in March 2020 towards the new Coffey Lake public pit, net of a $400,000 reduction in the required Coffey Lake performance bond in the third quarter of 2020. See Note 17 for additional information regarding the reclamation liability set up for the Coffey Lake public pit.

Note 9 – Contract Costs

	Notes	As at December 31, 2020	December 31, 2019
		Costs to obtain contract	Costs to obtain contract
Coffey Lake public pit		**$ 1,433,565**	$ 392,879
Duvernay Sand Project off-take agreement		**1,000,735**	-
		$ 2,434,300	$ 392,879

Coffey Lake

The Coffey Lake contract was awarded to the Corporation on February 21, 2019 and the site began operations on March 21, 2020. It is a 15-year contract with the Government of Alberta to construct, operate and manage the Coffey Lake public pit north of Fort McMurray, Alberta. The Coffey Lake contract costs were spent to enable the Corporation to prepare the site for operations. These costs are expected to be recovered through the receipt of fixed volume-based pit management fees from customers, net of Government of Alberta royalties.

During the year ended December 31, 2020, the Corporation spent $1,045,633 on the Coffey Lake contract costs (December 31, 2019: $392,879).

The Coffey Lake contract costs will be amortized based on actual volume sales as a proportion of the estimated economically recoverable resource (units of production method). For the year ended December 31, 2020, the Corporation recorded amortization of $4,947 on the Coffey Lake contract costs (December 31, 2019: $nil).

Duvernay Project Off-take Agreement

The Corporation signed an off-take agreement with Shell Canada Energy for silica sand from the Duvernay site in the first quarter of 2020. The off-take agreement, which includes certain take-or-pay provisions, carries a five-year term with two mutually acceptable and separate one-year extensions beginning on the later of mid-2021 or 30 days after the Duvernay facility has been commissioned. The off-take agreement allows Shell to procure a minimum volume over five years or up to an annual maximum of silica sand that represents the majority of the Duvernay site's stated capacity.

The Corporation incurred costs of $1,000,735 in the year ended December 31, 2020 (December 31, 2019: $nil) to secure the Duvernay off-take agreement. These costs include $500,000 in AMI's common shares issued to the Corporation's advisors as well as cash payments of $500,735.

The contract costs will be amortized over the life of the Duvernay Project based on actual volume sales as a proportion of the estimated economically recoverable resources (units of production method).

Note 10 – Property and Equipment

	Stockpile pad	Equipment	On-site buildings	Scales and scale houses	Total
Cost:					
December 31, 2018	**$ 262,104**	**$ 4,405,103**	**$ 275,593**	**$ 579,577**	**$ 5,522,377**
Additions	-	51,372	-	-	51,372
Disposals	-	(23,885)	(80,492)	(52,386)	(156,763)
Impairment	-	(32,991)	-	(3,303)	(36,294)
December 31, 2019	**$ 262,104**	**$ 4,399,599**	**$ 195,101**	**$ 523,888**	**$ 5,380,692**
Additions	-	15,740	-	-	15,740
Disposals	-	-	-	-	-
December 31, 2020	**$ 262,104**	**$ 4,415,339**	**$ 195,101**	**$ 523,888**	**$ 5,396,432**
Accumulated Depreciation:					
December 31, 2018	$ 178,951	$ 3,314,983	$ 264,349	$ 470,873	**$ 4,229,156**
Additions	52,421	237,266	3,037	30,119	322,843
Disposals	-	(20,735)	(80,492)	(52,386)	(153,613)
December 31, 2019	**$ 231,372**	**$ 3,531,514**	**$ 186,894**	**$ 448,606**	**$ 4,398,386**
Additions	30,732	204,057	2,847	21,310	258,946
Disposals	-	-	-	-	-
December 31, 2020	**$ 262,104**	**$ 3,735,571**	**$ 189,741**	**$ 469,916**	**$ 4,657,332**
Net book value:					
December 31, 2018	$ 83,153	$ 1,090,120	$ 11,244	$ 108,704	$ 1,293,221
December 31, 2019	$ 30,732	$ 868,085	$ 8,207	$ 75,282	$ 982,306
December 31, 2020	**$ -**	**$ 679,768**	**$ 5,360**	**$ 53,972**	**$ 739,100**

Depreciation expense for the following periods:

		Total
Year ended December 31, 2019 depreciation to statement of loss and comprehensive loss		$ 301,550
Year ended December 31, 2019 depreciation to repayment of environmental rehabilitation ol	Note 17	$ 21,293
Year ended December 31, 2020 depreciation to statement of loss and comprehensive loss		**$ 258,946**
Year ended December 31, 2020 depreciation to repayment of environmental rehabilitation (	**Note 17**	**$ -**

During the year ended December 31, 2020, management recorded no impairment loss on assets and identified no indicators of impairment.

During the year ended December 31, 2019, management identified specific property and equipment assets being carried at an amount above the assets' recoverable amount, resulting in the recognition of an impairment loss of $36,294 included in other operating expenses. This includes a provision for damage and vandalism on equipment at the Corporation's corporate owned pits of $25,000. An impairment of $11,294 was taken in the second quarter of 2019 on 10 pieces of small equipment that were stolen during the period.

Note 11 – Right-of-use Assets

	Notes	Truck lease asset	Calgary office lease asset	Edmonton office lease asset	Xerox Photocopier lease asset	Total
Cost:						
December 31, 2018, as previously stated		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Adjustment on initial application of IFRS 16		$ 73,823	$ -	$ -	$ -	$ 73,823
Adjusted balance as at January 1, 2019		**$ 73,823**	**$ -**	**$ -**	**$ -**	**$ 73,823**
Additions		-	-	168,613	15,116	$ 183,729
Disposals		-	-	-	-	$ -
December 31, 2019		**$ 73,823**	**$ -**	**$ 168,613**	**$ 15,116**	**$ 257,552**
Additions		-	204,854	-	-	$ 204,854
Disposals		-	-	-	-	$ -
December 31, 2020		**$ 73,823**	**$ 204,854**	**$ 168,613**	**$ 15,116**	**$ 462,406**
Accumulated Depreciation:						
December 31, 2018, as previously stated		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Adjustment on initial application of IFRS 16		$ 42,609	$ -	$ -	$ -	$ 42,609
Adjusted balance as at January 1, 2019		**$ 42,609**	**$ -**	**$ -**	**$ -**	**$ 42,609**
Additions		12,286	-	26,099	1,144	$ 39,529
Disposals		-	-	-	-	$ -
December 31, 2019		**$ 54,895**	**$ -**	**$ 26,099**	**$ 1,144**	**$ 82,138**
Additions		933	56,811	68,534	3,023	$ 129,301
Disposals		-	-	-	-	$ -
December 31, 2020		**$ 55,828**	**$ 56,811**	**$ 94,633**	**$ 4,167**	**$ 211,439**
Net book value:						
December 31, 2019		**$ 18,928**	**$ -**	**$ 142,514**	**$ 13,972**	**$ 175,414**
December 31, 2020		**$ 17,995**	**$ 148,043**	**$ 73,980**	**$ 10,949**	**$ 250,967**

The right-of-use asset amount added upon the application of IFRS 16 on January 1, 2019 with a cost of $73,823 and accumulated depreciation of $42,609 for a net book value of $31,214 was for an asset that was not previously included in property and equipment as it was previously treated as an operating lease commitment.

The Corporation acquired one new right-of-use asset for the new Calgary office lease during the year ended December 31, 2020. This asset also includes a lease obligation of $204,854 (see Note 16).

During the year ended December 31, 2019, the Corporation acquired two new right-of-use assets for a combined cost of $183,729. These assets also included a lease obligation of $171,728 (see Note 16). The difference of $12,000 relates to the deposit paid by the Corporation upon signing the office lease in Edmonton.

These right-of-use assets are being depreciated over the expected life of each asset in accordance with the Corporation's accounting policies under the accounting standard, IFRS 16, which was adopted on January 1, 2019.

Note 12 – Intangible Assets

	Notes	Customer Relationships	Software	Total
Cost:				
December 31, 2018		**$ -**	**$ -**	**$ -**
Additions		-	-	$ -
Disposals		-	-	$ -
December 31, 2019		**$ -**	**$ -**	**$ -**
Additions	**4**	83,635	59,812	$ 143,447
Disposals		-	-	$ -
December 31, 2020		**$ 83,635**	**$ 59,812**	**$ 143,447**
Accumulated Depreciation:				
December 31, 2018		**$ -**	**$ -**	**$ -**
Additions		-	-	$ -
Disposals		-	-	$ -
December 31, 2019		**$ -**	**$ -**	**$ -**
Additions	**4**	50,190	8,334	$ 58,524
Disposals		-	-	$ -
December 31, 2020		**$ 50,190**	**$ 8,334**	**$ 58,524**
Net book value:				
December 31, 2019		**$ -**	**$ -**	**$ -**
December 31, 2020		**$ 33,445**	**$ 51,478**	**$ 84,923**

During the year ended December 31, 2020, management acquired $143,447 in new intangible assets (2019 - $nil). The additions in 2020 were all part of the TerraShift acquisition described in Note 4, and the intangible assets are being amortized over the expected life of each asset as described in Note 3.

During the years ended December 31, 2020 and December 31, 2019, management recorded no impairment loss on intangible assets, did not identify indicators of impairment, and did not sell or dispose of any intangible assets.

Note 13 – Resource Properties

	As at December 31, 2020	As at December 31, 2019
Exploration costs	**$ 1,282,072**	$ 1,385,917
Pit development costs	**3,100,249**	3,099,423
Environmental rehabilitation obligation assets	**1,598,535**	1,522,064
Other costs	**269,914**	281,032
	$ 6,250,770	$ 6,288,436

Exploration and Pit Development Costs

The exploration and pit development costs were incurred across the Corporation's various operations and development projects which are primarily located in the Fort McMurray area of Northern Alberta.

The following table summarizes what comprises exploration costs:

	Richardson	Hinton	Steepbank	All Other Projects	Total
Cumulative Exploration Cost at December 31, 2018	$ 1,090,906	$ 95,117	$ 105,476	$ 38,130	$ 1,329,629
Spending	39,515	16,773	-	-	56,288
Cumulative Exploration Costs at December 31, 2019	**$ 1,130,421**	**$ 111,890**	**$ 105,476**	**$ 38,130**	**$ 1,385,917**
Spending	-	-	350	1,631	1,981
Write down of exploration costs	-	-	(105,826)	-	(105,826)
Cumulative Exploration Costs at December 31, 2020	**$ 1,130,421**	**$ 111,890**	**$ -**	**$ 39,761**	**$ 1,282,072**

In the year ended December 31, 2020, the Steepbank project was canceled, and management wrote down the carrying value of the associated cumulative exploration costs to $nil, resulting in the recognition of an impairment loss of $105,826 (2019: $nil) included in other operating expenses.

The following table summarizes what comprises pit development costs:

	Firebag	Kearl	Logan	House River	Pelican Hill	Emerson	Lynton	Total
Cumulative Pit Development Costs at December 31, 2018	$ 1,141,355	$ 1,042,534	$ 490,055	$ 175,266	$ 230,357	$ 491	$ 44	$ 3,080,102
Additions	-	-	-	-	19,321	-	-	19,321
Cumulative Pit Development Costs at December 31, 2019	**$ 1,141,355**	**$ 1,042,534**	**$ 490,055**	**$ 175,266**	**$ 249,678**	**$ 491**	**$ 44**	**$ 3,099,423**
Additions	-	-	266	-	560	-	-	826
Cumulative Pit Development Costs at December 31, 2020	**$ 1,141,355**	**$ 1,042,534**	**$ 490,321**	**$ 175,266**	**$ 250,238**	**$ 491**	**$ 44**	**$ 3,100,249**

Note 13 – Resource Properties – continued

Environmental Rehabilitation Obligations (ERO) Asset

The following summarizes what comprises the environmental rehabilitation obligations asset:

		As at	
	Notes	December 31, 2020	December 31, 2019
Opening Balance, ERO asset		**$ 1,522,064**	$ 1,510,483
Change in estimate recognized in ERO asset		**(84,884)**	14,566
Amortization of ERO asset	**24**	**(25,557)**	(12,562)
Change in discount rate affecting ERO asset		**186,912**	9,577
Closing Balance, ERO Asset		**$ 1,598,535**	$ 1,522,064

The environmental rehabilitation obligations assets pertain to resource properties where the Corporation has the legal and constructive obligation to complete decommissioning, reclamation, and restoration costs on the property as discussed in Note 17.

Other Costs

As at December 31, 2020, other costs within resource properties include $269,914 for miscellaneous lease costs and deposits on land (December 31, 2019: $281,032). Amortization of the lease costs in the year ended December 31, 2020 was $11,118 (December 31, 2019: $11,118).

Note 14 – Investments in Associates

Duvernay Project

On January 25, 2019, the Corporation purchased a 16.2% ownership interest in a private Alberta corporation that owns the Duvernay Project in Alberta in exchange for $280,000 cash consideration and 420,000 common shares of the Corporation at a value of $0.25 per common share for a total purchase price of $385,000.

On April 30, 2019, the Corporation exercised its option ("Option #1") to purchase an additional 33.4% of the shares in a private Alberta corporation that holds the Duvernay Project for $742,000 of cash consideration and the issuance of 1,680,000 common shares of the Corporation at a value of $0.61 per common share for a total purchase price of $1,766,800. This increased the Corporation's ownership interest to 49.6%. This interest is accounted for using the equity method. Refer to Note 27 for discussion of acquisition of control subsequent to year end.

Montney In-Basin Project

On December 14, 2018, the Corporation purchased a 49.2% ownership interest in a private Alberta corporation that owns the Montney In-Basin Project located in the vicinity of Dawson Creek and Fort St. John in exchange for $1,498,000 cash consideration and 1,186,956 common shares of the Corporation at a value of $0.23 per common share for a total purchase price of $1,771,000. This interest is accounted for using the equity method. Refer to Note 27 for discussion of acquisition of control subsequent to year end.

Note 14 – Investments in Associates – continued

The following table summarizes the investments in associates:

	As at					
	December 31, 2020			December 31, 2019		
	Montney in-basin project	Duvernay project	Total	Montney in-basin project	Duvernay project	Total
Investment in associate, beginning of year	$ 1,585,337	2,048,090	**3,633,427**	1,646,151	-	**1,646,151**
Additions:						
Cash consideration for original purchase	-	-	-	-	280,000	**280,000**
Share consideration for original purchase	-	-	-	-	105,000	**105,000**
Cash consideration for option exercised	-	-	-	-	742,000	**742,000**
Share consideration for option exercised	-	-	-	-	1,024,800	**1,024,800**
	1,585,337	2,048,090	**3,633,427**	1,646,151	2,151,800	**3,797,951**
Purchase price allocated to share purchase options on transaction date	-	-	-	-	(59,641)	**(59,641)**
	1,585,337	2,048,090	**3,633,427**	1,646,151	2,092,159	**3,738,310**
Corporation's ownership interest	49.2%	49.6%		49.2%	49.6%	
Corporation's share of associate's net loss for the year	(16,580)	(92,556)	**(109,136)**	(60,814)	(44,069)	**(104,883)**
Investments in associates, end of year	$ 1,568,757	1,955,534	**3,524,291**	1,585,337	2,048,090	**3,633,427**

Note 15 – Bank Loans and Credit Facility

CWB Credit Facility

On July 4, 2018, the Corporation entered into a credit facility with Canadian Western Bank ("CWB") which included a letter of credit facility for up to $1,351,760 and a credit card facility for up to $20,000. Each letter of credit costs the Corporation an annual fee of 1.50%. On December 9, 2019, the letter of credit facility was increased to a maximum available amount of $1,458,240.

Security under the CWB facility is a general security agreement providing a first security interest in all present and after acquired property to be registered in all appropriate jurisdictions with specific registrations against guaranteed investment certificate instruments pledged as collateral.

As at December 31, 2020, the Corporation is not subject to any covenants as part of the current credit facility.

CWB Bank Loan

On January 28, 2020, the Corporation amended the credit facility with CWB to add a bank loan for $1,500,000 to fund the development of the Coffey Lake public pit, repayable upon demand.

Provided full repayment of the bank loan is not demanded by CWB, the term of the loan is thirty-nine months with thirty-three monthly loan payments of $49,022 starting in August 2020, after six months of interest only payments. The bank loan was originally for 3 years, but CWB added three months of interest only payments from May 2020 to July 2020 and extended the term of the loan by three months due to the economic uncertainty in Alberta and around the world due to the COVID-19 pandemic. The interest rate on the bank loan is 5.4%. Interest paid from February 2020 to December 2020 totaling $72,644 has been expensed as finance costs (See Note 24). Blended loan payments started in August 2020 and the Corporation has paid down principal of $213,076 on the bank loan in the year ended December 31, 2020.

The security for the bank loan is part of the same general security agreement that was put in place when the credit facility with CWB was established in July 2018. The bank loan is also guaranteed by the Corporation's subsidiaries, AMI RockChain and AMI Silica. There are no new financial covenants added to the credit facility as a result of this new bank loan.

Note 15 – Bank Loans and Credit Facility – continued

Canada Emergency Business Account ("CEBA") Loans

In April 2020, the Corporation received two $40,000 loans from the Government of Canada through the Canadian Western Bank. These loans were made available to companies that have been negatively impacted by the COVID-19 pandemic and met certain other criteria. AMI RockChain and AMI Silica each received a CEBA loan. In December 2020, the Corporation applied for loan increases to $60,000, one of which was received by December 31, 2020 and the other was received on January 5, 2021.

Additionally, TerraShift received a CEBA loan via the Alberta Treasury Branch ("ATB"), which is now part of the Corporation's liabilities as a result of the acquisition on June 30, 2020. In December 2020, the Corporation applied for a loan increase to $60,000, which was received on March 9, 2021.

The CEBA loans are interest free and are to be repaid before December 31, 2022 and the Government of Canada will forgive 25% of the initial loan amount, and 50% of subsequent increases, if repaid on time.

				As at	
	Interest Rate		Monthly Payments	December 31, 2020	December 31, 2019
Canada Emergency Business Account (AMI RockChain)	0.00%	$	-	$ 40,000	$ -
Canada Emergency Business Account (AMI Silica)	0.00%	$	-	60,000	-
Canada Emergency Business Account (TerraShift)	0.00%	$	-	40,000	-
CWB Bank Loan Facility, due April 30, 2023	5.40%	$	49,022	1,286,924	-
				1,426,924	-
Current portion - principal due within one year				(531,873)	-
Demand portion - principal callable within one year				(755,051)	-
				$ 140,000	$ -

Future minimum bank loan payments for the subsequent five years is as follows:

January 1, 2021 to December 31, 2021	$ 588,262
January 1, 2022 to December 31, 2022	728,262
January 1, 2023 to December 31, 2023	195,888
January 1, 2024 to December 31, 2024	-
January 1, 2025 to December 31, 2025	-
	1,512,412
Less: interest included in payments above	(85,488)
Bank loan principal outstanding, December 31, 2020	$ 1,426,924

Letter of Guarantee Facility

As at December 31, 2020, the Corporation has issued letters of credit in the amounts of $956,595 (2019: $1,284,664) in favour of the Government of Alberta. The Corporation has also issued a letter of credit to Imperial Oil for $100,000 for a right of way at the Coffey Lake site (2019: $100,000). These letters of credit are secured by guaranteed investment certificates (See Note 8).

In the third quarter of 2020, the Corporation secured a $500,000 bonding facility through Trisura Guarantee Insurance Company ("Trisura") to be held with the Government of Alberta in place of the $500,000 that AMI held as restricted cash previously for the Coffey Lake Performance Bond. The $500,000 bond with Trisura carries a 2% annual interest rate. Security for the bond is based on the appraised value of private lands included in exploration costs and a $100,000 letter of credit to be held as security for Trisura. This resulted in a reclassification of $400,000 from restricted to unrestricted cash.

Note 15 – Bank Loans and Credit Facility – continued

The letters of commercial credit to the benefit of the Government of Alberta for reclamation, decommissioning and restoration are as follows:

	Notes	As at December 31, 2020		As at December 31, 2019
Susan Lake pit		$ 230,705		$ 228,540
Poplar Creek Site, storage yard		180,000		180,000
Emerson pit		75,240		75,240
Coffey Lake reclamation		296,520		296,520
Coffey Lake industrial miscellaneous lease		74,130		-
Coffey Lake performance bond		100,000		500,000
		$ 956,595		$ 1,280,300

Credit Card Facility

The Corporation has access to a corporate credit card facility, up to a maximum of $20,000 (December 31, 2019: $20,000). The Corporation has secured its corporate credit card facility with a guaranteed investment certificate of $20,000 (See Note 8).

Additionally, as part of the TerraShift acquisition, the Corporation added a $15,000 credit card with ATB. There are no covenants or security required as part of this credit card agreement.

Note 16 – Lease Obligations

Finance Leases	Interest Rate	Monthly / Quarterly * Instalments	As at December 31, 2020	As at December 31, 2019
EDF Trading LLC Calgary office lease, due December 31, 2022	3.680%	Variable	$ 138,645	$ -
VETS Group Ltd. Edmonton Office Lease, due Jan 31, 2022	3.680%	Variable	75,384	141,952
Xerox Photocopier Lease, due May 19, 2024	3.680%	816 *	10,821	13,623
Jim Peplinski Leasing, currently due	3.680%	1,230	13,311	24,315
			238,161	179,890
Current portion - principal due within one year			(159,640)	(93,685)
			$ 78,521	$ 86,205

Future minimum lease payments for the subsequent five years is as follows:

January 1, 2021 to December 31, 2021	$ 170,895
January 1, 2022 to December 31, 2022	75,269
January 1, 2023 to December 31, 2023	3,265
January 1, 2024 to December 31, 2024	1,798
January 1, 2025 to December 31, 2025	-
	251,227
Less: interest included in payments above	(13,066)
Lease obligations principal outstanding, December 31, 2020	**$ 238,161**

The Corporation agreed to lease obligations of $204,854 for the new Calgary office location in the first quarter of 2020. In the year ended December 31, 2019, the Corporation agreed to new lease obligations of $171,728 for the Edmonton office location and a photocopier.

Note 16 – Lease Obligations – continued

The following is a reconciliation of the change in lease obligations of the Corporation:

		Total
Lease obligations as at December 31, 2018	$	29,284
Adjustment on initial application of IFRS 16		37,974
Adjusted balance as at January 1, 2019	**$**	**67,258**
Addition of lease obligations		171,728
Total principal repayments		(59,096)
Lease obligations as at December 31, 2019	**$**	**179,890**
Addition of lease obligations		204,854
Total principal repayments		(146,583)

Note 17 – Environmental Rehabilitation Obligations ("ERO")

The following is a reconciliation of the environmental rehabilitation obligations of the Corporation:

		As at			
			December 31, 2020		December 31, 2019
Opening balance, ERO		$	**2,472,206**	$	4,258,139
Change in estimate recognized in ERO asset	13		**(84,884)**		14,566
Change in estimate recognized in other operating expenses	24		**(30,860)**		(1,477,011)
Change in discount rate recognized in ERO asset	13		**186,912**		9,577
Change in discount rate recognized in other operating expenses	24		**57,088**		4,685
Accretion expense	24		**44,041**		34,852
Spending on reclamation activities			**-**		(351,309)
Amortization allocated to reclamation spending			**-**		(21,293)
Closing Balance, ERO			**2,644,503**		2,472,206
Less: Current portion, EROs to be funded within one year			**-**		(16,693)
Closing Balance, ERO		**$**	**2,644,503**	$	2,455,513

Provisions for EROs are recognized for mining activities at the Corporate owned pits and the Coffey Lake public pit, as well as estimated costs related to AMI's final reclamation activities at the Susan Lake public pit. The Corporation assesses its provision for EROs on an annual basis or when new material information becomes available. The estimated undiscounted ERO as at December 31, 2020 is $2,992,522 (December 31, 2019: $2,947,973).

During the first quarter of 2020, the Corporation removed trees and performed groundwork at the new Coffey Lake public pit site. The ERO liability recorded for the initial disturbance in the first quarter of 2020 was $221,673. In the third quarter of 2020, an ERO liability for the new True North Hub stockpile site was recorded for $57,884. During the year ended December 31, 2019, the Corporation reduced the ERO liability by $1,462,445 as a result of receiving approval for the Susan Lake Closure Plan and executing a settlement agreement with Syncrude Canada Ltd. Refer to Note 24 for the impact on changes to ERO estimates on the Corporation's loss and comprehensive loss.

Total reclamation funded during the year ended December 31, 2020 was $nil (year ended December 31, 2019: $372,602). Reclamation work performed in 2019 primarily related to activities at Susan Lake as well as Poplar Creek.

Note 17 – Environmental Rehabilitation Obligations ("ERO") – continued

The discount rates used by the Corporation are based on the Government of Canada bond yields for periods comparable to the expected timing of reclamation activities at each site. These rates ranged from 0.23% to 1.36% as at December 31, 2020 (December 31, 2019: 1.69% to 1.76%) depending on the expected timing of reclamation activities. Discount rates and inflation rates both decreased in 2020 as compared to 2019. It is expected that reclamation activities for the owned and managed pits and stockpile sites, as well as Susan Lake, will occur between 2022 and 2036 considering the projected production schedules, the timing of reclamation activities included in the respective Conservation and Reclamation Business Plans, as well as the timing of expiration of the related surface materials lease for each property.

Accretion expense is the expense calculated when updating the present value of the ERO provision. This expense increases the liability based on estimated timing of reclamation activities and the discount rate used in the ERO calculations. The accretion expense amounts are included in other operating expenses on the statement of loss and comprehensive loss and are summarized in the respective table in Note 24.

Note 18 – Income Taxes

Deferred income tax at December 31, 2020 relates to the tax effects of temporary differences. They are summarized in the following table:

	As at	
	December 31, 2020	**December 31, 2019**
Deferred tax assets:		
Cumulative eligible capital	**$ 20,792**	$ 22,356
Share issuance costs and finance fees	**8,434**	7,023
Other	**39,036**	34,500
Environmental rehabilitation obligations	**528,904**	489,275
Non-capital loss carryforwards	**1,310,514**	816,098
Deferred tax assets	**1,907,680**	1,369,252
Deferred tax liabilities:		
Resource properties	**$ 1,311,579**	$ 1,303,478
Inventory	**32,806**	32,806
Property and equipment (net of lease obligations)	**3,406**	32,968
Contract costs	**559,889**	-
Deferred tax liabilities	**1,907,680**	1,369,252
Net deferred tax liability	**$ -**	$ -

Note 18 - Income Taxes – continued

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax.

The differences result from the following:

	Years ended December 31,	
	2020	2019
Loss before income taxes	$ (3,499,877)	$ (2,718,843)
Statutory Canadian combined corporate tax rate	24.0%	26.5%
Expected tax recovery	(839,970)	(720,493)
Decrease in income tax recovery resulting from:		
Non-taxable items	48,524	100,378
Tax rate changes, and rate differences	48,605	156,189
Deferred tax asset not recognized	764,206	461,691
Other	9,283	4,060
	$ 30,648	$ 1,825
Income tax expense is comprised of:		
Current tax expense	$ 30,648	$ 1,825
Deferred tax recovery	-	-
	$ 30,648	$ 1,825

The Corporation has non-capital tax loss carry forwards of $11,963,616 (2019: $6,611,799) that expire between 2037 and 2040.

Included in the amount above, available tax loss carry forwards of $6,265,730 (2019: $3,063,547) have not been recognized as it is not probable that there will be enough future taxable profits available against which the deferred tax asset can be applied.

Current tax expense and income taxes payable relate to TerraShift's taxable income.

Note 19 – Share Capital

The continuity of the Corporation's outstanding share capital is as follows:

		Year ended December 31, 2020		Year ended December 31, 2019	
	Notes	Number of Shares	Amount	Number of Shares	Amount
Authorized:					
An unlimited number of:					
Common voting shares with no par value					
Preferred shares, issuable in series					
Issued and outstanding, beginning of year		45,326,440	$ 16,734,732	40,240,606	$ 14,465,325
Shares issued in purchase of investment		-	-	2,100,000	1,129,800
Shares issued to secure Shell off-take agreement		2,130,380	500,000		
Shares issued in acquisition of TerraShift		542,002	75,013	-	-
Issuance of common share units in private placement		9,866,668	1,480,000	-	-
Shares issued to contractors/consultants/employees		1,194,663	172,628	-	-
Common share issuance costs		-	(20,151)	-	(2,877)
Warrants exercised		-	-	1,987,500	795,000
Stock options exercised		50,000	13,655	998,334	347,484
Issued and outstanding, end of year		59,110,153	$ 18,955,877	45,326,440	$ 16,734,732

Note 19 – Share Capital – continued

During the first quarter of 2020, the Corporation issued shares to two entities who helped secure the Shell off-take agreement for the Duvernay Project. The Corporation issued each entity 1,065,190 common voting shares worth $250,000 for a total issuance of shares of 2,130,380 valued at $500,000 (See Note 9). Additionally, the Corporation issued 542,002 common shares at a value of $75,013 as part of the acquisition of TerraShift on June 30, 2020 as described in Note 4.

On October 26, 2020, the Corporation announced a non-brokered private placement of $1,480,000 based on the issuance of 9,866,668 common shares at a price of $0.15 per Common Share. The Private Placement was anchored by JMAC Resources Ltd. ("JMAC") as lead investor, where Mr. Jon McCreary, CEO of JMAC, was also appointed to AMI's Board of Directors.

Under the Employee Share Purchase Plan (“ESP Plan”), the Corporation has paid various employees, contractors and consultants partially or in whole using common voting shares rather than cash for services provided. During the year ended December 31, 2020, the Corporation issued 1,194,663 common shares as payment of costs totalling $172,628 (year ended December 31, 2019: $nil). The ESP Plan provides for issuance of common shares to consultants, directors and employees to a maximum limit of 2% of the outstanding common shares. The ESP Plan was approved by shareholders at the Annual and Special Meeting in September 2020.

Stock options

The Corporation has issued options to Directors, Officers, employees, and consultants of the Corporation as incentives.

The continuity of the Corporation's outstanding stock options is as follows:

	Year ended December 31, 2020			Year ended December 31, 2019		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Options outstanding, beginning of year:	**2,680,000**	**$**	**0.35**	2,555,000	$	0.33
Issued	**1,673,800**		**0.16**	1,731,667		0.46
Exercised	**(50,000)**		**0.17**	(998,334)		0.22
Expired or cancelled	**(612,000)**		**0.42**	(608,333)		0.77
Options outstanding, end of period:	**3,691,800**	**$**	**0.25**	2,680,000	$	0.35

Of the 3,691,800 (December 31, 2019: 2,680,000) outstanding stock options, 2,230,666 (December 31, 2019: 1,241,666) options have vested and therefore, were exercisable as at December 31, 2020 at a weighted average exercise price of $0.30 per share (December 31, 2019: $0.27 per share).

During the year ended December 31, 2020, 50,000 options were exercised at an exercise price of $0.17 per share for total proceeds of $8,500. The share price on the day they were exercised was $0.31 per share. For the year ended December 31, 2019, 998,334 options were exercised at an average exercise price of $0.22 per share with an average share price on the days they were exercised of $0.48 per share.

The Corporation’s stock option plan provides that the Board of Directors may from time to time, in its discretion, grant to Directors, Officers, employees and consultants of the Corporation, or any subsidiary of the Corporation, the option to purchase common shares.

Note 19 – Share Capital – continued

The stock option plan provides for a floating maximum limit of 10% of the outstanding common shares, as permitted by the policies of the TSX Venture Exchange. Options may be exercisable for up to ten years from the date of grant, but the Board of Directors has the discretion to grant options that are exercisable for a shorter period. The outstanding stock option grants were issued with an exercisable period of five years from the date of grant. Options under the stock option plan are not transferable or assignable.

Pursuant to the stock option plan, options must be exercised within thirty days following termination of employment or cessation of the optionee's position with the Corporation, or such other period established by the Board of Directors, provided that if the cessation of office, directorship, consulting arrangement or employment was by reason of death or disability, the option may be exercised within one year, subject to the expiry date.

The Corporation's outstanding stock options are as follows:

		As at	
		December 31, 2020	December 31, 2019
Expiry Date	**Exercise Price**		
December 14, 2020	$ 0.30	-	50,000
January 13, 2022	0.24	**195,000**	195,000
April 30, 2023	0.17	-	65,000
June 4, 2023	0.17	**400,000**	400,000
September 13, 2023	0.30	**100,000**	100,000
November 23, 2023	0.26	**350,000**	380,000
January 9, 2024	0.28	**140,000**	225,000
May 21, 2024	0.57	-	75,000
May 22, 2024	0.57	**270,000**	315,000
June 24, 2024	0.65	**120,000**	120,000
August 20, 2024	0.64	**30,000**	190,000
December 6, 2024	0.33	**470,000**	520,000
December 19, 2024	0.28	**15,000**	45,000
April 16, 2025	0.17	**937,000**	-
November 25, 2025	0.14	**664,800**	-
		3,691,800	2,680,000

The weighted average remaining contractual life of the options outstanding is 3.66 years (December 31, 2019: 4.00 years).

Note 19 – Share Capital – continued

The fair value of the options granted was estimated on the dates of the grant using the Black-Scholes Option Pricing Model.

The fair values of the options granted in the last two years were estimated using the following assumptions:

Grant Date	# of Options	Exercise Price	Dividend Yield	Expected Volatility	Risk Free Rate of Return	Expected Life	Weighted Average Fair Value on Grant Date	Forfeiture Rate
November 25, 2020	664,800	$ 0.14	Nil	83.0%	0.45%	5 years	$ 0.09	19.6%
April 16, 2020	1,009,000	$ 0.17	Nil	82.2%	0.43%	5 years	$ 0.11	19.6%
December 19, 2019	45,000	$ 0.28	Nil	77.9%	1.66%	5 years	$ 0.18	19.2%
December 6, 2019	520,000	$ 0.33	Nil	77.0%	1.58%	5 years	$ 0.21	19.2%
August 20, 2019	220,000	$ 0.64	Nil	84.9%	1.19%	5 years	$ 0.43	18.8%
June 24, 2019	120,000	$ 0.65	Nil	79.6%	1.34%	5 years	$ 0.42	18.1%
May 22, 2019	476,667	$ 0.57	Nil	81.6%	1.61%	5 years	$ 0.37	17.7%
May 21, 2019	75,000	$ 0.57	Nil	85.1%	1.64%	5 years	$ 0.38	17.7%
January 9, 2019	275,000	$ 0.28	Nil	78.2%	1.90%	5 years	$ 0.18	17.3%

The expected volatility was determined using historical trading data for the Corporation for a period commensurate with the expected life of the options.

Warrants

	Year ended December 31, 2020		Year ended December 31, 2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of year:	**887,500**	**$ 0.35**	2,875,000	$ 0.35
Exercised	-	-	(1,987,500)	0.35
Expired or cancelled	(887,500)	-	-	-
Warrants outstanding, end of year:	**-**	**$ -**	887,500	$ 0.35

The fair value of the warrants issued were estimated on the dates of the grant using the Black-Scholes Option Pricing Model. The fair values of the warrants issued were estimated using the following assumptions:

Grant Date	# of Warrants	Exercise Price	Dividend Yield	Expected Volatility	Risk Free Rate of Return	Expected Life	Weighted Average Fair Value on Grant Date
November 21, 2018	2,875,000	$ 0.35	Nil	72.6%	2.23%	2 years	$ 0.08

Restricted Share Unit ("RSUs") and Deferred Share Units ("DSUs")

On April 4, 2019, the Corporation adopted Restricted Share Unit ("RSU") and Deferred Share Unit ("DSU") plans. No RSUs have been granted yet.

	Year ended December 31, 2020				Year ended December 31, 2019			
	Number of DSUs	Weighted Average Fair Value	Number of RSUs	Weighted Average Fair Value	Number of DSUs	Weighted Average Fair Value	Number of RSUs	Weighted Average Fair Value
Outstanding, beginning of year:	**1,329,000**	**$ 0.06**	**-**	**$ -**	-	$ -	-	$ -
Issued	243,000	0.17	-	-	1,449,000	0.06	-	-
Expired or cancelled	(345,000)	0.27	-	-	(120,000)	0.06	-	-
Outstanding, end of year:	**1,227,000**	**$ 0.15**	**-**	**$ -**	1,329,000	$ 0.06	-	$ -

Note 19 – Share Capital – continued

During the year ended December 31, 2020, 243,000 DSUs were granted to Directors, Officers, and employees of the Corporation (December 31, 2019: 1,449,000). DSUs vest one-third on the first, second, and third (annual) anniversary of the date of grant based on continued tenure of the participant.

Of the 1,227,000 (December 31, 2019: 1,329,000) outstanding DSUs, 328,000 (December 31, 2019: nil) DSUs have vested.

The fair value of the DSU liability of $187,313 (December 31, 2019: $77,521), which is based on the closing price of the Corporation's shares on the TSX Venture Exchange as of December 31, 2020 and an expected forfeiture rate of 18.18%, is included in accounts payable and accrued liabilities in the consolidated statements of financial position. Any change to the fair value of the liability is included in share-based compensation expense in the consolidated statements of loss and comprehensive loss.

The value of the vested DSUs are redeemable by the participant following resignation, retirement, or death. The fair value of the DSUs redeemed is equal to the market price of the Corporation’s shares and are payable in the form of cash, less applicable withholding taxes.

The stock option plan provides for a floating maximum limit of 10% of the outstanding common shares, as permitted by the policies of the TSX Venture Exchange. The ESP, RSU and DSU plans provides for a defined maximum limit each of 2% of the outstanding common shares, as permitted by the policies of the TSX Venture Exchange.

Share-based compensation expense is comprised of the following:

	Years ended December 31, 2020	2019
Stock options	$ **227,555**	$ 286,924
Deferred share units	**109,793**	77,521
Share-based compensation expense	$ **337,348**	$ 364,445

Share-based compensation expense in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2019 includes $67,320 to Directors, $198,766 to Officers, and $71,262 to employees (year ended December 31, 2019: $50,037 to Directors, $167,911 to Officers, and $146,497 to employees).

Net Loss and Diluted Loss Per Common Share

The treasury stock method is used to calculate diluted loss per share, and under this method options that are anti-dilutive are excluded from the calculation of diluted loss per share. For the years ended December 31, 2020 and December 31, 2019, all outstanding options and warrants were considered anti-dilutive because the Corporation recorded a loss over those years.

Note 19 – Share Capital – continued

	Years ended December 31, 2020	2019
Basic loss per share		
Total loss and comprehensive loss	**$ (3,530,525)**	$ (2,720,668)
Weighted average number of common shares outstanding	**49,657,351**	43,354,271
Total loss and comprehensive loss per common share, basic	**$ (0.071)**	$ (0.063)
Diluted loss per share		
Total loss and comprehensive loss	**$ (3,530,525)**	$ (2,720,668)
Weighted average number of common shares outstanding	**49,657,351**	43,354,271
Effect of dilutive stock options and warrants	**-**	-
Weighted average number of common shares outstanding after dilution	**49,657,351**	43,354,271
Total loss and comprehensive loss per common share, diluted	**$ (0.071)**	$ (0.063)

Note 20 – Related Party Transactions

The Corporation's related parties include five independent Directors, the Chief Executive Officer, the Chief Financial Officer, the Chief Operations Officer, AMI RockChain Inc., AMI Silica Inc., TerraShift Engineering Ltd., the private Alberta corporation that owns the Montney In-Basin Project, and the private Alberta corporation that owns the Duvernay Project.

Transactions with the private Alberta corporations were as follows:

	As at and for the year ended December 31, 2020			December 31, 2019		
	Montney in-basin project	Duvernay project	**Total**	Montney in-basin project	Duvernay project	**Total**
Amounts due from related entities	$ -	88,876	**$ 88,876**	$ -	-	**$ -**
Management services revenue from related entities	$ -	88,876	**$ 88,876**	$ -	-	**$ -**

The unpaid amounts due from related entities are unsecured and bear no interest. The remuneration earned by the Directors was as follows:

	Years ended December 31, 2020	2019
Directors:		
Directors fees	**$ 148,800**	$ 155,584
Travel and miscellaneous expenses	**701**	9,321
Share-based compensation	**67,320**	50,037
	$ 216,821	$ 214,942

Amounts due to related parties for Director and Officer fees and expenses as at December 31, 2020 was $4,800 (2019: $2,327). The Director's fees are paid on a quarterly basis, and historically have also included additional fees per meeting. In Q2 2020, the Director fee structure was revised going forward with cost improvements based on a flat-fee structure, without any further incremental meeting fees.

All related party transactions were in the normal course of operations and were measured at the amount of consideration established and agreed to by the related parties.

Note 21 – Compensation of Key Management

The remuneration paid to named Officers were as follows:

	Years ended December 31, 2020		Years ended December 31, 2019	
Salaries and other benefits including severance	$	622,779	$	621,788
Share-based compensation		198,766		167,911
	$	821,545	$	789,699

Note 22 – Financial Instruments

Classification

The Corporation's financial instruments consist of the following:

Financial statement item	Classification
Cash	Amortized cost
Trade and other receivables	Amortized cost
Amounts due from related entities	Amortized cost
Long-term deposits	Amortized cost
Restricted cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Bank loans	Amortized cost
Deferred share unit liability (included in Accounts payable and accrued liabilities)	Fair value through profit and loss

Share Purchase Options

The Corporation holds share purchase options to acquire the remaining interest in the private Alberta corporations that respectively own the Montney In-Basin Project and the Duvernay Project (Note 14). Both share purchase options were valued at $nil as at December 31, 2020 and December 31, 2019. Management notified the Corporation's shareholders of the decision to not exercise either of the share purchase options in January 2020. The Duvernay Project share purchase options expired unexercised on January 25, 2020, and the Montney In-Basin Project share purchase options were superseded by the acquisition of control subsequent to year end (Note 27).

Fair Value

Due to the short-term nature of cash, trade and other receivables, as well as accounts payable and accrued liabilities and amounts due from related entities, the carrying value of these financial instruments approximate their fair value.

The fair value of restricted cash approximates the carrying values as they are at the market rate of interest. Long-term deposits are refundable. The fair values of the long-term deposits are not materially different from their carrying value.

The fair value of bank loans approximate their carrying value as they are at market rates of interest.

The deferred share unit liability and the share purchase options are the only financial instruments measured at fair value on a recurring basis. The share purchase options are a Level 3 fair value hierarchy measurement, as the value is based on unobservable inputs relating to the estimated share price and share price volatility of the private Alberta corporations that respectively own the Montney In-Basin Project and the Duvernay Project (Note 14). The deferred share unit liability is a Level 2 fair value hierarchy measurement. There were no transfers between Level 1, 2, or 3 of the fair value hierarchy for the year ended December 31, 2020 (December 31, 2019: none), and the share purchase options were revalued to $nil in 2019.

Note 22 – Financial Instruments – continued

Credit Risk

Financial instruments that potentially subject the Corporation to credit risk consist primarily of cash, restricted cash, trade and other receivables, amounts due from related entities, and long-term deposits. The Corporation's maximum credit risk at December 31, 2020 is the carrying value of these financial assets.

Credit risk associated with cash and restricted cash is minimized substantially by ensuring that these financial assets are placed with major financial institutions that have been accorded strong investment grade rating. Long-term deposits are held with the Government of Alberta thus minimizing their credit risk.

On an ongoing basis, the Corporation monitors the financial condition of its customers with all information available. The Corporation reviews the credit worthiness of all new customers and sets credit limits accordingly in order to minimize the Corporation's exposure to credit losses. The Corporation requires any customers deemed to be high-risk to prepay for aggregate prior to taking delivery.

The aging summary for trade and other receivables is as follows:

	Current	60-90 days	> 90 days	Total
As at December 31, 2020	**$ 484,107**	**$ -**	**$ 6,811**	**$ 490,918**
As at December 31, 2019	**$ 401,764**	**$ 599,259**	**$ 10,880**	**$ 1,011,903**

Three customers each individually owing greater than 10% of the accounts receivable total balance accounted for 88% of the Corporation's accounts receivable as at December 31, 2020 (2019: two customers accounted for 91%).

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through budgeting and forecasting cash flows to ensure it has enough cash to meet its short-term requirements for operations, business development and other contractual obligations.

As at December 31, 2020, the Corporation has enough working capital to fund ongoing operations and meet its liabilities when they come due. Accordingly, the Corporation is not exposed to significant liquidity risk. The Corporation's financial liabilities include accounts payable and accrued liabilities, income taxes payable, and the bank loans and lease obligations, including interest.

The expected remaining contractual maturities of the Corporation's financial liabilities, including interest where applicable, are shown in the following table:

	As at December 31, 2020			
	0 - 1 year	2 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	$ 1,003,696	$ -	$ -	$ 1,003,696
Income taxes payable	45,084	-	-	45,084
Bank loans, including interest	588,262	924,150	-	1,512,412
Lease obligations, including interest	170,895	78,534	1,798	251,227
Total	**$ 1,807,937**	**$ 1,002,684**	**$ 1,798**	**$ 2,812,419**

Note 23 – Capital Disclosures

The capital of the Corporation consists of items included in equity and debt, net of cash.

	Notes	As at December 31, 2020	As at December 31, 2019
Total equity attributable to shareholders		**$ 13,184,834**	$ 14,271,814
Total borrowings			
Bank loans	**15**	**1,426,924**	-
Lease obligations	**16**	**238,161**	179,890
Cash		**(1,954,371)**	(1,995,280)
Total managed capital		**$ 12,895,548**	$ 12,456,424

The Corporation's objective when managing capital is to provide enough capital to cover normal operating and capital expenditures. In order to maintain or adjust the capital structure, the Corporation may issue debt, purchase shares for cancellation pursuant to normal course issuer bids or issue new shares.

During the year ended December 31, 2020, the Corporation entered into a loan agreement with CWB for $1,500,000 to manage costs related to the development of the Coffey Lake public pit (See Note 15).

Note 24 – Supplemental Statement of Loss and Comprehensive Loss Disclosures

A large portion of the Corporation's aggregate sales and aggregate management services revenue typically come from a small group of major customers. Any customer who represents more than 10% of the Corporation's revenue for the respective period is considered a major customer. During the year ended December 31, 2020, 73% of sales were sold to four major customers (2019: 90% to four customers).

Finance costs are comprised of the following:

	Notes	Years ended December 31, 2020	Years ended December 31, 2019
Interest on bank loans	**15**	**(72,644)**	-
Interest on lease obligations	**16**	**(14,230)**	(3,292)
		$ (86,874)	$ (3,292)

Total lease payments, including principal and interest, for the year ended December 31, 2020 was $160,712 (2019: $32,582). See Note 16 for additional information.

Total payments on the CWB loan, including interest, for the year ended December 31, 2020 was $285,720 (2019: $nil). See Note 15 for additional information.

Note 24 – Supplemental Statement of Loss and Comprehensive Loss Disclosures – continued

Other operating income (expenses) are comprised of the following:

	Notes	Years ended December 31, 2020	2019
Amortization of contract costs	9	(4,947)	(34,904)
Impairment of property and equipment	10	-	(36,294)
Amortization of ERO assets	13	(25,557)	(12,562)
Amortization of resource property lease costs	13	(11,118)	(11,118)
Write down of resource property exploration costs	13	(105,826)	-
Change in estimate for ERO recognized in other operating expenses	17	30,860	2,079,249
Change in discount rate recognized in other operating expenses	17	(57,088)	(4,685)
Accretion of ERO liability	17	(44,041)	(34,852)
		$ (217,717)	$ 1,944,834

In the year ended December 31, 2019, as a result of the approval of the Susan Lake closure plan and the settlement agreement with Syncrude Canada Ltd., the Corporation recorded a gain on ERO of $2,174,334, which included a change in estimate on the outstanding reclamation obligations at Susan Lake of $1,572,096 and a gain of $602,238 on the Susan Lake reclamation fund deposit liabilities being held for future reclamation work. This gain of $2,174,334 was partially offset by a loss on ERO due to changes in estimates of $95,085 at the other sites to result in the gain on ERO recorded in other operating expenses.

Other non-operating income is comprised of the following:

	Notes	Years ended December 31, 2020	2019
Gain on disposal of property and equipment		8,000	3,550
Gain on acquisition of TerraShift	4	143,056	-
Loss resulting from the change in fair value of share purchase options	22	-	(183,792)
Camp rental income		224,193	211,782
Rental income		17,911	9,846
Foreign exchange loss		117	(1,559)
		$ 393,277	$ 39,827

The following table shows the total employee benefit expenses for the respective year:

	Years ended December 31, 2020	2019
Employee benefit expenses	$ 1,700,090	$ 2,392,495

Employee benefit expenses exclude severance of $6,780 (2019: $8,608). Employee benefit expenses include wages, salaries, bonuses, and group benefit premiums, as well as Canada Pension Plan, Employment Insurance and Workers' Compensation Board contributions. Employee benefit expenses are included in both operating costs and general and administrative expenses in the consolidated statements of loss and comprehensive loss.

Note 25 – Segmented Reporting

Reportable segments are determined based on the corporate structure and operations in accordance with the Corporation's accounting policies.

The "AMI RockChain" segment was disclosed in the December 2019 consolidated annual financial statements for the first time as the operations became material for disclosure in the fourth quarter of 2019. The "AMI Silica" segment was first disclosed in the December 2018 consolidated financial statements when the operations became material for disclosure. The "Corporate" segment is disclosed for reconciliation purposes only. TerraShift operations and net assets are included in the AMI RockChain segment.

The summary of key financial information by reportable segment for the year ended December 31, 2020 (along with comparative information for 2019) is as follows:

	AMI Aggregates		AMI RockChain		AMI Silica		Corporate		Consolidation eliminations		Consolidated	
For the years ended December 31,	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Revenue:												
Aggregate sales revenue	**$ -**	$ 1,014,506	**$ 1,271,759**	$ 675,286	**$ -**	$ -	**$ -**	$ -	**$ -**	$ -	**$ 1,271,759**	**$ 1,689,792**
Management services revenue	**457,213**	911,034	**267,302**	-	**-**	-	**-**	-	**(51,094)**	-	**673,421**	**911,034**
Revenue	**457,213**	1,925,540	**1,539,061**	675,286	**-**	-	**-**	-	**(51,094)**	-	**1,945,180**	**2,600,826**
Total income (loss) and comprehensive income (loss)	**(766,364)**	1,354,820	**(988,881)**	(321,400)	**(558,412)**	(261,313)	**(1,301,401)**	(3,492,775)	**84,533**	-	**(3,530,525)**	**(2,720,668)**
Amortization, depreciation, and depletion	**(382,313)**	(271,542)	**(5,935)**	(3,485)	**-**	-	**-**	(66,052)	**(58,523)**	-	**(446,771)**	**(341,079)**
Finance costs	**(86,858)**	(3,292)	**-**	-	**(16)**	-	**-**	-	**-**	-	**(86,874)**	**(3,292)**
Interest income	**-**	-	**-**	-	**-**	-	**22,190**	90,319	**-**	-	**22,190**	**90,319**
Income tax recovery (expense)	**-**	-	**(30,648)**	-	**-**	-	**-**	(1,825)	**-**	-	**(30,648)**	**(1,825)**
As at	**December 31, 2020**	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Segment assets	**$ 9,869,939**	$ 12,448,558	**$ 910,367**	$ 689,520	**$ 5,666,381**	$ 4,911,880	**$ 7,974,580**	$ 2,365,482	**$ (5,878,065)**	$ (2,142,980)	**$ 18,543,202**	**$ 18,272,460**
Segment liabilities	**4,237,133**	3,720,962	**534,685**	470,849	**188,833**	1,516,780	**397,717**	435,035	**-**	(2,142,980)	**5,358,368**	**4,000,646**

Consolidation entries include elimination if intercompany receivables, elimination of the net assets acquired in the TerraShift acquisition, and recognition of the gain recorded in the acquisition. See Note 4 for details on the TerraShift acquisition. Subsequent to the acquisition, additional consolidation entries were recorded for amortization on the TerraShift intangible assets and the elimination of intercompany revenue from the AMI RockChain segment.

Note 26 – COVID-19

The Corporation faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect its business and financial conditions. In December 2019, a novel strain of the coronavirus ("COVID-19") emerged in China and the virus has now spread across the world. The Corporation's business is being adversely impacted by the effects of COVID-19; no inventory has been sold from the Corporate owned pits in the year ended December 31, 2020, and no aggregate has been sold from Coffey Lake in the third or fourth quarter of 2020. The Corporation's revenue for the year ended December 31, 2020 has been primarily due to networked sales with third parties via AMI RockChain, Q1 and Q2 management services revenue at the Coffey Lake public pit and from the new TerraShift operations. Both aggregate sales revenue and management services revenue have been significantly lower than expected in 2020.

The Corporation has utilized many of the financial programs offered by the Canadian government to assist entities impacted by COVID-19, including the Canadian Emergency Wage Subsidy and the Canadian Emergency Business Account loan program. Furthermore, the Corporation has implemented various cost cutting initiatives to manage cash flow, including payroll reductions and extending the interest only payments on the existing bank loan with CWB.

Note 26 – COVID-19 – continued

The extent to which COVID-19 continues to impact the Corporation's business, including its operations and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include: the duration, severity and scope of the outbreak and the actions to contain or remedy the pandemic. In particular, the continuation of the pandemic could materially and adversely impact the Corporation's business including without limitation: employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, potential restrictions to its projects, resource development program and the timing thereof, which are beyond the Corporation's control, and which may have a material or adverse effect on its business, financial condition and operations. The Corporation will continue to monitor and take corrective action in accordance with government guidelines to mitigate the impact on the Corporation's staff and business operations.

The Corporation continues to stay informed of the progress of the pandemic and is taking action wherever and whenever possible to mitigate the impact of the pandemic on the staff and operations of the Corporation. The Corporation is continuing to monitor the actual and potential financial impact of COVID-19, such as changes to discount rates and indicators of impairment of non-financial assets, and is updating any accounting estimates that are impacted by the effects of COVID-19.

The Corporation remains financially prudent during the COVID-19 pandemic. Effective January 1, 2021, the Corporation implemented 10% reductions of Management salaries and Board fees, and continues to participate in the Canada Emergency Wage Subsidy program. The CEWS program is currently in place until June 2021, and AMI has received and accrued subsidies totaling $450,560 as at December 31, 2020 from the CEWS program, which have been accounted for as a deduction in reporting general and administrative expenses.

Note 27 – Subsequent Events

The Corporation has evaluated subsequent events to determine if events or transactions occurring through the date on which the financial statements were issued require adjustment or disclosure in the Corporation's financial statements.

Coffey Lake Public Pit

In the first quarter of 2021, the public pit at Coffey Lake resumed operations. Coffey Lake is the sequel to the Government's Susan Lake Public Pit which the Corporation operated for some twenty years before its closure in 2019. The Corporation's pit management contract with the Government has a term of 15 years.

Acquisition of control of related entities

On February 5, 2021, the Corporation announced the acquisition of control of the private Alberta corporations that respectively own the Montney In-Basin Project and the Duvernay Project (Note 14) by securing 100% ownership of each company. These transactions were combined and concluded for $1 of cash consideration and 8,000,000 common shares at a contract stated value of $0.25 per common share for a total purchase price of $2,000,001.

Of the 8,000,000 common shares, 2,000,000 are held in escrow to be released by June 30, 2021, based on the Corporation's discretion, and 2,000,000 are held in escrow to be released by June 30, 2022, based on the Corporation's discretion. If the Corporation elects not to release the common shares from escrow for either of the two milestone payments, then the founding partners will be returned an equivalent pro rata interest in the corporation that owns the Duvernay Project in exchange, at 12.5% interest per milestone payment of 2,000,000 shares, for a total potential return of 25% interest.

The Corporation is also using common shares to make one final Annual Minimum Royalty ("AMR") payment for the private Alberta corporation that owns the Montney In-Basin Project, consisting of 800,004 common shares at a contract stated value of $0.25 per share, for a total value of $200,001, to be paid over three corresponding milestone installments of February 5, 2021, June 30, 2021, and June 30, 2022.