



THREE AND SIX MONTHS ENDED JUNE 30, **2019**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

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**Notice of No Auditor Review of Interim Condensed Consolidated Financial Statements  
For the three and six-month periods ended June 30, 2019 and June 30, 2018**

The accompanying unaudited interim condensed consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management and have been approved by the Audit Committee and Board of Directors of the Corporation.

The Corporation's independent auditor has not performed a review of these unaudited interim condensed consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

(signed) "Robert Beekhuizen"

(signed) "Mark Smith"

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Robert Beekhuizen  
Chief Executive Officer

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Mark Smith  
Chief Financial Officer

August 12, 2019  
Edmonton, Alberta

## Interim Condensed Consolidated Statements of Financial Position (Unaudited)

	Notes	As at,	
		June 30, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 3,722,072	\$ 5,078,537
Trade and other receivables	3, 18	1,042,098	1,531,863
Inventory	4	1,139,477	1,311,133
Prepaid expenses and deposits		65,370	116,950
Share purchase options	18	94,897	124,151
<b>Current Assets</b>		<b>6,063,914</b>	<b>8,162,634</b>
Long-term deposits	5	806,937	801,232
Restricted cash	6	1,836,656	2,155,450
Contract assets	7	57,177	-
Property and equipment	8	1,106,788	1,293,221
Right-of-use assets	9	22,992	-
Resource properties	10	6,261,111	6,212,364
Investments in associates	11	3,598,388	1,646,151
<b>Total Assets</b>		<b>\$ 19,753,963</b>	<b>\$ 20,271,052</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	15, 18	\$ 947,124	\$ 453,081
Deposit liabilities	6	602,238	858,645
Current portion of lease liabilities	13	30,979	29,284
Current portion of environmental rehabilitation obligations	14	1,716,170	1,987,677
<b>Current Liabilities</b>		<b>3,296,511</b>	<b>3,328,687</b>
Environmental rehabilitation and decommissioning obligations	14	2,318,309	2,270,462
<b>Total Liabilities</b>		<b>5,614,820</b>	<b>5,599,149</b>
<b>Contingency</b>	21		
<b>Subsequent events</b>	23		
<b>Shareholders' Equity</b>			
Share capital	15	16,283,421	14,465,325
Contributed surplus		4,929,730	4,908,045
Deficit		(7,074,008)	(4,701,467)
<b>Total Shareholders' Equity</b>		<b>14,139,143</b>	<b>14,671,903</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 19,753,963</b>	<b>\$ 20,271,052</b>

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

Approved by the Board of Directors

" Don Paulencu "  
 Director

"Dale Nolan"  
 Director

## Interim Condensed Consolidated Statements of Loss and Comprehensive Loss (Unaudited)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
Aggregate sales revenue		\$ 980,405	\$ 247,720	\$ 980,405	\$ 254,482
Aggregate management services		-	1,124,588	433,635	1,231,509
<b>Revenue</b>		<b>980,405</b>	<b>1,372,308</b>	<b>1,414,040</b>	<b>1,485,991</b>
Operating costs		(1,164,587)	(647,504)	(1,647,557)	(1,045,782)
Depreciation, depletion, and amortization	8, 9	(84,754)	(141,825)	(145,946)	(301,352)
Royalties and trucking		(26,481)	(88,659)	(26,481)	(88,835)
Cost of sales		(1,275,822)	(877,988)	(1,819,984)	(1,435,969)
<b>Gross profit (loss)</b>		<b>(295,417)</b>	<b>494,320</b>	<b>(405,944)</b>	<b>50,022</b>
General and administrative		(769,807)	(648,381)	(1,617,078)	(1,249,338)
Share of loss from associates	11	(35,458)	-	(60,887)	-
Share-based compensation	15	(92,719)	(25,524)	(146,642)	(41,852)
Other operating expenses	20	(25,425)	(201,449)	(173,125)	(232,271)
Reversal of impairment loss on accounts receivable	18	(5,988)	(3,804)	(2,567)	(934)
<b>Operating loss</b>		<b>(1,224,814)</b>	<b>(384,838)</b>	<b>(2,406,243)</b>	<b>(1,474,373)</b>
Finance costs	13, 20	(178)	(3,132)	(621)	(7,460)
Other non-operating income (expenses)	20	(119,971)	311,034	(14,027)	387,198
Interest income		34,316	11,631	55,110	21,101
<b>Loss before income taxes</b>		<b>(1,310,647)</b>	<b>(65,305)</b>	<b>(2,365,781)</b>	<b>(1,073,534)</b>
Income tax recovery (expense)		-	10,665	(1,825)	278,425
<b>Total loss and comprehensive loss</b>		<b>\$ (1,310,647)</b>	<b>\$ (54,640)</b>	<b>\$ (2,367,606)</b>	<b>\$ (795,109)</b>
Loss per common share - basic	15	\$ (0.030)	\$ (0.002)	\$ (0.057)	\$ (0.024)
Loss per common share - diluted	15	\$ (0.030)	\$ (0.002)	\$ (0.057)	\$ (0.024)
Weighted average number of shares outstanding	15	43,140,203	33,303,650	41,849,243	33,303,650

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

## Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

	Notes	Number of Shares	Share Capital	Contributed Surplus	(Deficit) Retained Earnings	Total Equity
Balance as at December 31, 2017, as previously stated		33,303,650	\$ 13,246,758	\$ 4,641,313	\$ (2,189,402)	\$ 15,698,669
Adjustment on initial application of IFRS 9, net of tax of \$825		-	-	-	(2,229)	(2,229)
<b>Adjusted balance as at January 1, 2018</b>		<b>33,303,650</b>	<b>13,246,758</b>	<b>4,641,313</b>	<b>(2,191,631)</b>	<b>15,696,440</b>
Share-based compensation		-	-	41,852	-	41,852
Total loss and comprehensive loss for the period		-	-	-	(795,109)	(795,109)
<b>Balance as at June 30, 2018</b>		<b>33,303,650</b>	<b>\$ 13,246,758</b>	<b>\$ 4,683,165</b>	<b>\$ (2,986,740)</b>	<b>\$ 14,943,183</b>
Private placement share issuance	15	5,750,000	\$ 992,625	\$ 157,375	-	\$ 1,150,000
Share issuance costs, net of tax of \$nil	15	-	(47,058)	-	-	(47,058)
Shares issued in purchase of investment	11, 15	1,186,956	273,000	-	-	273,000
Share-based compensation		-	-	67,505	-	67,505
Total loss and comprehensive loss for the period		-	-	-	(1,714,727)	(1,714,727)
Balance as at December 31, 2018, as previously stated	2	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	2	-	-	-	(4,935)	(4,935)
<b>Adjusted balance as at January 1, 2019</b>	<b>2</b>	<b>40,240,606</b>	<b>\$ 14,465,325</b>	<b>\$ 4,908,045</b>	<b>\$ (4,706,402)</b>	<b>\$ 14,666,968</b>
Shares issued in purchase of investment	11, 15	2,100,000	\$ 1,129,800	\$ -	\$ -	\$ 1,129,800
Share-based compensation - options	15	-	-	117,814	-	117,814
Stock options exercised	15	118,333	39,445	(14,879)	-	24,566
Warrants exercised	15	1,625,000	650,000	(81,250)	-	568,750
Share issuance costs, net of tax of \$nil	15	-	(1,149)	-	-	(1,149)
Total loss and comprehensive loss for the period		-	-	-	(2,367,606)	(2,367,606)
<b>Balance as at June 30, 2019</b>		<b>44,083,939</b>	<b>\$ 16,283,421</b>	<b>\$ 4,929,730</b>	<b>\$ (7,074,008)</b>	<b>\$ 14,139,143</b>

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

## Interim Condensed Consolidated Statements of Cash Flows (Unaudited)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
<b>OPERATING ACTIVITIES</b>					
Receipts from customers		\$ 510,143	\$ 1,253,153	\$ 2,105,332	\$ 2,831,839
Payments to suppliers		(1,210,775)	(1,032,977)	(1,931,340)	(1,797,429)
Payments to employees		(602,424)	(576,661)	(1,335,932)	(1,128,096)
Interest received		34,316	11,631	55,110	21,101
Finance costs paid	13	(178)	(3,132)	(621)	(7,460)
<b>Net cash used in operating activities</b>		<b>(1,268,918)</b>	<b>(347,986)</b>	<b>(1,107,451)</b>	<b>(80,045)</b>
<b>INVESTING ACTIVITIES</b>					
Long-term deposits	5	(4,975)	6,000	(5,705)	18,000
Restricted cash	6	(56,513)	(257,306)	318,794	(413,006)
Spending on contract costs	7	(57,177)	-	(57,177)	-
Proceeds on sale of property and equipment	8	6,700	2,922,623	6,700	2,922,623
Purchase of property and equipment	8	(5,353)	(44,469)	(8,878)	(63,377)
Spending on resource properties	10	-	(2,416)	(36,636)	(13,987)
Proceeds on sale of test samples	10	-	-	-	7,000
Consideration paid for interest in associate	11	(742,000)	-	(1,022,000)	-
<b>Net cash from (used in) investing activities</b>		<b>(859,318)</b>	<b>2,624,432</b>	<b>(804,902)</b>	<b>2,457,253</b>
<b>FINANCING ACTIVITIES</b>					
Repayment of lease obligations	13	(18,266)	(308,116)	(36,279)	(412,522)
Net proceeds from exercise of warrants and stock options	15	592,167	-	592,167	-
<b>Net cash from (used in) financing activities</b>		<b>573,901</b>	<b>(308,116)</b>	<b>555,888</b>	<b>(412,522)</b>
<b>Net change in cash</b>		<b>(1,554,335)</b>	<b>1,968,330</b>	<b>(1,356,465)</b>	<b>1,964,686</b>
Cash, beginning of period		5,276,407	2,625,727	5,078,537	2,629,371
<b>Cash, end of period</b>		<b>\$ 3,722,072</b>	<b>\$ 4,594,057</b>	<b>\$ 3,722,072</b>	<b>\$ 4,594,057</b>

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

## 1. Nature of Business

Athabasca Minerals Inc. (the “Corporation”) is a public corporation incorporated under the Business Corporations Act (Alberta) and its shares are listed on the TSX Venture Exchange under the symbol the ABM-V. The Corporation’s head office is located at 1319 91st Street SW., Edmonton, Alberta, Canada T6X 1H1.

Athabasca Minerals Inc. (or AMI), incorporated in 2006, is an integrated group of aggregates companies involved in resource development, aggregates marketing and midstream supply-logistics solutions. Business activities include aggregate production, pit management services, sales from corporate-owned and third-party pits, acquisitions of sand and gravel operations, and new venture development. Athabasca Minerals is the parent company of Aggregates Marketing Inc. – a midstream business providing integrated supply and transportation solutions for industrial and construction markets. It is also the parent company of AMI Silica Inc. – a subsidiary positioning to become a leading supplier of premium domestic in-basin frac sand with regional deposits in Alberta and NE British Columbia. It is the joint venture owner of the Montney In-Basin and Duvernay Basin Frac Sand Projects. Additionally, the Corporation has industrial mineral leases, such as those supporting the Richardson Quarry Project, that are strategically positioned for future development in industrial regions of high potential aggregates demand.

The Corporation has managed the Susan Lake aggregate (sand and gravel) pit, an operation covering 5900 acres on Crown Land, on behalf of the Government of Alberta for over the past 20 years. This contract generated revenues for aggregate management services. Although the contract has technically expired (November 30, 2017), the Corporation continues to manage the Susan Lake aggregate pit with overholding tenancy until the Susan Lake Closure Plan is approved and finalized by the Government of Alberta. The Corporation is continuing its aggregate management services for the Province with its recent award of the Coffey Lake Public Pit contract in March-2019

The Corporation’s strategic business focus is on growing its base Aggregates division, growing its AMI Silica sand division, and growing its Aggregates Marketing division. Management’s objective is on materializing increased opportunities for sustained growth and diversification in supplying aggregate products to all sectors in Western Canada.

The unaudited interim condensed consolidated financial statements for the three and six-months ended June 30, 2019 including comparatives were approved and authorized for issue by the Board of Directors on August 12, 2019.

## 2. Basis of Presentation

### a) Statement of Compliance

The unaudited interim condensed consolidated financial statements for the three and six-months ended June 30, 2019 were prepared in accordance with IAS 34 International Accounting Standard – “Interim Financial Reporting” (IAS 34) as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in the annual audited consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) have been condensed or omitted. The significant judgments made by management in applying the Corporation’s accounting policies and the key sources of estimation uncertainty were consistent with those applied to the Corporation’s audited annual consolidated financial statements for the year ended December 31, 2018, except as disclosed under changes to significant accounting policies, and should be read in conjunction with those audited annual consolidated financial statements. Actual results may differ from estimated results due to differences between estimated or anticipated events and actual events and results.

### b) Basis of Presentation

These unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis except for the share purchase options (Note 18). These unaudited interim consolidated financial statements have been prepared using accounting policies in effect as of December 31, 2018 with exceptions noted under Recent Accounting Pronouncements.



## 2. Basis of Presentation – continued

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries Aggregates Marketing Inc., which was incorporated on March 19, 2018 and AMI Silica Inc., which was incorporated on May 30, 2018 (the “subsidiaries”), and the Corporation’s 49.2% ownership interest in a private Alberta corporation that owns the Montney In-Basin frac sand project (Note 11). The Corporation holds a 49.6% ownership interest in a private Alberta corporation that holds the Duvernay frac sand project in Alberta (Note 11). This interest is accounted for using the equity method.

The assets, liabilities, equity, income, expenses, and cash flows of the Corporation and its wholly-owned subsidiaries to the date of these interim consolidated financial statements have been combined 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 unaudited interim condensed consolidated financial statements are presented in Canadian dollars which is the functional currency of the Corporation and its subsidiaries.

### d) Recent Accounting Pronouncements

#### (1) Standards adopted

The accounting policies applied in these unaudited interim condensed consolidated financial statements are the same as those applied in the December 31, 2018 audited consolidated financial statements, except as discussed below.

#### IFRS 16 – Leases (“IFRS 16”)

IFRS 16 requires lessees to recognize right-of-use assets and liabilities for most leases under a single accounting model for which all leases will be accounted for, with certain exemptions. The lease liability is measured as the present value of the remaining lease payments discounted using the Corporation’s incremental borrowing rate. Right-of-use assets are measured at cost, which is calculated as the initial measurement of the lease liability described previously, plus/(minus) any lease payments/(incentives) made prior to the commencement date, plus initial direct costs of entering into the lease, less estimated removal/dismantling costs. Right-of-use assets are depreciated based on their estimated useful life and interest on the lease liability is expensed through the consolidated statement of loss and comprehensive loss as finance costs. On January 1, 2019, the Corporation transitioned to IFRS 16 using the modified retrospective approach, which involved adjusting January 1, 2019 opening retained earnings.

The Corporation has leases for trucks, equipment used in operating activities, office space, and office equipment.

Included in these leases are a number of leases for low value assets as well as short-term leases. As such, the Corporation applied the following recognition exemptions available under IFRS 16:

- Electing not to apply IFRS 16 to leases of low dollar value assets, and
- Electing not to apply IFRS 16 to leases with a term of 12 months or less at the commencement date of the lease

## 2. Basis of Presentation – continued

The Corporation also applied the following practical expedients to leases previously classified as operating leases under IAS 17:

- Grandfathering existing contracts using the definition of a lease under the previous standard, IAS 17, and applying the new definition of a lease under IFRS 16 to new or modified contracts only,
- Relief in applying IFRS 16 to leases expiring within 12 months of the date of initial application of IFRS 16,
- Applying a single discount rate to leases with similar characteristics,
- Using hindsight in determining lease terms,
- Excluding initial direct costs from the measurement of right-of-use assets, and
- Relief in re-assessing the right-of-use assets for impairment for onerous contracts under the new standard.

The table below summarizes the changes to the statement of financial position as a result of the transition to IFRS 16 as of January 1, 2019:

Financial statement item	As previously stated under IAS 17 as at December 31, 2018	Change on transition to IFRS 16:	Tax	Net of tax
Right-of-use assets	\$ 1,293,221	\$ 31,214	\$ (8,428)	\$ 22,786
Current portion of lease liabilities	\$ (29,284)	\$ (37,974)	\$ 10,253	\$ (27,721)
		\$ (6,760)	\$ 1,825	\$ (4,935)

The table below reconciles the additional lease liability upon transition to IFRS 16 on January 1, 2019 to the Corporation's operating lease commitments as of December 31, 2018:

Operating lease commitments as of December 31, 2018	\$ 92,591
Less: exemption for short-term leases	(74,508)
Residual value guarantee	22,000
Effect of discounting	(2,109)
Lease liability recognized upon initial adoption of IFRS 16 on January 1, 2019	<u>\$ 37,974</u>

### Note 3 – Accounts Receivable

Trade and other receivables are non-interest bearing and are carried at amortized cost, and impaired using the simplified approach which records impairment at the lifetime expected credit losses. During the six months ended June 30, 2019, the estimated credit loss \$8 (year ended December 31, 2018: \$3,741).

### Note 4 – Inventory

Inventory with a production cost of \$781,026, was sold and is included in operating costs for the three and six months ended June 30, 2019 (three and six months ended June 30, 2018: \$65,119 and \$67,379 respectively).

The Corporation recognized a stockpile loss based on aerial drone measurements of stockpile volumes. During the three and six months ended June 30, 2019, the Corporation recognized a stockpile loss of \$15,451 (three and six months ended June 30, 2018: \$9,336 and \$20,341) included in operating costs.

The inventory balance of \$1,139,477 consists of \$264,180 of unprocessed gravel and \$875,297 of crushed gravel (year ended December 31, 2018: \$264,180 of unprocessed gravel and \$1,046,953 of crushed gravel).

## Note 5 – Long Term Deposits

	As at	
	June 30, 2019	December 31, 2018
Security deposits on gravel leases	\$ 642,942	\$ 639,212
Security deposits on miscellaneous leases	106,520	106,520
	<b>14 749,462</b>	745,732
Security deposits on exploration leases	51,000	55,500
Security deposit on office lease	6,475	-
	<b>\$ 806,937</b>	<b>\$ 801,232</b>

Management wrote off \$nil and \$nil in uncollectible security deposits on gravel leases during the three and six months ended June 30, 2019 (year ended December 31, 2018: \$10,936). The impairment is included in other operating expenses.

## Note 6 – Restricted Cash

	As at	
	June 30, 2019	December 31, 2018
<b><u>Funds on deposit</u></b>		
Poplar Creek site	\$ 300,000	\$ 300,000
House River pit	53,920	51,496
Customer deposits collected	604,496	500,954
<b><u>Letters of credit</u></b>		
Susan Lake pit	603,000	603,000
Poplar Creek Site, storage yard	180,000	180,000
Emerson pit	75,240	-
Poplar Creek pit	-	500,000
Credit card facility	20,000	20,000
	<b>\$ 1,836,656</b>	<b>\$ 2,155,450</b>

The Corporation has placed funds on deposit to be applied toward the costs of reclamation for the Poplar Creek site and the House River pit for the three and six months ended June 30, 2019 of \$353,920 (year ended December 31, 2018: \$351,496).

Effective December 1, 2017, the Corporation began charging a surcharge of \$1.00/cubic yard for all gravel sold out of Susan Lake. This surcharge was restricted and was to be used for reclamation of the access road into the pit. Any excess of funds collected over funds used for reclamation of the access road will be refunded to the Susan Lake pit users proportionately. The Corporation discontinued this surcharge as of January 21, 2019. The Corporation's liability related to this fund of \$602,238 (December 31, 2018: \$595,729) is included in deposit liabilities in the consolidated statement of financial position along with other customer prepayments.

On March 15, 2019, the Government of Alberta released the letter of credit for the Poplar Creek pit for \$500,000 and the guaranteed investment certificate matured on March 31, 2019.

The Corporation has secured its letters of credit to the benefit of the Government of Alberta for decommissioning and restoration with guaranteed investment certificates for the three and six months ended June 30, 2019 in the amount of \$858,240 (December 31, 2018: \$1,283,000).

## Note 7 – Contract Assets

	As at,	
	June 30, 2019	December 31, 2018
	<b>Costs to obtain contract</b>	Costs to obtain contract
Coffey Lake	\$ 44,085	\$ -
Montana First Nations	13,092	-
	<b>\$ 57,177</b>	<b>\$ -</b>

### Coffey Lake

The Coffey Lake contract was awarded to the Corporation on February 21, 2019. 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. Approval to operate the site will be granted by the Government of Alberta after the acceptance of the Corporation's Conservation and Operation Reclamation Plan ("CORP"). The CORP requires the Corporation to incur costs for activities such as testing, environmental, regulatory, exploration, and application fees. These costs relate directly to the completion of the CORP and will increase the Corporation's understanding of the existing aggregate reserve and the environmental conditions in the area. These costs are expected to be recovered through the receipt of fixed volume-based pit management fees from customers, net of Government royalties.

Once approval to operate the site is granted and commercial activities commence, the contract costs will be amortized based on actual volume sales as a proportion of the estimated economically recoverable resource (units of production method).

### Montana First Nation

The Montana First Nation contract was awarded to the Corporation on June 12, 2019. It is a 10-year contract for the processing and sale of aggregates on a 185-acre property located near Ponoka, Alberta. The Corporation is required to incur costs for activities such as testing, environmental, regulatory, exploration, finder's fees, and legal fees in order to delineate the resource and obtain regulatory approvals. These costs relate directly to enhancing the Corporation's understanding of the extent of the existing aggregate reserve and obtaining regulatory approvals to operate. These costs are expected to be recovered through the sale of aggregates from the pit to customers, net of royalties to the Nation.

Once operations and commercial activities commence, the contract costs will be amortized based on actual volume sales as a proportion of the estimated economically recoverable resource (units of production method).

## Note 8 – Property and Equipment

	Stockpile pad	Crushing equipment	Equipment	On-site buildings	Office complex	Scales and scale houses	Total
<b>Cost:</b>							
December 31, 2017	\$ 262,104	\$ 2,791,595	\$ 6,297,848	\$ 585,565	\$ 104,162	\$ 770,253	\$ 10,811,527
Additions	-	-	56,676	-	-	-	56,676
Disposals	-	(2,791,595)	(1,915,437)	(247,838)	-	(159,080)	(5,113,950)
Impairment	-	-	(33,984)	(62,134)	-	(31,596)	(127,714)
<b>December 31, 2018</b>	<b>\$ 262,104</b>	<b>\$ -</b>	<b>\$ 4,405,103</b>	<b>\$ 275,593</b>	<b>\$ 104,162</b>	<b>\$ 579,577</b>	<b>\$ 5,626,539</b>
Additions	-	-	8,878	-	-	-	8,878
Disposals	-	-	(8,687)	(80,492)	-	(52,386)	(141,565)
Impairment	-	-	(32,991)	-	-	(3,303)	(36,294)
<b>June 30, 2019</b>	<b>\$ 262,104</b>	<b>\$ -</b>	<b>\$ 4,372,303</b>	<b>\$ 195,101</b>	<b>\$ 104,162</b>	<b>\$ 523,888</b>	<b>\$ 5,457,558</b>
<b>Accumulated Depreciation:</b>							
December 31, 2017	\$ 126,530	\$ 991,595	\$ 4,302,793	\$ 441,718	\$ 104,162	\$ 531,896	\$ 6,498,694
Additions	52,421	-	390,756	28,064	-	62,786	534,027
Disposals	-	(991,595)	(1,378,566)	(205,433)	-	(123,809)	(2,699,403)
<b>December 31, 2018</b>	<b>\$ 178,951</b>	<b>\$ -</b>	<b>\$ 3,314,983</b>	<b>\$ 264,349</b>	<b>\$ 104,162</b>	<b>\$ 470,873</b>	<b>\$ 4,333,318</b>
Additions	26,210	-	116,147	1,519	-	15,141	159,017
Disposals	-	-	(8,687)	(80,492)	-	(52,386)	(141,565)
<b>June 30, 2019</b>	<b>\$ 205,161</b>	<b>\$ -</b>	<b>\$ 3,422,443</b>	<b>\$ 185,376</b>	<b>\$ 104,162</b>	<b>\$ 433,628</b>	<b>\$ 4,350,770</b>
<b>Net book value:</b>							
December 31, 2017	\$ 135,574	\$ 1,800,000	\$ 1,995,055	\$ 143,847	\$ -	\$ 238,357	\$ 4,312,833
December 31, 2018	\$ 83,153	\$ -	\$ 1,090,120	\$ 11,244	\$ -	\$ 108,704	\$ 1,293,221
<b>June 30, 2019</b>	<b>\$ 56,943</b>	<b>\$ -</b>	<b>\$ 949,860</b>	<b>\$ 9,725</b>	<b>\$ -</b>	<b>\$ 90,260</b>	<b>\$ 1,106,788</b>
<b>Depreciation expense for the following periods:</b>							
							<b>Total</b>
Six months ended June 30, 2018 depreciation to statement of loss and comprehensive loss							\$ 301,352
Six months ended June 30, 2018 depreciation to repayment of environmental rehabilitation obligations							\$ 12,033
<b>Six months ended June 30, 2019 depreciation to statement of loss and comprehensive loss</b>							<b>\$ 137,724</b>
<b>Six months ended June 30, 2019 depreciation to repayment of environmental rehabilitation obligations</b>							<b>\$ 21,293</b>

Included in the impairment expense of \$36,294 for the three and six months ended June 30, 2019, is 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 on 10 pieces of small equipment that were stolen during the period.

For the year ended December 31, 2018, impairment was taken on two mobile labs, a wellsite trailer, and three trailers included in on-site buildings, a scale trailer included in scales and scale houses as well as various equipment as these assets were damaged beyond repair. The net book value of these assets exceeded their recoverable amounts, being fair value less costs to sell. The recoverable amounts for these assets were estimated as \$nil which resulted in the recognition of an impairment loss of \$127,714.

During the three and six months ended June 30, 2019, the Corporation sold property and equipment with a carrying amount of \$nil for net proceeds of \$6,700, which resulted in a gain of \$6,700. Included in the property and equipment sold was a scale house and various office equipment.

## Note 9 – Right-of-use Assets

	Notes	Truck lease asset
<b>Cost:</b>		
December 31, 2018, as previously stated		\$ -
Adjustment on initial application of IFRS 16	2	\$ 73,823
<b>Adjusted balance as at January 1, 2019</b>		<b>\$ 73,823</b>
Additions		-
Disposals		-
<b>June 30, 2019</b>		<b>\$ 73,823</b>
<b>Accumulated Depreciation:</b>		
December 31, 2018, as previously stated		\$ -
Adjustment on initial application of IFRS 16	2	\$ 42,609
<b>Adjusted balance as at January 1, 2019</b>		<b>\$ 42,609</b>
Additions		8,222
Disposals		-
<b>June 30, 2019</b>		<b>\$ 50,831</b>
<b>Net book value:</b>		
December 31, 2018		\$ -
<b>June 30, 2019</b>		<b>\$ 22,992</b>

## Note 10 – Resource Properties

	June 30, 2019	As at December 31, 2018
Exploration costs	\$ 1,366,265	\$ 1,329,629
Pit development costs	3,080,102	3,080,102
Environmental rehabilitation obligation assets	1,528,153	1,510,483
Other costs	286,591	292,150
	<b>\$ 6,261,111</b>	<b>\$ 6,212,364</b>

### 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.

## Note 10 – Resource Properties – continued

The following table summarizes what comprises exploration costs:

	Firebag	Richardson	Pelican Hill	Hinton	Steepbanks	All Other Projects	Total
Cumulative Exploration Cost at December 31, 2017	\$ 1,136,330	\$ 1,090,906	\$ 157,582	\$ 84,089	\$ 105,476	\$ 128,814	\$ 2,703,197
Spending	5,025	-	-	11,028	-	9,902	25,955
Sale of samples	-	-	-	-	-	(7,000)	(7,000)
Abandoned projects	-	-	-	-	-	(64,320)	(64,320)
Transfer to pit development costs	(1,141,355)	-	(157,582)	-	-	(29,266)	(1,328,203)
<b>Cumulative Exploration Costs at December 31, 2018</b>	<b>\$ -</b>	<b>\$ 1,090,906</b>	<b>\$ -</b>	<b>\$ 95,117</b>	<b>\$ 105,476</b>	<b>\$ 38,130</b>	<b>\$ 1,329,629</b>
Spending	-	19,863	-	16,773	-	-	36,636
<b>Cumulative Exploration Costs at June 30, 2019</b>	<b>\$ -</b>	<b>\$ 1,110,769</b>	<b>\$ -</b>	<b>\$ 111,890</b>	<b>\$ 105,476</b>	<b>\$ 38,130</b>	<b>\$ 1,366,265</b>

During the six months ended June 30, 2019, the Corporation recorded a \$nil impairment loss on projects previously included in exploration assets (year ended December 31, 2018: \$64,320 on ten projects). Management re-evaluated the future economic potential of these projects and determined that further financial investment would be unjustified. As a result, those projects were abandoned and the impairment is recognized in other operating expenses.

During the six months ended June 30, 2019, the Corporation sold test hole data, logs, photos, maps and samples to a third party for proceeds of \$nil (year ended December 31, 2018: \$7,000). The proceeds approximated the costs to obtain the samples. As such, no gain or loss on sale was recognized.

During the year ended December 31, 2018, the Corporation transferred the exploration costs for Firebag to pit development costs as this project was determined to be commercially and technically viable and a decision to develop had been made. At the time of transfer to pit development costs, Firebag was tested for impairment by comparing the carrying amount to its recoverable amount, which was fair value less costs of disposal. An independent third-party appraiser estimated the fair value of the Firebag asset using a market approach. The key assumptions in the estimate include the technical and commercial viability of the reserve using a multiple of price per tonne of resource based on precedent transactions and the extent of the reserves using technical studies carried out in compliance with industry standards and regulatory requirements. This was a level 3 fair value hierarchy measurement. It was determined that no impairment existed on the Firebag asset at the time of transfer from exploration costs to pit development costs.

During the year ended December 31, 2018, exploration costs for Pelican Hill, Logan and House River were also transferred to pit development costs, as the Corporation received approval to mine.

## Note 10 – Resource Properties – continued

The following table summarizes what comprises development costs:

	Firebag	Kearl	Logan	House River	Pelican	Emerson	Lynnton	Total
Cumulative Pit Development Costs at December 31, 2017	\$ -	\$ 1,083,898	\$ 477,953	\$ 171,906	\$ 72,775	\$ 491	\$ 44	\$ 1,807,067
Additions	-	-	11,207	13,793	-	-	-	25,000
Transfers from exploration costs	1,141,355	-	895	28,371	157,582	-	-	1,328,203
Current period depletion	-	-	-	-	-	-	-	-
Abandoned projects	-	(41,364)	-	(38,804)	-	-	-	(80,168)
<b>Cumulative Pit Development Costs at December 31, 2018 and June 30, 2019</b>	<b>\$ 1,141,355</b>	<b>\$ 1,042,534</b>	<b>\$ 490,055</b>	<b>\$ 175,266</b>	<b>\$ 230,357</b>	<b>\$ 491</b>	<b>\$ 44</b>	<b>\$ 3,080,102</b>

During the six months ended June 30, 2019, the Corporation recorded a \$nil impairment on projects previously included in pit development costs (year ended December 31, 2018: \$80,168 on two projects). Management re-evaluated the future economic potential of certain areas within these projects. As a result, the applications to lease certain areas of the project were cancelled or allowed to expire and the impairment is recognized in other operating expenses.

### Environmental Rehabilitation Obligation (“ERO”) Asset

The following summarizes what comprises the ERO asset:

	As at	
	June 30, 2019	December 31, 2018
Opening Balance, ERO asset	1,510,483	\$ 1,089,709
Change in estimate recognized in ERO asset	-	439,126
Amortization of ERO asset	(6,333)	(15,200)
Change in discount rate affecting ERO asset	24,003	(3,152)
<b>Closing Balance, ERO Asset</b>	<b>\$ 1,528,153</b>	<b>\$ 1,510,483</b>

The ERO 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 14.

## Note 11 – Investments in Associates

### Duvernay Frac Sand Project (“Duvernay Project”)

On January 25, 2019, the Corporation purchased a 16.2% ownership interest in a private Alberta corporation that owns the Duvernay frac sand 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 frac sand project for \$742,000 of cash consideration and the issuance of 1,680,000 common shares of the Corporation. This increased the Corporation’s ownership interest to 49.6%. This interest is accounted for using the equity method.

The Corporation has the option to purchase the remaining 50.4% of the shares in the private corporation for \$8,000,000 for an initial term of one year after the close date (“Option #2”).



## Note 11 – Investments in Associates - continued

### Montney In-Basin Frac Sand Project (“MIB Project”)

On December 14, 2018, the Corporation purchased a 49.2% ownership interest in a private Alberta corporation that owns the Montney In-Basin frac sand 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.

The Corporation has the option to purchase the remaining 50.8% of the shares in the private corporation for \$8,000,000 for an initial term of one year after the close date.

The fair value of the share purchase options for both the Duvernay Project and the MIB Project were valued using the Black-Scholes Option Pricing Model using the following assumptions:

Project	Option Purchase Date	# of Options	Exercise Price	Dividend Yield	Expected Volatility	Risk free rate of return	Expected Life	Fair Value
Duvernay	January 25, 2019	166	\$ 7,000	Nil	100%	1.55%	8 months	\$ 130,312
	January 25, 2019	225	\$ 35,555	Nil	90%	1.55%	12 months	\$ 8,364
								\$ 138,676
MIB	December 14, 2018	261	\$ 30,651	Nil	103%	2.02%	12 months	\$ 124,151

The change in fair value of the share purchase options since the transaction dates can be seen in Note 18.

The following summarizes the investments in associates:

	As at,					
	June 30, 2019			December 31, 2018		
	Montney in-basin frac sand project	Duvernay frac sand project	Total	Montney in-basin frac sand project	Duvernay frac sand project	Total
Investment in associate, beginning of period	\$ 1,646,151	\$ -	\$ 1,646,151	\$ -	\$ -	\$ -
<u>Additions:</u>						
Cash consideration	-	1,022,000	1,022,000	1,498,000	-	-
Share consideration	-	1,129,800	1,129,800	273,000	-	-
	1,646,151	2,151,800	3,797,951	1,771,000	-	-
Purchase price allocated to share purchase options on transaction date	-	138,676	138,676	124,151	-	-
	1,646,151	2,013,124	3,659,275	1,646,849	-	-
Corporation's ownership interest	49.2%	49.6%		49.2%	0.0%	
Corporation's share of associate's net loss for the period	(28,127)	(32,760)	(60,887)	(698)	-	-
Investments in associates, end of period	\$ 1,618,024	\$ 1,980,364	\$ 3,598,388	\$ 1,646,151	\$ -	\$ -

## Note 12 – Credit Facility

The Corporation currently has a credit facility with Canadian Western Bank which includes a letter of credit facility at a rate of 1.50% in the amounts of \$603,000, \$180,000, and \$75,240 in favour of the Government of Alberta which have been fully advanced as of June 30, 2019.

The Corporation is not subject to any covenants or capital spending requirements as part of the current credit facility.

### Letter of Guarantee Facility

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

	As at	
	June 30, 2019	December 31, 2018
Susan Lake Pit	\$ 603,000	\$ 603,000
Poplar Creek Site, storage yard	180,000	180,000
Poplar Creek pit	-	500,000
Emerson pit	75,240	-
	<u>\$ 858,240</u>	<u>\$ 1,283,000</u>

The Corporation has secured its letters of credit to the benefit of the Government of Alberta for decommissioning and restoration with guaranteed investment certificates to the benefit of Canadian Western Bank. Effective March 15, 2019, the Government of Alberta released the letter of credit for the Poplar Creek pit for \$500,000 and the guaranteed investment certificate matured on March 31, 2019.

### Credit Card Facility

The Corporation has access to a corporate credit card facility, up to a maximum of \$20,000 (December 31, 2018: \$20,000). The Corporation has secured its corporate credit card facility with a guaranteed investment certificate (Note 6).

Security under the existing facility includes 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.

## Note 13 – Lease Obligations

	Interest Rate	Monthly Instalments	As at	
			June 30, 2019	December 31, 2018
<b>Finance Leases</b>				
Jim Peplinski Leasing, due Feb 28, 2020	3.680%	1,230	30,979	-
Cat Financial Lease #2, due May 31, 2019	3.680%	3,450	-	13,695
Cat Financial Lease #3, due May 31, 2019	3.680%	3,927	-	15,589
			30,979	29,284
Current portion - principal due within one year			(30,979)	(29,284)
			\$ -	\$ -

Future minimum lease payments for the subsequent year is as follows:

July 1, 2019 to June 30, 2020	\$	31,113
Less: interest included in payments above		(134)
Lease loan principal outstanding, June 30, 2019	\$	30,979

The leases with CAT Financial are fixed interest rate leases and security is provided by the piece of equipment being leased. As of April 30, 2019, the two leases with CAT Financial were repaid in full.

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
<b>Changes in debt obligations arising from financing activities:</b>					
Lease principal outstanding, beginning of year,		\$ 49,245	\$ 380,656	\$ 29,284	\$ 485,062
Adjustment on initial application of IFRS 16	2	-	-	37,974	-
Adjusted balance as at January 1, 2019		49,245	380,656	67,258	485,062
Repayment of lease obligations		(18,088)	(304,984)	(35,658)	(405,062)
Interest expense on lease obligations		(178)	(3,132)	(621)	(7,460)
Total principal repayments		(18,266)	(308,116)	(36,279)	(412,522)
Lease principal outstanding, end of period (all current)		\$ 30,979	\$ 72,540	\$ 30,979	\$ 72,540

The Corporation has leases for trucks, equipment used in operating activities, office space, and office equipment. Many of the Corporation's lease terms have expired and are paid on a month-to-month basis.

	Monthly payments	Lease payments expensed through income statement		Expense included in	Maturity dates	Guaranteed residual value
<b>Truck leases</b>						
Truck lease #1	Short-term	\$ 564	\$ 3,384	Operating costs	Expired December 31, 2017	\$ 9,700
Truck lease #2	Short-term	\$ 450	\$ 2,700	Operating costs	Expired February 28, 2019	\$ 16,000
Truck lease #3	Short-term	\$ 384	\$ 2,304	Operating costs	Expired February 28, 2019	\$ 13,000
Truck lease #4	Short-term	\$ 507	\$ 3,042	Operating costs	Expired February 28, 2019	\$ 10,000
<b>Office leases</b>						
Calgary office	Short-term	Variable	\$ 18,801	General and Administrative	Month-to-month	N/A
Edmonton office	Short-term	\$ 8,962	\$ 53,772	General and Administrative	August 29, 2019	N/A
<b>Office equipment leases</b>						
Photocopier	Short-term	1,286 per quarter	\$ 2,572	General and Administrative	Expired May 28, 2018	N/A

## Note 14 – Environmental Rehabilitation and Decommissioning Obligations (“ERO”)

The following is a reconciliation of the EROs of the Corporation:

	As at	
	June 30, 2019	December 31, 2018
Opening balance, ERO	\$ 4,258,139	\$ 1,962,529
Change in estimate recognized in ERO asset	-	439,126
Change in estimate recognized in other operating expenses	96,966	2,817,047
Change in discount rate	24,003	(3,152)
Change in discount rate recognized in other operating expenses	11,278	(162)
Accretion expense	16,695	32,383
ERO payments	(351,309)	(903,327)
Amortization allocated to ERO payments	(21,293)	(86,305)
Ending balance, ERO	4,034,479	4,258,139
Less: Current portion, EROs to be funded within one year	(1,716,170)	(1,987,677)
	\$ 2,318,309	\$ 2,270,462

Provisions for EROs were recognized for mining activities at the Corporate owned pits. The Corporation assesses its provision for EROs on an annual basis or when new material information becomes available. The estimated undiscounted ERO as at June 30, 2019 was \$4,094,006 (December 31, 2018: \$4,398,501).

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 1.39% to 1.47% as at June 30, 2019 (December 31, 2018: 1.86% to 1.90%) depending on the expected timing of reclamation activities. It is expected that reclamation activities for the Corporate owned pits will occur between 2019 and 2025 considering the projected production schedules, the timing of reclamation activities included in the Conservation and Reclamation Business Plan, 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 Corporation has completed successive revisions to the Susan Lake Closure Plan over the past year and continues to await final approval from Alberta Environment & Parks (“AEP”). Closure and reclamation activities have been underway throughout 2018, with certain provisions allowed by AEP for concurrent operations to recover residual aggregates to assist in meeting Ft. McMurray regional demand.

Total reclamation funded during the six months ended June 30, 2019 was \$372,602, including amortization (year ended December 31, 2018: \$989,632) and related to work performed at Susan Lake (year ended December 31, 2018: Susan Lake and House River).

To June 30, 2019, the Corporation incurred total costs of \$1,315,994 related to Susan Lake closure activities, which includes \$93,293 of amortization (December 31, 2018: \$854,589 including \$72,000 of amortization). The Corporation has been reimbursed for these costs in the amount of \$1,016,770.

The Corporation has paid cash security deposits of \$616,132 as at June 30, 2019 (December 31, 2018: \$612,402) to the Government of Alberta on behalf of the Corporation for ERO provisions on the aggregate pits, and an additional \$133,330 (December 31, 2018: \$133,330) for the Firebag property, where there has been no disturbance yet that would require the Corporation to set up an ERO provision. These deposits are included in the long-term deposits disclosed in Note 5.

## Note 15 – Share Capital

	Note	Six months ended June 30, 2019		Year ended December 31, 2018	
		Number of Shares	Amount	Number of Shares	Amount
<b>Authorized:</b>					
An unlimited number of:					
Common voting shares with no par value					
Preferred shares, issuable in series					
<b>Issued and outstanding, beginning of period</b>					
Issuance of common share units in private placement		40,240,606	\$ 14,465,325	33,303,650	\$ 13,246,758
Common share issuance costs		-	-	5,750,000	992,625
Shares issued in purchase of investment	11	-	(1,149)	-	(47,058)
Warrants exercised		2,100,000	1,129,800	1,186,956	273,000
Stock options exercised		1,625,000	650,000	-	-
		118,333	39,445	-	-
<b>Issued and outstanding, end of period</b>		<b>44,083,939</b>	<b>\$ 16,283,421</b>	<b>40,240,606</b>	<b>\$ 14,465,325</b>

On November 21, 2018, the Corporation issued 5,750,000 common shares in a private placement for cash consideration of \$1,150,000. Legal and filing fees of \$47,058 and commission of \$nil associated with the private placement were incurred for net cash proceeds of \$1,102,942. Each common share issued in the private placement is accompanied by one-half common share purchase warrant with each full warrant entitling the holder to acquire one additional common share at an exercise price of \$0.35 for a period of two years from the issuance date. If the closing price of the Corporation's common shares on the TSX Venture Exchange is at a price equal to or greater than \$0.50 for a period of ten consecutive trading days, the Corporation will have the right to accelerate the expiry date of the Warrants, whereby the Warrants will expire 30 days from the date of the notice to the Warrant holders. As of March 16, 2019, the Corporation's share price met the warrant acceleration threshold; however, the Corporation chose not to accelerate the expiry date of the warrants. The fair values attributed to the common shares and warrants were \$992,625 and \$157,375 respectively using the relative fair value method. The fair value of the warrants has been recorded in contributed surplus.

### 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:

	Six months ended June 30, 2019		Year ended December 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
<b>Options outstanding, beginning of period:</b>	2,555,000	\$ 0.33	1,270,000	\$ 0.45
Issued	946,667	0.50	1,705,000	0.21
Exercised	(118,333)	0.21	-	-
Expired or cancelled	(318,333)	1.10	(420,000)	0.26
<b>Options outstanding, end of period:</b>	<b>3,065,001</b>	<b>\$ 0.30</b>	<b>2,555,000</b>	<b>\$ 0.33</b>

During the six months ended June 30, 2019, 946,667 options were granted to Directors, Officers and employees of the Corporation (year ended December 31, 2018: 1,705,000).

During the six months ended June 30, 2019, 118,333 options were exercised at a weighted average exercise price of \$0.21 for total proceeds of \$24,566 (year ended December 31, 2018: nil).

## Note 15 – Share Capital - continued

Of the 3,065,001 (December 31, 2018: 2,555,000) outstanding stock options, 1,530,001 (December 31, 2018: 1,178,334) options have vested and therefore, were exercisable at June 30, 2019 at a weighted average exercise price of \$0.22 per share (December 31, 2018: \$0.45 per share).

The weighted average remaining contractual life of the options is 3.80 years (December 31, 2018: 3.84 years).

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.

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:

Expiry Date	Exercise Price	As at	
		June 30, 2019	December 31, 2018
June 26, 2019	\$ 2.90	-	100,000
December 14, 2020	0.30	220,000	245,000
January 13, 2022	0.24	270,000	270,000
July 7, 2022	0.18	400,000	430,000
November 23, 2022	0.22	-	30,000
April 30, 2023	0.17	116,667	220,000
June 4, 2023	0.17	525,000	550,000
September 13, 2023	0.30	100,000	100,000
November 23, 2023	0.26	516,667	610,000
January 9, 2024	0.28	275,000	-
May 21, 2024	0.57	75,000	-
May 22, 2024	0.57	446,667	-
June 24, 2024	0.65	120,000	-
		<b>3,065,001</b>	<b>2,555,000</b>

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
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%
November 23, 2018	610,000	\$ 0.26	Nil	73.1%	2.28%	5 years	\$ 0.16	16.3%
September 13, 2018	160,000	\$ 0.30	Nil	74.3%	2.24%	5 years	\$ 0.18	16.6%
June 4, 2018	665,000	\$ 0.17	Nil	74.4%	2.10%	5 years	\$ 0.10	16.3%
April 30, 2018	270,000	\$ 0.17	Nil	72.9%	2.10%	5 years	\$ 0.10	16.5%
November 23, 2017	200,000	\$ 0.22	Nil	73.4%	1.61%	5 years	\$ 0.13	16.8%
July 7, 2017	530,000	\$ 0.18	Nil	74.1%	1.46%	5 years	\$ 0.11	15.3%

## Note 15 – Share Capital - continued

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

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.

### Warrants

	Six months ended June 30, 2019		Year ended December 31, 2018	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of period:	2,875,000	\$ 0.35	-	\$ -
Issued	-	-	2,875,000	0.35
Exercised	(1,625,000)	0.35	-	-
Expired or cancelled	-	-	-	-
Warrants outstanding, end of period:	1,250,000	\$ 0.35	2,875,000	\$ 0.35

During the three and six months ended June 30, 2019 1,625,000 warrants were exercised at an exercise price of \$0.35 for proceeds of \$567,601 (year ended December 31, 2018: nil).

Of the 1,250,000 (December 31, 2018: 2,875,000) outstanding warrants, 1,250,000 (December 31, 2018: 2,875,000) were exercisable at June 30, 2019 at a weighted average exercise price of \$0.35 per warrant (December 31, 2018: \$0.35 per warrant).

The weighted average remaining contractual life of the warrants is 1.40 years (December 31, 2018: 1.89 years).

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 options 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 years	\$ 0.08

### Restricted Share Unit (“RSUs”) and Deferred Share Units (“DSUs”)

	Six months ended June 30, 2019				Year ended December 31, 2018			
	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 period:	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Issued	960,000	-	-	-	-	-	-	-
Expired or cancelled	(30,000)	0.02	-	-	-	-	-	-
Outstanding, end of period:	930,000	\$ 0.03	-	\$ -	-	\$ -	-	\$ -

On April 4, 2019, the Corporation adopted Restricted share unit (“RSU”) and Deferred share unit (“DSU”) plans.

DSUs vest 1/3rd on the first, second, and third (annual) anniversary of the date of grant based on continued tenure of the participant.

## Note 15 – Share Capital - continued

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.

During the six months ended June 30, 2019, 960,000 DSUs were granted to Directors, Officers and employees of the Corporation (year ended December 31, 2018: nil). No RSUs have been granted as of the six months ending June 30, 2019.

Of the 930,000 (December 31, 2018: nil) outstanding DSUs, nil (December 31, 2018: nil) DSUs have vested.

The fair value of the DSU liability of \$28,828, which is based on the closing price of the Corporation's shares on the TSX Venture Exchange, 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 stock option, RSU, and DSU plans provides for a floating maximum limit of 10% of the outstanding common shares, as permitted by the policies of the TSX Venture Exchange.

Share-based compensation expense is comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Stock options	\$ 63,891	\$ 25,524	\$ 117,814	\$ 41,852
Deferred share units	28,828	-	28,828	-
<b>Share-based compensation expense</b>	<b>\$ 92,719</b>	<b>\$ 25,524</b>	<b>\$ 146,642</b>	<b>\$ 41,852</b>

Share-based compensation expense in the statement of loss and comprehensive loss for the six months ended June 30, 2019 includes \$29,208 to Directors, \$74,676 to Officers, and \$42,758 to employees (six months ended June 30, 2018: \$7,130 to Directors, \$21,564 to Officers, and \$13,158 to employees).

### Net Earnings (Loss) Per Common Share

The treasury stock method is used to calculate earnings (loss) per share, and under this method options that are anti-dilutive are excluded from the calculation of diluted earnings (loss) per share. For the three and six months ended June 30, 2019 and June 30, 2018, all outstanding options were considered anti-dilutive because the Corporation recorded a loss over those periods.

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
<b>Basic loss per share</b>				
Total loss and comprehensive loss	\$ (1,310,647)	\$ (54,640)	\$ (2,367,606)	\$ (795,109)
Weighted average number of common shares outstanding	43,140,203	33,303,650	41,849,243	33,303,650
<b>Total loss and comprehensive loss per common share, basic</b>	<b>\$ (0.030)</b>	<b>\$ (0.002)</b>	<b>\$ (0.057)</b>	<b>\$ (0.024)</b>
<b>Diluted loss per share</b>				
Total loss and comprehensive loss	\$ (1,310,647)	\$ (54,640)	\$ (2,367,606)	\$ (795,109)
Weighted average number of common shares outstanding	43,140,203	33,303,650	41,849,243	33,303,650
Effect of dilutive stock	-	-	-	-
Weighted average number of common shares outstanding assuming dilution	43,140,203	33,303,650	41,849,243	33,303,650
<b>Total loss and comprehensive loss per common share, diluted</b>	<b>\$ (0.030)</b>	<b>\$ (0.002)</b>	<b>\$ (0.057)</b>	<b>\$ (0.024)</b>



## Note 16 – Related Party Transactions

The Corporation's related parties include four independent Directors, the Chief Executive Officer, the Chief Financial Officer, the Chief Operations Officer, Aggregates Marketing Inc., AMI Silica Inc., the private Alberta corporation that owns the Montney In-Basin frac sand project, and the private Alberta corporation that owns the Duvernay frac sand project.

Transactions with independent Directors were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
<b>Directors:</b>				
Directors fees	\$ 43,500	\$ 43,500	\$ 79,500	\$ 80,167
Travel and miscellaneous expenses	1,658	922	2,799	922
Share-based compensation	16,319	4,696	29,208	7,130
	\$ 61,477	\$ 49,118	\$ 111,507	\$ 88,219

Amounts due to Directors at June 30, 2019 was \$128 (June 30, 2018: \$494). The Director's fees are paid on a quarterly basis. Any unpaid amounts due to Directors are unsecured and are non-interest bearing.

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 17 – Compensation of Key Management

The remuneration paid to named Officers were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Salaries and other benefits including severance	\$ 156,453	\$ 101,544	\$ 311,015	\$ 202,686
Share-based compensation	48,803	11,834	74,676	21,564
	\$ 205,256	\$ 113,378	\$ 385,691	\$ 224,250

Amounts due to named Officers at June 30, 2019 was \$334 (June 30, 2018: \$3,497).

## Note 18 – 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
Share purchase options	Fair value through profit and loss
Long-term deposits	Amortized cost
Restricted cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Deferred share unit liability (included in Accounts payable and accrued liabilities)	Fair value through profit and loss

## Note 18 – Financial Instruments - continued

### Fair Value

Due to the short-term nature of cash, trade and other receivables, accounts payable and accrued liabilities 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 value of long-term deposits are not materially different from their carrying value.

The deferred share unit liability and the share purchase options are the only financial instruments measured at fair value on a recurring basis. The deferred share unit liability is a Level 2 fair value hierarchy measurement and the share purchase options are a Level 3 fair value hierarchy measurement. There were no transfers between Level 1, 2, or 3 of the fair value hierarchy for the three and six months ended June 30, 2019 (year ended December 31, 2018: none).

### Share purchase options

The following tables show the sensitivity of the fair value estimates for the share purchase options as a result of changes to the inputs:

Financial instrument carried at fair value	Significant unobservable input	Sensitivity of the fair value measurement to input
Montney in-basin share purchase option	Expected volatility	An increase of 25% (decrease of 25%) would increase (decrease) the fair value by \$126,000 (\$64,000)
	Risk free rate of return	An increase of 25% (decrease of 25%) would increase (decrease) the fair value by \$600 (\$500)

Financial instrument carried at fair value	Significant unobservable input	Sensitivity of the fair value measurement to input
Duvernay share purchase option #2	Expected volatility	An increase of 25% (decrease of 25%) would increase (decrease) the fair value by \$3,400 (\$340)
	Risk free rate of return	An increase of 25% (decrease of 25%) would increase (decrease) the fair value by \$4 (\$3)

Changes in the expected volatility cause significant changes in the fair value measurement of the share purchase options. The expected volatilities were estimated using the average volatility in share price of comparable publicly traded junior mining companies.

The reconciliation of the carrying amounts of financial instruments classified within Level 3 of the fair value hierarchy is as follows (\$CDN):

	Note	As at,					
		June 30, 2019			December 31, 2018		
		Montney in-basin frac sand project	Duvernay frac sand project	Total	Montney in-basin frac sand project	Duvernay frac sand project	Total
Balance at December 31, 2018		\$ 124,151	\$ -	\$ 124,151	\$ 124,151	\$ -	\$ 124,151
Share purchase option additions	11	-	138,676	138,676	-	-	-
Share purchase option exercised		-	(79,035)	(79,035)	-	-	-
Change in fair value of share purchase options		(29,608)	(59,287)	(88,895)	-	-	-
<b>Balance at June 30, 2019</b>		<b>\$ 94,543</b>	<b>\$ 354</b>	<b>\$ 94,897</b>	<b>\$ 124,151</b>	<b>\$ -</b>	<b>\$ 124,151</b>

The following options were valued using the Black-Scholes Option Pricing Model using the following assumptions as at June 30, 2019:

Project	Option Purchase Date	# of Options	Exercise Price	Dividend Yield	Expected Volatility	Risk free rate of return	Expected Life	Fair Value
Duvernay	January 25, 2019	225	\$ 35,555	Nil	86%	1.47%	7 months	\$ 354
MIB	December 14, 2018	261	\$ 30,651	Nil	98%	1.47%	11.5 months	\$ 94,543

The total amount of the unrealized loss included in the consolidated statement of loss and comprehensive loss for the three and six months ended June 30, 2019 is \$88,895 (December 31, 2018: \$nil).

## Note 18 – 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, and long-term deposits. The Corporation's maximum credit risk at June 30, 2019 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.

Under the simplified approach, lifetime 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. The Corporation estimates an increased loss rate for new customers as opposed to customers that the Corporation has previous experience with, as the Corporation has experienced defaults more commonly with new customers as opposed to previous customers. New customers are customers that the Corporation has not completed projects with previously.

The calculation of the lifetime expected credit loss is as follows:

	Days outstanding	Estimated loss rate	Accounts receivable - gross	Lifetime expected credit loss	Accounts receivable - net
Previous customers	Current (0-60)	0.00%	\$ 1,042,106	\$ (8)	\$ 1,042,098
	60-90	0.00%	-	-	-
	90+	0.00%	-	-	-
			<u>\$ 1,042,106</u>	<u>\$ (8)</u>	<u>\$ 1,042,098</u>
			<u>\$ 1,042,106</u>	<u>\$ (8)</u>	<u>\$ 1,042,098</u>

The following table summarizes the changes in the estimated lifetime expected credit loss included in accounts receivable:

	As at	
	June 30, 2019	December 31, 2018
Balance, beginning of period	\$ 3,741	\$ 3,054
Adjustment to lifetime expected credit loss estimate	2,567	687
Less: specific account written-off	(6,300)	-
<b>Balance, end of period</b>	<b>\$ 8</b>	<b>\$ 3,741</b>

The accounts receivable aging is as follows:

	Current	60-90 days	> 90 days	Total
As at June 30, 2019	\$ 1,042,098	\$ -	\$ -	\$ 1,042,098
As at December 31, 2018	\$ 1,048,713	\$ 311,911	\$ 171,239	\$ 1,531,863

## Note 18 – Financial Instruments - continued

One customer individually owing greater than 10% of the accounts receivable total balance accounted for 95% for the Corporation's accounts receivable as at June 30, 2019 (December 31, 2018: two customers accounted for 84%).

### 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 sufficient cash to meet its short-term requirements for operations, start-up costs for its wholly-owned subsidiaries Aggregates Marketing Inc. and AMI Silica Inc., and other contractual obligations.

As at June 30, 2019, the Corporation has sufficient 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 and lease obligations, including interest.

The expected remaining contractual maturities of the Corporation's financial liabilities are shown in the following table:

	Note	As at June 30, 2019		
		0 - 1 year	2 - 3 years	Total
Accounts payable and accrued liabilities		\$ 947,124	\$ -	\$ 947,124
Lease obligations, including interest	13	31,113	-	31,113
<b>Total</b>		<b>\$ 978,237</b>	<b>\$ -</b>	<b>\$ 978,237</b>

## Note 19 – Capital Disclosures

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

	Note	As at	
		June 30, 2019	December 31, 2018
Total equity attributable to shareholders		\$ 14,139,143	\$ 14,671,903
Total borrowings			
Current portion of lease obligations	13	30,979	29,284
Cash		(3,722,072)	(5,078,537)
<b>Total managed capital</b>		<b>\$ 10,448,050</b>	<b>\$ 9,622,650</b>

The Corporation's objective when managing capital is to provide sufficient 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.

There were no changes to the Corporation's capital management during the three and six months ended June 30, 2019.

## Note 20 – Supplemental Statement of Loss and Comprehensive Loss Disclosures

Finance costs are comprised of the following:

	Note	Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
Interest on lease obligations	13	(178)	(3,132)	(621)	(7,460)

Other operating expenses are comprised of the following:

	Notes	Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
Write down of resource properties security deposits	5	-	-	-	(9,000)
Impairment of property and equipment	8	(8,671)	(27,169)	(36,294)	(27,169)
Write down of resource properties	10	-	(115,823)	-	(124,717)
Change in environmental rehabilitation obligation	14	-	(46,874)	(96,966)	(47,040)
Change in discount rate recognized in other operating expenses	14	(3,063)	2,092	(11,278)	3,044
Amortization of environmental rehabilitation obligation asset	10	(3,200)	(2,800)	(6,333)	(5,638)
Amortization of resource property lease costs	10	(2,779)	(2,779)	(5,559)	(5,559)
Accretion of environmental rehabilitation obligation	14	(7,712)	(8,096)	(16,695)	(16,192)
		\$ (25,425)	\$ (201,449)	\$ (173,125)	\$ (232,271)

Other non-operating income is comprised of the following:

	Notes	Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
Gain on disposal of property and equipment		6,700	206,875	6,700	206,875
Change in fair value of share purchase options	18	(63,216)	-	(88,896)	-
Share purchase option exercised	18	(79,035)	-	(79,035)	-
Camp rental		15,666	103,587	138,414	176,037
Rental income		-	572	9,140	4,286
Foreign exchange loss		(86)	-	(350)	-
		\$ (119,971)	\$ 311,034	\$ (14,027)	\$ 387,198

During the three and six months ended June 30, 2019, the Corporation rented the work camp at Poplar Creek for \$15,666 and \$138,414 (three and six months ended June 30, 2018: \$103,587 and \$176,037) respectively in rental income.

During the three and six months ended June 30, 2019, 96% and 90% of aggregate sales were sold to one and two customers respectively (three and six months ended June 30, 2018: 83% and 84% to three customers respectively). Individually, these customers represented more than 10% of the Corporation's revenue.

The following table shows the total employee benefit expenses for the period:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Employee benefit expenses	\$ 534,217	\$ 512,547	\$ 1,222,029	\$ 1,024,873

Employee benefit expenses include salaries, wages, bonuses, group benefit premiums, and 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 Statement of Loss and Comprehensive Loss.

The following table shows the total severance expenses for the period, which are not included in the employee benefit expenses table above:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Severance	\$ -	\$ -	\$ 8,608	\$ -

## Note 21 – Contingency

### Syncrude Counterclaim

The Corporation has received the Statement of Defence and Counterclaim from Syncrude Canada Ltd. ("Syncrude") in respect to the Corporation's dispute with Syncrude regarding approximately \$620,000 in user fees and government royalties that the Corporation believes are owed by Syncrude to the Corporation in respect of gravel used by Syncrude from the Susan Lake Public Pit. In addition to denying all allegations in the Corporation's Statement of Claim, Syncrude has brought several counterclaims against the Corporation and is seeking damages in excess of \$68,000,000 (the "Counterclaim").

Athabasca Minerals believes the Counterclaim is without merit and will defend it rigorously. The outcome of the counterclaim is unknown at this time.

## Note 22 – Segmented Reporting

Reportable segments are determined based on the corporate structure and operations. Corporate is disclosed for reconciliation purposes only.

For the three months ended June 30,	Aggregate sales and aggregate management services		Frac sand		Corporate		Consolidation eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue:										
Aggregate sales revenue	980,405	247,720	-	-	-	-	-	-	980,405	247,720
Aggregate management services	-	1,124,588	-	-	-	-	-	-	-	1,124,588
Total income (loss) and comprehensive income (loss)	(305,806)	289,739	(24,992)	-	(979,849)	(344,379)	-	-	(1,310,647)	(54,640)
Amortization, depreciation, and depletion	(78,773)	(128,462)	-	-	(5,981)	(13,363)	-	-	(84,754)	(141,825)
Finance costs	(178)	(3,132)	-	-	-	-	-	-	(178)	(3,132)
Interest income	-	-	-	-	34,316	11,631	-	-	34,316	11,631
Income tax recovery (expense)	-	-	-	-	-	10,665	-	-	-	10,665

For the six months ended June 30,	Aggregate sales and aggregate management services		Frac sand		Corporate		Consolidation eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue:										
Aggregate sales revenue	980,405	254,482	-	-	-	-	-	-	980,405	254,482
Aggregate management services	433,635	1,231,509	-	-	-	-	-	-	433,635	1,231,509
Total loss and comprehensive loss	(411,760)	(189,709)	(228,817)	-	(1,727,029)	(605,400)	-	-	(2,367,606)	(795,109)
Amortization, depreciation, and depletion	(134,272)	(269,457)	-	-	(11,674)	(31,895)	-	-	(145,946)	(301,352)
Finance costs	(621)	(7,460)	-	-	-	-	-	-	(621)	(7,460)
Interest income	-	-	-	-	55,110	21,101	-	-	55,110	21,101
Income tax recovery (expense)	-	-	-	-	(1,825)	278,425	-	-	(1,825)	278,425

As at	December 31,		December 31,		December 31,		December 31,		December 31,	
	June 30, 2019	2018	June 30, 2019	2018	June 30, 2019	2018	June 30, 2019	2018	June 30, 2019	2018
Segment assets	11,726,020	12,491,127	4,969,937	1,274,685	3,868,784	7,036,910	(810,778)	(531,670)	19,753,963	20,271,052
Segment liabilities	5,404,017	5,403,328	810,377	525,774	211,204	135,076	(810,778)	(465,029)	5,614,820	5,599,149

## Note 23 – Subsequent Events

Subsequent to the end of the quarter, 321,667 stock options and 362,500 warrants were exercised for total proceeds of \$209,033.