YEAR ENDED DECEMBER 31, 2019

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 16, 2020
Edmonton, Alberta

Grant Thornton

Independent Auditor's Report

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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, 2019, and December 31, 2018 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, 2019 and December 31, 2018, 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.

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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.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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

April 16, 2020

Chartered Professional Accountants

Consolidated Statements of Financial Position

	Notes	As at December 31, 2019	December 31, 2018
ASSETS			
Current			
Cash		$ 1,995,280	$ 5,078,537
Trade and other receivables	4, 20	1,011,903	1,531,863
Inventory	5	1,112,475	1,311,133
Prepaid expenses and deposits		115,582	116,950
Share purchase options	20	-	124,151
Current Assets		4,235,240	8,162,634
Long-term deposits	6	803,288	801,232
Restricted cash	7	1,761,470	2,155,450
Contract assets	8	392,879	-
Property and equipment	9	982,306	1,293,221
Right-of-use assets	10	175,414	-
Resource properties	11	6,288,436	6,212,364
Investments in associates	12	3,633,427	1,646,151
Total Assets		$ 18,272,460	$ 20,271,052
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	20	$ 1,348,550	$ 453,081
Deposit liabilities	7, 15	-	858,645
Current portion of lease obligations	14	93,685	29,284
Current portion of environmental rehabilitation obligations	15	16,693	1,987,677
Current Liabilities		1,458,928	3,328,687
Lease obligations	14	86,205	-
Environmental rehabilitation obligations	15	2,455,513	2,270,462
Total Liabilities		4,000,646	5,599,149
Subsequent events	25		
Shareholders' Equity			
Share capital	17	16,734,732	14,465,325
Contributed surplus		4,964,152	4,908,045
Deficit		(7,427,070)	(4,701,467)
Total Shareholders' Equity		14,271,814	14,671,903
Total Liabilities and Shareholders' Equity		$ 18,272,460	$ 20,271,052

The accompanying notes are an integral part of these audited consolidated annual 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, 2019	2018
Aggregate sales revenue	23	$ 1,689,792	$ 2,138,411
Management services revenue, net of royalties	23	911,034	2,993,182
Revenue		2,600,826	5,131,593
Operating costs		(3,320,368)	(3,083,092)
Depreciation, depletion, and amortization expense	9, 10	(341,079)	(447,722)
Royalties		(3,931)	(136,980)
Cost of sales		(3,665,378)	(3,667,794)
Gross profit (loss)		(1,064,552)	1,463,799
General and administrative expenses		(3,256,651)	(2,948,030)
Share of loss from associates	12	(104,883)	(698)
Share-based compensation	17	(364,445)	(109,357)
Other operating income (expenses)	22	1,944,834	(2,116,567)
Operating loss		(2,845,697)	(3,710,853)
Finance costs on lease obligations	14	(3,292)	(8,464)
Other non-operating income	22	39,827	619,380
Interest income		90,319	66,138
Loss before income taxes		(2,718,843)	(3,033,799)
Income tax recovery (expense)	16	(1,825)	523,963
Total loss and comprehensive loss		$ (2,720,668)	$ (2,509,836)
Loss per common share - basic	17	$ (0.063)	$ (0.074)
Loss per common share - diluted	17	$ (0.063)	$ (0.074)
Weighted average number of shares outstanding	17	43,354,271	33,897,827

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

Athabasca MINERALS INC.

Consolidated Statements of Changes in Shareholders' Equity

	Notes	Number of Shares		Share Capital		Contributed Surplus		Deficit		Total Shareholders' 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)
Adjusted balance as at January 1, 2018		33,303,650		13,246,758		4,641,313		(2,191,631)		15,696,440
Private placement share issuance	17	5,750,000	$	992,625	$	157,375	$	-	$	1,150,000
Share issuance costs, net of tax of $nil	17	-		(47,058)		-		-		(47,058)
Shares issued in purchase of investment	12, 17	1,186,956		273,000		-		-		273,000
Share-based compensation		-		-		109,357		-		109,357
Total loss and comprehensive loss for the year		-		-		-		(2,509,836)		(2,509,836)
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 $1,825	3	-		-		-		(4,935)		(4,935)
Adjusted balance as at January 1, 2019	**3**	**40,240,606**	**$**	**14,465,325**	**$**	**4,908,045**	**$**	**(4,706,402)**	**$**	**14,666,968**
Shares issued in purchase of investment	12, 17	2,100,000	$	1,129,800	$	-	$	-	$	1,129,800
Share-based compensation - options	17	-		-		286,924		-		286,924
Stock options exercised	17	998,334		347,484		(131,442)		-		216,042
Warrants exercised	17	1,987,500		795,000		(99,375)		-		695,625
Share issuance costs, net of tax of $nil	17	-		(2,877)		-		-		(2,877)
Total loss and comprehensive loss for the year		-		-		-		(2,720,668)		(2,720,668)
Balance as at December 31, 2019		**45,326,440**	**$**	**16,734,732**	**$**	**4,964,152**	**$**	**(7,427,070)**	**$**	**14,271,814**

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

Consolidated Statements of Cash Flows

	Notes	Years ended December 31, 2019	2018
OPERATING ACTIVITIES			
Receipts from customers		$ 3,399,868	$ 7,050,702
Payments to suppliers		(3,685,164)	(3,781,682)
Payments to employees		(2,591,445)	(2,506,141)
Interest received		90,319	66,138
Finance costs paid		(3,292)	(8,464)
Net cash (used in) from operating activities		(2,789,714)	820,553
INVESTING ACTIVITIES			
Long-term deposits	6	(2,056)	51,532
Restricted cash	7	393,980	(455,662)
Spending on contract assets	8	(392,879)	-
Proceeds on sale of property and equipment	9	6,700	2,984,210
Purchase of property and equipment	9	(51,372)	(56,676)
Spending on resource properties	11	(75,609)	(50,955)
Proceeds on sale of test samples	11	-	7,000
Consideration paid for interest in associate	12	(1,022,000)	(1,498,000)
Net cash (used in) from investing activities		(1,143,236)	981,449
FINANCING ACTIVITIES			
Proceeds from issuance of common share units	17	-	1,150,000
Common share issuance costs	17	(2,877)	(47,058)
Repayment of lease obligations	14	(59,097)	(455,778)
Proceeds from exercise of warrants and stock options	17	911,667	-
Net cash from financing activities		849,693	647,164
Net change in cash		(3,083,257)	2,449,166
Cash, beginning of year		5,078,537	2,629,371
Cash, end of year		$ 1,995,280	$ 5,078,537

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

Note 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 AMI-V (previously ABM-V). The Corporation's head office is located at 4409 94 Street NW, Edmonton, Alberta, Canada T6E 6T7.

Athabasca Minerals Inc. (or "AMI"), which incorporated in 2006, is an integrated group of companies focused on the aggregates and industrial minerals sectors, including resource development, aggregates marketing and midstream supply-logistics solutions. Business activities include aggregate production, sales and royalties from corporate-owned pits, management services of third-party pits, acquisitions of sand and gravel operations, and new venture development.

Athabasca Minerals Inc. is the parent company of Aggregates Marketing Inc., now known as AMI RockChain Inc. ("AMI RockChain", name changed as of February 2020), a midstream technology-based business using its proprietary RockChain™ digital platform, associated algorithm and quality assurance & control services to provide cost-effective integrated supply /delivery solutions of industrial minerals to industry, and the construction sector. AMI is also the parent company of AMI Silica Inc. ("AMI Silica"), a subsidiary positioning to become a leading supplier of premium domestic in-basin sand with regional deposits in Alberta and Northeast British Columbia. It is the joint venture owner of the Montney In-Basin and Duvernay Basin Silica Sand Projects. Additionally, the Corporation has industrial mineral leases, such as those supporting AMI's Richardson Quarry Project, that are strategically positioned for future development in industrial regions with historically and consistently high demand for aggregates.

The Corporation has managed the Susan Lake aggregate (sand and gravel) pit, an operation on Crown Land, on behalf of the Government of Alberta for over the past 20 years. This contract generated revenues for aggregate management services. The contract technically expired in November 30, 2017, but the Corporation continued to manage the Susan Lake aggregate pit with overholding tenancy and generated revenues into the first quarter of 2019. The Corporation will continue its aggregate management services for the Province with the recent award of the Coffey Lake Public Pit contract in 2019.

The Corporation is strategically focused on growing its three core business units: the AMI Aggregates division, the AMI Silica division, and the AMI RockChain division. Management is continually pursuing opportunities for sustained growth and diversification in supplying aggregate products and industrial minerals.

The consolidated financial statements for the year ended December 31, 2019 including comparatives were approved and authorized for issue by the Board of Directors on April 16, 2020.

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.

These consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries AMI RockChain, which was incorporated on March 19, 2018 and AMI Silica, which was incorporated on May 30, 2018 (the "subsidiaries"). The Corporation also holds a 49.2% ownership interest in a private Alberta corporation that owns the Montney In-Basin silica sand project (Note 12) and a 49.6% ownership interest in a private Alberta corporation that holds the Duvernay silica sand project in Alberta (Note 12). These interests are accounted for using the equity method.

Note 2 - Basis of Presentation - continued

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 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

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.

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.

Note 2 - Basis of Presentation - continued

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.

Leases
Under IFRS 16, 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.

In the prior year, before adopting IFRS 16, management used judgment in determining whether a lease is a finance lease arrangement that transfers substantially all the risks and rewards of ownership to the Corporation. Management evaluated the lease terms and in some cases the lease transaction was not always conclusive in its classification as a finance lease.

Revenue
Under the Corporation's Susan Lake aggregate management contract with the Government of Alberta, the Corporation earned a management fee for services provided and recognizes revenue as the fees are earned. Additionally, the Corporation invoices its customers for any royalties applicable on the sale of aggregates and is responsible to collect and remit all royalties to the Government. An entity acts as a principal (as opposed to an agent) when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. In a principal relationship, revenue amounts are reported on a gross basis. In an agency relationship, billed amounts are reported on a net basis as the amounts collected on behalf of the principal are not considered revenue. Determining whether an entity is acting as a principal or agent requires judgment and consideration of all relevant facts and circumstances.

Note 2 - Basis of Presentation - continued

Features that indicate that an entity is acting as a principal include:

- The entity has the primary responsibility for providing the goods or services to the customer or for fulfilling the order;
- The entity bears the customer's credit risk for the amount receivable from the customer;
- The entity has latitude in establishing prices, either directly or indirectly, for example by providing additional goods or services; and
- The entity has inventory risk before or after the customer order, during shipping or on return.

It is the judgment of management that in the case of providing aggregate management services, the first two considerations above apply to the Corporation's situation, whereas the remaining two considerations apply less to the Corporation's situation. It is therefore management's determination that the Corporation serves a role as principal rather than agent in the aggregate management services it performs.

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.

Note 2 - Basis of Presentation - continued

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.

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.

Note 2 - Basis of Presentation - continued

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.

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.

Note 2 - Basis of Presentation - continued

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.

Fair Value of Share Purchase Options
Options to purchase shares are accounted for at fair value. These options are valued using the Black-Scholes Option Pricing Model. The options are carried at fair value and are re-measured each reporting 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.

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.

Note 3 - Significant Accounting Policies – continued

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
Office complex	Straight line	15 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.

e) 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.

Note 3 - Significant Accounting Policies – continued

f) 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.

g) 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.

Note 3 - Significant Accounting Policies – continued

h) 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.

i) Lease obligations

December 31, 2019

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 recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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.

Note 3 - Significant Accounting Policies – continued

At the commencement date of the lease, the Corporation recognises 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 recognised 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 recognised as expense on a straight-line basis over the lease term.

December 31, 2018

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement to reflect the risks and benefits incidental to ownership.

Operating Leases
The minimum lease payments of operating leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are recognized as an expense in profit or loss on a straight-line basis over the lease term. Contingent rentals are recognized as an expense when they are incurred.

Finance Leases
Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Corporation are capitalized at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the incremental borrowing rate is used.

Lease payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recorded on the consolidated statements of loss and comprehensive loss.

Any initial direct costs of the lessee are added to the amount recognized as an asset. The useful life and depreciation method are determined on a consistent basis with the Corporation's policies for property and equipment.

Note 3 - Significant Accounting Policies – continued

j) 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.

k) Share-based Compensation

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

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. In the event options are forfeited prior to vesting, the amount recognized in prior periods in relation to the option is reversed.

l) 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.

m) 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.

Note 3 - Significant Accounting Policies – continued

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.

n) 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.

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 (Susan Lake).

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

Until Q2 2019, the Corporation managed the Susan 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.

Note 3 - Significant Accounting Policies – continued

Contract assets

Any incremental costs of obtaining a contract, such as sales commissions or permitting and development costs, are capitalized as a contract asset on the statement of financial position, as long as the Corporation expects to recover those costs. 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.

o) Segmented Reporting

The Corporation has three reportable segments:

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

b) AMI RockChain: The Corporation sells 3rd party aggregate using the RockChain™ digital platform to provide integrated supply and transportation solutions for industrial and construction markets.

c) AMI Silica: The Corporation owns a 100% interest in the Firebag silica sand project, a 49.2% interest in the Montney In-Basin silica sand project and a 49.6% interest in the Duvernay silica sand project. 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.

p) Investment in Associates

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

q) Income (Loss) Per Common Share

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

Diluted income (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

r) 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.

Note 3 - Significant Accounting Policies – continued

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.

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.

Recent Accounting Pronouncements

s) Standards adopted

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 statements 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 few 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

Note 3 - Significant Accounting Policies – 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	$ -	$ 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	$ 37,974

Recent Accounting Pronouncements

t) 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 – 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, 2019, the estimated credit loss amounted to $262 (2018: $3,741).

Note 5 – Inventory

Inventory with a production cost of $1,302,435 (2018: $1,281,780) was sold and is included in operating costs for the year ended December 31, 2019.

The Corporation recognizes a stockpile loss on all inventory stockpiles based on aerial drone measurements of the individual stockpile's volume. During the year ended December 31, 2019, the Corporation recognized a stockpile loss of $26,052 (2018: $35,061) included in operating costs.

The inventory balance of $1,112,475 (2018: $1,311,133) consists of $264,180 of unprocessed gravel and $848,295 of crushed gravel (2018: $264,180 of unprocessed gravel and $1,046,953 of crushed gravel).

Note 6 – Long Term Deposits

	Notes	As at December 31, 2019	As at December 31, 2018
Security deposits on gravel leases		**$ 657,768**	$ 639,212
Security deposits on miscellaneous leases		**106,520**	106,520
		764,288	745,732
Security deposits on exploration leases		**39,000**	55,500
		$ 803,288	$ 801,232

The long-term deposits are made with various entities to secure certain lease commitments.

During the year ended December 31, 2019, the Corporation made deposits of $18,556 on new sites and was refunded $16,500 for deposits that were no longer required by the Corporation.

Management wrote off $nil (2018: $10,936) in uncollectible security deposits on gravel leases during the year ended December 31, 2019. This impairment is included in other operating expenses. During the year ended December 31, 2018, the Corporation received a security deposit in the amount of $25,387 from a former employee that had been written off as uncollectible in previous years. This reversal was included in other operating expenses.

Note 7 – Restricted Cash

	Notes	As at December 31, 2019		As at December 31, 2018
Funds on deposit				
Poplar Creek site		$	**300,000**	$ 300,000
House River pit			**56,406**	51,496
Customer deposits collected			**-**	500,954
Guaranteed investment certificates for letters of credit				
Susan Lake pit			**228,540**	603,000
Poplar Creek Site, storage yard			**183,600**	180,000
Emerson pit			**76,004**	-
Poplar Creek pit			**-**	500,000
Coffey Lake reclamation			**296,520**	-
Coffey Lake performance bond			**500,000**	-
Coffey Lake right of way			**100,000**	-
Credit card facility			**20,400**	20,000
		$	**1,761,470**	$ 2,155,450

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 $356,406 (2018: $351,496).

As at December 31, 2018, the Corporation had on deposit $500,954 in deposits from customers at Susan Lake via a surcharge that was collected from December 1, 2017 to January 21, 2019. The total collected during that period was $604,496. As at December 31, 2018, the funds were held as restricted funds to recognize that they were being set aside to cover reclamation spending at Susan Lake. On August 15, 2019, the Corporation received approval of its Susan Lake Public Pit Closure Plan from Alberta Environment and Parks ("AEP"). This plan brings clarity to the remaining reclamation requirements at Susan Lake, mostly due to the transfer of custody of the portion of lands where neighbouring oilsands operators have mineral surface leases. As a result of this approval, the Corporation has recorded a significant reduction in the environmental rehabilitation obligations ("ERO") at Susan Lake. Now that this approval has been obtained, the Corporation has applied these customer deposits to reclamation spending in 2019 at Susan Lake, and the Corporation has moved the remaining customer deposits out of restricted cash to cash, where it will be used to fund the remaining work at Susan Lake.

The Corporation has secured its letters of credit to the benefit of the Government of Alberta for reclamation, decommissioning and restoration with guaranteed investment certificates of $1,384,664 (2018: $1,283,000). See Note 13 for information on the related letter of credit facilities. This amount was reduced by $500,000 when 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. This amount also reflects a decrease in required letters of credit for Susan Lake from $603,000 to $228,540 to reflect the reduced reclamation work still outstanding at that site. This amount now includes $896,520 put in place in December 2019 towards the new Coffey Lake public pit that the Corporation will be managing, but for which no disturbance has occurred as at December 31, 2019.

The Corporation has secured its credit card facility with a guaranteed investment certificate in the amount of $20,400 (2018: $20,000).

Note 8 – Contract Assets

	As at	
	December 31, 2019	December 31, 2018
	Costs to obtain contract	Costs to obtain contract
Coffey Lake	$ 392,879	$ -
Montana First Nation	-	-
	$ 392,879	$ -

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.

Upon commencement of operations (which occurred on March 21, 2020), 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 ("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 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.

For the year ended December 31, 2019, the Corporation recorded contract assets of $34,904 related to the Montana First Nation contract, but elected to expense these items to the consolidated statement of loss and comprehensive loss in the fourth quarter of 2019 based on the determination that the Corporation is no longer likely to open a pit at this location.

Note 9 – Property and Equipment

	Stockpile pad	Crushing equipment	Equipment	On-site buildings	Office complex	Scales and scale houses	Total
Cost:							
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)
December 31, 2018	**$ 262,104**	**$ -**	**$ 4,405,103**	**$ 275,593**	**$ 104,162**	**$ 579,577**	**$ 5,626,539**
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**	**$ 104,162**	**$ 523,888**	**$ 5,484,854**
Accumulated Depreciation:							
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)
December 31, 2018	**$ 178,951**	**$ -**	**$ 3,314,983**	**$ 264,349**	**$ 104,162**	**$ 470,873**	**$ 4,333,318**
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**	**$ 104,162**	**$ 448,606**	**$ 4,502,548**
Net book value:							
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
December 31, 2019	**$ 30,732**	**$ -**	**$ 868,085**	**$ 8,207**	**$ -**	**$ 75,282**	**$ 982,306**

Depreciation expense for the following periods:

		Total
Year ended December 31, 2018 depreciation to statement of loss and comprehensive loss		$ 447,722
Year ended December 31, 2018 depreciation to repayment of environmental rehabilitation obligations	Note 15	$ 86,305
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 obligations	**Note 15**	**$ 21,293**

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.

During the year ended December 31, 2018, 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 $127,714 included in other operating expenses. The assets impaired included 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.

During the year ended December 31, 2019, the Corporation sold property and equipment with a carrying amount of $3,150 for net proceeds of $6,700, which resulted in a gain of $3,550.

During the year ended December 31, 2018, the Corporation sold property and equipment with a carrying amount of $2,750,929 for net proceeds of $2,984,210, which resulted in a gain of $233,281. Included in the property and equipment sold were the Corporation's crusher and wheel loader, which made up $2,136,382 of the carrying amount of the assets sold. A portion of the net proceeds were used to repay the outstanding lease obligation to Komatsu Financial and the remaining balance on the HSBC Bank Canada leases of $95,881.

Note 10 – Right-of-use Assets

	Notes	Truck 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	2	$ 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**
Accumulated Depreciation:					
December 31, 2018, as previously stated		**$ -**	**$ -**	**$ -**	**$ -**
Adjustment on initial application of IFRS 16	2	$ 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**
Net book value:					
December 31, 2018		$ -	$ -	$ -	$ -
December 31, 2019		**$ 18,928**	**$ 142,514**	**$ 13,972**	**$ 175,414**

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.

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 $171,729 (see Note 14). 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.

Depreciation on the right-of-use assets for the year ended December 31, 2019 of $39,529 (2018: $nil) plus the depreciation on property and equipment of $301,550 (2018: $447,722) comprises the depreciation, depletion and amortization expense of $341,079 (2018: $447,722) as shown on the consolidated statements of loss and comprehensive loss.

Note 11 – Resource Properties

	As at	
	December 31, 2019	December 31, 2018
Exploration costs	$ **1,385,917**	$ 1,329,629
Pit development costs	**3,099,423**	3,080,102
Environmental rehabilitation obligation assets	**1,522,064**	1,510,483
Other costs	**281,032**	292,150
	$ **6,288,436**	$ 6,212,364

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:

	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)
Cumulative Exploration Costs 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**

During the year ended December 31, 2019, the Corporation spent $56,288 (2018: $25,955) to advance the exploration projects. Spending in 2019 was focused on the Richardson and Hinton projects.

During the year ended December 31, 2019, the Corporation recorded no impairment on active projects (2018: $64,320 impairment on ten projects) previously included in exploration assets. Management re-evaluated the future economic potential of the 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 year ended December 31, 2018, the Corporation sold test hole data, logs, photos, maps and samples to a third party for proceeds of $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 certain projects to pit development costs. Exploration costs for Pelican Hill Pit, Logan and House River were also transferred to pit development costs in 2018, as the Corporation received approval to mine. Additionally, the exploration costs for the Firebag project were transferred to pit developments as the project was determined to be commercially and technically viable based on the NI 43-101 technical report filed in the fourth quarter of 2018. At the time of transfer to pit development costs, the Firebag project 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 is 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.

Note 11 – Resource Properties – continued

Exploration and Pit Development Costs (continued)

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, 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
Abandoned projects	-	(41,364)	-	(38,804)	-	-	-	(80,168)
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**

During the year ended December 31, 2019, the Corporation spent $19,321 (2018: $25,000) on pit development costs on the above projects. Spending in 2019 was focused on the Pelican Hill site.

During the year ended December 31, 2019, the Corporation recorded $nil impairment on development cost assets. During the year ended December 31, 2018, the Corporation recorded an $80,168 impairment on two projects previously included in pit development costs. 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 Obligations (ERO) Asset

The following summarizes what comprises the environmental rehabilitation obligations asset:

		As at	
	Notes	December 31, 2019	December 31, 2018
Opening Balance, ERO asset		**1,510,483**	$ 1,089,709
Change in estimate recognized in ERO asset		**14,566**	439,126
Amortization of ERO asset	22	**(12,562)**	(15,200)
Change in discount rate affecting ERO asset		**9,577**	(3,152)
Closing Balance, ERO Asset		**$ 1,522,064**	$ 1,510,483

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 15.

Note 12 – Investment in Associates

Duvernay Silica 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 silica 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 silica sand 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.

The Corporation had 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 of January 25, 2019 ("Option #2"). The Corporation did not exercise the options and they expired on January 25, 2020.

Montney In-Basin Silica 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 silica 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. This option was extended for a term of up to 6 months after a NI 43-101 compliant technical report is filed, something which has not yet occurred.

The fair value at inception 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 expected volatility was estimated using the average volatility in share price of comparable publicly traded junior mining companies. This was a Level 3 fair value hierarchy measurement. The change in fair value of the share purchase options since the transaction dates can be seen in Note 20.

Note 12 – Investment in Associates - continued

The following table summarizes the investments in associates:

	As at					
	December 31, 2019			December 31, 2018		
	Montney in-basin project	Duvernay project	**Total**	Montney in-basin project	Duvernay project	**Total**
Investment in associate, beginning of year	$ 1,646,151	$ -	**$ 1,646,151**	$ -	$ -	**$ -**
Additions:						
Cash consideration for original purchase	-	280,000	**280,000**	1,498,000	-	**1,498,000**
Share consideration for original purchase	-	105,000	**105,000**	273,000	-	**273,000**
Cash consideration for option exercised	-	742,000	**742,000**	-	-	**-**
Share consideration for option exercised	-	1,024,800	**1,024,800**	-	-	**-**
	1,646,151	2,151,800	**3,797,951**	1,771,000	-	**1,771,000**
Purchase price allocated to share purchase options on transaction date	-	(59,641)	**(59,641)**	(124,151)	-	**(124,151)**
	1,646,151	2,092,159	**3,738,310**	1,646,849	-	**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 year	(60,814)	(44,069)	**(104,883)**	(698)	-	**(698)**
Investments in associates, end of year	$ 1,585,337	$ 2,048,090	**$ 3,633,427**	$ 1,646,151	$ -	**$ 1,646,151**

Upon exercising Option #1 on the Duvernay Project in the second quarter of 2019, the Corporation reduced the purchase price allocated to share purchase options by $79,035. This is reflected in the table above by reducing the original allocation for the options from $138,676 to $59,641.

Note 13 – 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 $50,000. On December 9, 2019, the letter of credit facility was increased to a maximum available amount of $1,458,240.

Prior to this, the Corporation had a credit facility with HSBC Bank Canada which included a letter of guarantee facility at a rate of 3.50%, a credit card facility, and two leasing equipment facilities. As of July 13, 2018, all HSBC Bank Canada credit facilities for the Corporation were repaid and cancelled.

As at December 31, 2019, the Corporation is not subject to any covenants as part of the current credit facility with CWB.

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

	As at	
	December 31, 2019	December 31, 2018
Susan Lake Pit	$ 228,540	$ 603,000
Poplar Creek Site, storage yard	180,000	180,000
Poplar Creek pit	-	500,000
Emerson pit	75,240	-
Coffey Lake reclamation	296,520	-
Coffey Lake performance bond	500,000	-
Coffey Lake right of way	100,000	-
	$ 1,380,300	$ 1,283,000

Each letter of credit costs the Corporation an annual fee of 1.50%. The Corporation has secured its letters of credit to the benefit of the Government of Alberta for reclamation, decommissioning and restoration with guaranteed investment certificates to the benefit of CWB. See Note 7 for more information on the guaranteed investment certificates.

Note 13 – Credit Facility - continued

Credit Card Facility
The Corporation has access to a corporate credit card facility with CWB, providing up to a maximum of $20,000 (December 31, 2018: $20,000). Effective July 4, 2018, the Corporation has secured its corporate credit card facility with a guaranteed investment certificate (Note 7).

Security under the current 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.

Note 14 – Lease Obligations

			As at	
			December 31, 2019	December 31, 2018
Finance Leases	**Interest Rate**	**Instalments**		
VETS Group Ltd. Edmonton Office Lease, due Jan 31, 2022	3.680%	Variable	141,952	-
Xerox Photocopier Lease, due May 19, 2024	3.680%	816 *	13,623	-
Jim Peplinski Leasing, due Feb 28, 2020	3.680%	1,230	24,315	-
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
			179,890	29,284
Current portion - principal due within one year			(93,685)	(29,284)
			$ 86,205	$ -

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

January 1, 2020 to December 31, 2020	98,276
January 1, 2021 to December 31, 2021	80,164
January 1, 2022 to December 31, 2022	3,264
January 1, 2023 to December 31, 2023	3,264
January 1, 2024 to December 31, 2024	1,801
	186,769
Less: interest included in payments above	6,879
Lease principal outstanding, December 31, 2019	$ 179,890

In the year ended December 31, 2019, the Corporation agreed to new lease obligations of $171,729 for the new Edmonton office location and a photocopier.

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

		Years ended December 31,	
	Notes	2019	2018
Changes in lease obligations arising from financing activities:			
Lease principal outstanding, beginning of year, as previously stated		$ 29,284	$ 485,062
Adjustment on initial application of IFRS 16	3	37,974	-
Adjusted balance as at January 1, 2019		67,258	485,062
Addition of lease obligation		171,729	-
Total principal repayments		(59,097)	(455,778)
Lease principal outstanding, end of period		$ 179,890	$ 29,284
Current portion of lease obligations		93,685	29,284
Lease obligations		86,205	-
		$ 179,890	$ 29,284
Additional disclosures:			
Interest expense on lease obligations		(3,292)	(8,464)
Total lease payments, including principal and interest		(62,389)	(464,242)

Note 15 – Environmental Rehabilitation Obligations ("ERO")

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

	As at	
	December 31, 2019	December 31, 2018
Opening balance, ERO	$ 4,258,139	$ 1,962,529
Change in estimate recognized in ERO asset	14,566	439,126
Change in estimate recognized in other operating expenses	(1,477,011)	2,817,047
Change in discount rate	9,577	(3,152)
Change in discount rate recognized in other operating expenses	4,685	(162)
Accretion expense	34,852	32,383
ERO payments	(351,309)	(903,327)
Amortization allocated to ERO payments	(21,293)	(86,305)
Ending balance, ERO	2,472,206	4,258,139
Less: Current portion, EROs to be funded within one year	(16,693)	(1,987,677)
	$ 2,455,513	$ 2,270,462

Provisions for environment rehabilitation obligations were recognized for mining activities at the Corporate owned pits and estimated costs related to closing out the Susan Lake management contract. The Corporation assesses its provision for environmental rehabilitation obligations on an annual basis or when new material information becomes available. The estimated undiscounted ERO as at December 31, 2019 was $2,947,973 (2018: $4,398,501).

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

On August 15, 2019, the Corporation received approval of its Susan Lake Closure Plan from AEP. Additionally, the Corporation executed a settlement agreement with Syncrude Canada Ltd. ("Syncrude") in September 2019. The approval of the closure plan, combined with the settlement with Syncrude, brings clarity to the remaining reclamation requirements for the Corporation at Susan Lake, mostly due to the transfer of custody of the portion of lands where neighbouring oilsands operators have mineral surface leases ("overlapping lands"). In 2018, the Corporation increased the ERO at Susan Lake by approximately $2.8 million in response to concerns that the Corporation was expected to be responsible for a significant amount of reclamation on these overlapping lands. As a result of the approval of the closure plan and the settlement agreement with Syncrude in the third quarter of 2019, Athabasca no longer has any reclamation obligation on those lands.

The Corporation recorded a gain on ERO in other operating expenses of $2,079,249 in the year ended December 31, 2019 (see Note 22). The gain includes a change in estimate on the outstanding reclamation obligations on the overlapping lands at Susan Lake of $1,572,096 as well as 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.

As at December 31, 2019, the Corporation has incurred total costs of $1,374,156 related to Susan Lake closure activities in the last 3 calendar years. In the first quarter of 2019, the Corporation was reimbursed by AEP for some of these costs in the amount of $1,016,770. Additionally, the Corporation has used money from the Susan Lake reclamation fund to fund the other reclamation spending at Susan Lake. Now that the Susan Lake Closure Plan approval has been obtained, the Corporation has moved this money from restricted cash to cash (see Note 7) and de-recognized the deposit liabilities from the balance sheet by recording a gain in other operating expenses of $602,238 in the third quarter of 2019 as the use of these funds has now been determined. The cash remaining from this reclamation fund will be used to cover any remaining reclamation and remediation costs on the non-overlapping lands at Susan Lake.

Note 15 – 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 1.69% to 1.76% as at December 31, 2019 (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 2023 and 2034 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 paid cash security deposits of $630,958 as at December 31, 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 6.

Note 16 - Income Taxes

Deferred income tax at December 31, 2019 relates to the tax effects of temporary differences. They are summarized in the following table:

	As at	
	December 31, 2019	December 31, 2018
Deferred tax assets:		
Cumulative eligible capital	$ 22,356	$ 28,220
Share issuance costs and finance fees	7,023	10,164
Other	34,500	40,500
Environmental rehabilitation obligations	489,275	1,056,569
Deposit liabilities	-	142,406
Non-capital loss carryforwards	816,098	382,288
Deferred tax assets	1,369,252	1,660,147
Deferred tax liabilities:		
Resource properties	$ 1,303,478	$ 1,499,760
Inventory	32,806	77,024
Property and equipment (net of lease obligations)	32,968	83,363
Deferred tax liabilities	1,369,252	1,660,147
Net deferred tax liability	$ -	$ -

Note 16 - 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,	
	2019	2018
Loss before income taxes	**$ (2,718,843)**	$ (3,033,799)
Statutory Canadian combined corporate tax rate	**26.5%**	27.0%
Expected tax recovery	**(720,493)**	(819,126)
Decrease from income taxes resulting from:		
Non-taxable items	**100,378**	29,945
Tax rate changes, and rate differences	**156,189**	94
Deferred tax asset not recognized	**461,691**	276,725
Other	**4,060**	(11,601)
	$ 1,825	$ (523,963)
Income Tax Recovery is comprised of:		
Origination and reversal of temporary differences	**1,825**	(800,688)
Change in unrecognized deferred tax assets	**-**	276,725
	$ 1,825	$ (523,963)

The Corporation has tax loss carry forwards of $6,611,799 (2018: $2,440,441) that have been recognized and are available for future use. The tax losses expire between 2036 and 2039.

Included in the amount above, available tax loss carry forwards of $3,063,547 (2018: $1,024,559) 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.

Note 17 – Share Capital

	Notes	Year ended December 31, 2019 Number of Shares		Amount	Year ended December 31, 2018 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		**40,240,606**	**$**	**14,465,325**	33,303,650	$	13,246,758
Issuance of common share units in private placement		-		-	5,750,000		992,625
Common share issuance costs		-		(2,877)	-		(47,058)
Shares issued in purchase of investment	12	2,100,000		1,129,800	1,186,956		273,000
Warrants exercised		1,987,500		795,000	-		-
Stock options exercised		998,334		347,484	-		-
Issued and outstanding, end of year		**45,326,440**	**$**	**16,734,732**	40,240,606	$	14,465,325

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:

	Year ended December 31, 2019 Number of Options		Weighted Average Exercise Price	Year ended December 31, 2018 Number of Options		Weighted Average Exercise Price
Options outstanding, beginning of year:	**2,555,000**	**$**	**0.33**	1,270,000	$	0.45
Issued	**1,731,667**		**0.46**	1,705,000		0.21
Exercised	**(998,334)**		**0.22**	-		-
Expired or cancelled	**(608,333)**		**0.77**	(420,000)		0.26
Options outstanding, end of year:	**2,680,000**	**$**	**0.35**	2,555,000	$	0.33

Of the 2,680,000 (December 31, 2018: 2,555,000) outstanding stock options, 1,241,666 (December 31, 2018: 1,178,334) options have vested and therefore, were exercisable at December 31, 2019 at a weighted average exercise price of $0.27 per share (December 31, 2018: $0.45 per share).

During the year ended December 31, 2019, 998,334 options were exercised (December 31, 2018: nil). The average share price on the days that the options were exercised is $0.48 per share.

During the year ended December 31, 2019, 608,333 options expired or were cancelled (December 31, 2018: 420,000 expired or cancelled).

Note 17 – Share Capital - continued

During the year ended December 31, 2019, 1,731,667 options were granted to Directors, Officer and employees of the Corporation (December 31, 2018: 1,705,000).

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.

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, 2019	December 31, 2018
Expiry Date	**Exercise Price**		
June 26, 2019	$ 2.90	-	100,000
December 14, 2020	0.30	**50,000**	245,000
January 13, 2022	0.24	**195,000**	270,000
July 7, 2022	0.18	-	430,000
November 23, 2022	0.22	-	30,000
April 30, 2023	0.17	**65,000**	220,000
June 4, 2023	0.17	**400,000**	550,000
September 13, 2023	0.30	**100,000**	100,000
November 23, 2023	0.26	**380,000**	610,000
January 9, 2024	0.28	**225,000**	-
May 21, 2024	0.57	**75,000**	-
May 22, 2024	0.57	**315,000**	-
June 24, 2024	0.65	**120,000**	-
August 20, 2024	0.64	**190,000**	-
December 6, 2024	0.33	**520,000**	-
December 19, 2024	0.28	**45,000**	-
		2,680,000	2,555,000

The weighted average remaining contractual life of the options outstanding is 4.00 years (December 31, 2018: 3.84 years).

Note 17 – 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
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%
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%

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, 2019		Year ended December 31, 2018	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of year:	**2,875,000**	**$ 0.35**	-	$ -
Issued	**-**	**-**	2,875,000	0.35
Exercised	**(1,987,500)**	**0.35**	-	-
Expired or cancelled	**-**	**-**	-	-
Warrants outstanding, end of year:	**887,500**	**$ 0.35**	2,875,000	$ 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 Options	Exercise Price	Dividend Yield	Expected Volatility	Risk free rate of return	Expected life	Weighted Average Fair Value	Forfeiture rate
November 21, 2018	2,875,000	$ 0.35	Nil	72.6%	2.23%	2 years	$ 0.08	0.0%

During the year ended December 31, 2019, 1,987,500 warrants were exercised (December 31, 2018: nil).

Of the 887,500 (December 31, 2018: 2,875,000) outstanding warrants, 887,500 (December 31, 2018: 2,875,000) were exercisable at December 31, 2019 at a weighted average exercise price of $0.35 per share (December 31, 2018: $0.35 per share).

The weighted average remaining contractual life of the warrants is 0.89 years (December 31, 2018: 1.89 years).

Note 17 – Share Capital – continued

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

	Year ended December 31, 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 year:	-	$ -	-	$ -	-	$ -	-	$ -
Issued	1,449,000	0.06	-	-	-	-	-	-
Expired or cancelled	(120,000)	0.06	-	-	-	-	-	-
Outstanding, end of year:	1,329,000	$ 0.06	-	$ -	-	$ -	-	$ -

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.

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 year ended December 31, 2019, 1,449,000 DSUs were granted to Directors, Officers and employees of the Corporation (year ended December 31, 2018: no DSUs were granted). In the year ended December 31, 2019, 120,000 DSUs were forfeited due to the departure of the participant (year ended December 31, 2018: no DSUs were forfeited).

Of the 1,329,000 (December 31, 2018: nil) outstanding DSUs, nil (December 31, 2018: nil) DSUs have vested.

The fair value of the DSU liability of $77,521, which is based on the closing price of the Corporation's shares on the TSX Venture Exchange 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.

No RSUs have been granted as of December 31, 2019.

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:

	Years ended December 31,	
	2019	2018
Stock options	$ 286,924	$ 109,357
Deferred share units	77,521	-
Share-based compensation expense	**$ 364,445**	$ 109,357

Share-based compensation expense in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2019 includes $50,037 to Directors, $167,911 to Officers, and $146,497 to employees (year ended December 31, 2018: $28,134 to Directors, $54,778 to Officers, and $26,445 to employees).

Note 17 – Share Capital – continued

Net Loss Per Common Share

The treasury stock method is used to calculate loss per share, and under this method options that are anti-dilutive are excluded from the calculation of diluted loss per share. For the year ended December 31, 2019 and December 31, 2018, all outstanding options and warrants were considered anti-dilutive because the Corporation recorded a loss over those years.

	Years ended December 31, 2019	2018
Basic loss per share		
Total loss and comprehensive loss	$ (2,720,668)	$ (2,509,836)
Weighted average number of common shares outstanding	43,354,271	33,897,827
Total loss and comprehensive loss per common share, basic	$ (0.063)	$ (0.074)
Diluted loss per share		
Total loss and comprehensive loss	$ (2,720,668)	$ (2,509,836)
Weighted average number of common shares outstanding	43,354,271	33,897,827
Effect of dilutive stock options and warrants	-	-
Weighted average number of common shares outstanding after dilution	43,354,271	33,897,827
Total loss and comprehensive loss per common share, diluted	$ (0.063)	$ (0.074)

Note 18 – Related Party Transactions

The Corporation's related parties include four independent Directors, the Chief Executive Officer, the Chief Financial Officer, the Chief Operations Officer, AMI RockChain Inc., AMI Silica Inc., 2132561 AB Ltd. (the Corporation that owns the Montney In-Basin silcia sand project), and 2140534 AB Ltd. (the Corporation that owns the Duvernay silica sand project).

The remuneration earned by the Directors was as follows:

	Years ended December 31, 2019	2018
Directors:		
Directors fees	$ 155,584	$ 154,667
Travel and miscellaneous expenses	9,321	1,698
Share-based compensation	50,037	28,134
	$ 214,942	$ 184,499

Amounts due to related parties for Director and Officer fees and expenses as at December 31, 2019 was $2,327 (2018: $41). The Director's fees are paid on a quarterly basis. The unpaid amounts due to Directors are unsecured and bear no interest.

Note 18 – Related Party Transactions - continued

Equipment repairs and hauling services were paid to two companies which are owned and managed by a Director of the Corporation and members of the Director's immediate family during the year ended December 31, 2018 of $161,200. The balance owing with respect to these services at December 31, 2018 was $nil. In the year ended December 31, 2019, no work was done with these companies.

During the year ended December 31, 2018, Directors and Officers participated in the November 21, 2018 private placement for proceeds of $175,000 in exchange for 875,000 common share units and 437,500 warrants.

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 19 – Compensation of Key Management

The remuneration paid to named Officers were as follows:

	Years ended December 31,	
	2019	2018
Salaries and other benefits including severance	**$ 621,788**	$ 411,128
Share-based compensation	**167,911**	54,778
	$ 789,699	$ 465,906

Note 20 – 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

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 values of the 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 year ended December 31, 2019 (year ended December 31, 2018: none).

Note 20 – Financial Instruments – continued

Share purchase options

The Corporation holds share purchase options for the investment in associates as described in Note 12. Both share purchase options were valued at $nil as at December 31, 2019. Management notified 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. The term of the MIB project share purchase options was extended to an expiry date of six months after the NI 43-101 is filed.

The following table shows the sensitivity of the fair value estimate as a result of changes to the inputs for the MIB project share purchase options:

December 31, 2019

Financial instrument carried at fair value	Significant unobservable input	Sensitivity of the fair value measurement to input
Share purchase option - Montney In-Basin project	Expected life	An increase of 25% (decrease of 25%) over the current expected life of nine months would increase (decrease) the fair value by $101,000 ($nil)
	Fair value of share price	An increase of 25% (decrease of 25%) would increase (decrease) the fair value by $107,000 ($nil)

December 31, 2018

Financial instrument carried at fair value	Significant unobservable input	Sensitivity of the fair value measurement to input
Share purchase option - Montney In-Basin project	Expected volatility	An increase of 25% (decrease of 25%) would increase (decrease) the fair value by $147,000 ($80,000)
	Risk free rate of return	An increase of 25% (decrease of 25%) would increase (decrease) the fair value by $1,000 ($800)

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

	Notes	As at December 31, 2019			As at 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	-	59,641	**59,641**	-	-	-
Change in fair value of share purchase options		(124,151)	(59,641)	**(183,792)**	-	-	-
Balance at December 31, 2019		**$ -**	**$ -**	**$ -**	**$ 124,151**	**$ -**	**$ 124,151**

The total amount of the unrealized loss included in non-operating income for the year ended December 31, 2019 is $183,792 (2018: $nil).

Credit Risk

Financial instruments that potentially subject the Corporation to credit risk consist primarily of cash, restricted cash, accounts receivable, and long-term deposits. The Corporation's maximum credit risk at December 31, 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.

Note 20 – Financial Instruments – continued

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:

December 31, 2019

	Days outstanding	Estimated loss rate	Accounts receivable - gross	Lifetime expected credit loss	Accounts receivable - net
New customers	Current (0-60)	0.00%	$ 21,959	$ -	$ 21,959
	60-90	0.00%	-	-	-
	90+	0.00%	2,626	-	2,626
			$ 24,585	**$ -**	**$ 24,585**
Previous customers	Current (0-60)	0.07%	$ 380,066	$ (261)	$ 379,805
	60-90	0.00%	599,259	-	599,259
	90+	0.00%	8,254	-	8,254
			$ 987,579	**$ (261)**	**$ 987,318**
			$ 1,012,164	**$ (261)**	**$ 1,011,903**

December 31, 2018

	Days outstanding	Estimated loss rate	Accounts receivable - gross	Lifetime expected credit loss	Government receivables	Accounts receivable - net
New customers	Current (0-60)	0.00%	$ -	$ -	$ -	$ -
	60-90	0.00%	-	-	-	-
	90+	8.60%	40,764	(3,507)	-	37,257
			$ 40,764	**$ (3,507)**	**$ -**	**$ 37,257**
Previous customers	Current (0-60)	0.04%	$ 403,398	$ (147)	$ 645,462	$ 1,048,713
	60-90	0.12%	58,633	(72)	253,350	311,911
	90+	0.24%	6,289	(15)	127,708	133,982
			$ 468,320	**$ (234)**	**$ 1,026,520**	**$ 1,494,606**
			$ 509,084	**$ (3,741)**	**$ 1,026,520**	**$ 1,531,863**

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

	As at	
	December 31, 2019	December 31, 2018
Balance, beginning of year	$ 3,741	$ 3,054
Adjustment to lifetime expected credit loss estimate	(3,480)	687
Balance, end of year	**$ 261**	**$ 3,741**

Included in the impairment loss on accounts receivable at December 31, 2019 is the adjustment to the lifetime expected credit loss estimate of $(3,480) with no adjustment for bad debts written off. Included in the impairment loss on accounts receivable at December 31, 2018 is the adjustment to the lifetime expected credit loss estimate of $687 as well as $2,000 that was written off from an individual customer, which was equal to the contractual amount currently outstanding.

Note 20 – Financial Instruments – continued

The accounts receivable aging is as follows:

	Current	60-90 days	> 90 days	Total
As at December 31, 2019	**$ 401,764**	**$ 599,259**	**$ 10,880**	**$ 1,011,903**
As at December 31, 2018	$ 1,048,713	$ 311,911	$ 171,239	$ 1,531,863

Two customers each individually owing greater than 10% of the accounts receivable total balance accounted for 91% of the Corporation's accounts receivable as at December 31, 2019 (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 enough cash to meet its short-term requirements for operations, business development and other contractual obligations.

As at December 31, 2019, 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 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, 2019			
	0 - 1 year	2 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	$ 1,348,550	$ -	$ -	$ 1,348,550
Lease obligations, including interest	98,276	83,428	5,065	186,769
Total	**$ 1,446,826**	**$ 83,428**	**$ 5,065**	**$ 1,535,319**

Note 21 – Capital Disclosures

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

		As at	
	Notes	December 31, 2019	December 31, 2018
Total equity attributable to shareholders		**$ 14,271,814**	$ 14,671,903
Total borrowings			
Lease obligations	**14**	**179,890**	29,284
Cash		**(1,995,280)**	(5,078,537)
Total managed capital		**$ 12,456,424**	$ 9,622,650

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.

There were no changes to the Corporation's capital management during the year ended December 31, 2019.

Note 22 – Supplemental Statement of Loss and Comprehensive Loss Disclosures

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

	Notes	Years ended December 31, 2019	2018
Change in resource properties security deposits	6	-	14,451
Impairment of property and equipment	9	(36,294)	(127,714)
Write down of resource properties	11	-	(144,488)
Write down of contract assets	8	(34,904)	-
Change in environmental rehabilitation obligations	15	2,079,249	(2,817,047)
Environmental rehabilitation obligations reimbursement	15	-	1,016,770
Change in discount rate recognized in other operating expenses	15	(4,685)	162
Amortization of environmental rehabilitation obligation asset	11	(12,562)	(15,200)
Amortization of resource property lease costs	11	(11,118)	(11,118)
Accretion of environmental rehabilitation obligations	15	(34,852)	(32,383)
		$ 1,944,834	$ (2,116,567)

Other non-operating income is comprised of the following:

	Notes	Years ended December 31, 2019	2018
Gain on disposal of property and equipment		3,550	233,281
Loss resulting from the change in fair value of share purchase options	20	(183,792)	-
Camp rental income		211,782	345,906
Rental income		9,846	41,251
Foreign exchange loss		(1,559)	(1,058)
		$ 39,827	$ 619,380

During the year ended December 31, 2019, the Corporation rented the work camp at Poplar Creek for $211,782 (2018: $345,906) in rental income.

During the year ended December 31, 2019, 90% of revenue was sold to four customers (2018: 86% to four customers). Individually, these customers represented more than 10% of the Corporation's revenue.

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

	Years ended December 31, 2019	2018
Employee benefit expenses	$ 2,392,495	$ 2,349,776

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.

The following table shows the total severance expenses for the year ended December 31, 2019, which are not included in the employee benefit expenses table above:

	Years ended December 31, 2019	2018
Severance	$ 8,608	$ -

Note 23 – 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 is being disclosed here in the December 2019 consolidated financial statements for the first time. The segment meets the criteria from IFRS 8 regarding segmented reporting and is now included here since the operations have now became material for disclosure. 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.

The summary of key financial information by reportable segment for the year ended December 31, 2019 (along with comparative information for 2018) is as follows:

	AMI Aggregates		AMI RockChain		AMI Silica		Corporate		Consolidation eliminations		Consolidated	
For the years ended December 31,	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Revenue:												
Aggregate sales revenue	**$ 1,014,506**	$ 2,138,411	**$ 675,286**	$ -	**$ -**	$ -	**$ -**	$ -	**$ -**	$ -	**$ 1,689,792**	**$ 2,138,411**
Management services revenue	**911,034**	2,993,182	**-**	-	**-**	-	**-**	-	**-**	-	**911,034**	**2,993,182**
Total income (loss) and comprehensive income (loss)	**1,354,820**	(76,876)	**(321,400)**	(60,955)	**(261,313)**	(521,412)	**(3,492,775)**	(1,850,593)	**-**	-	**(2,720,668)**	**(2,509,836)**
Amortization, depreciation, and depletion	**(271,542)**	(372,763)	**(3,485)**	(1,500)	**-**	-	**(66,052)**	(73,459)	**-**	-	**(341,079)**	**(447,722)**
Finance costs	**(3,292)**	(8,464)	**-**	-	**-**	-	**-**	-	**-**	-	**(3,292)**	**(8,464)**
Interest income	**-**	-	**-**	-	**-**	-	**90,319**	66,138	**-**	-	**90,319**	**66,138**
Income tax recovery (expense)	**-**	-	**-**	-	**-**	-	**(1,825)**	523,963	**-**	-	**(1,825)**	**523,963**
As at	**December 31, 2019**	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Segment assets	**$ 12,448,558**	$ 12,483,627	**$ 689,520**	$ 7,500	**$ 4,911,880**	$ 3,044,987	**$ 2,365,482**	$ 5,266,608	**$ (2,142,980)**	$ (531,670)	**$ 18,272,460**	**$ 20,271,052**
Segment liabilities	**3,720,962**	5,401,615	**470,849**	1,713	**1,516,780**	525,774	**435,035**	135,076	**(2,142,980)**	(465,029)	**4,000,646**	**5,599,149**

During the year ended December 31, 2019, management services revenue, net of royalties, includes $456,486 (2018: $nil) for work done where the Corporation was the general contractor to build a road for the Montana First Nation.

Note 24 – Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation.

The reclassification relates to the consolidated statements of loss and comprehensive loss where certain amounts have been reclassified within operating costs, royalties, general and administrative expenses, share of loss from associates and impairment loss on accounts receivable. These changes caused gross profit in 2018 to decrease by $3,047 and had no impact on operating loss.

Note 25 – Subsequent Events

Coffey Lake Public Pit

On January 13, 2020 the Province of Alberta issued the Corporation a disposition for the Coffey Lake Public Pit ("Coffey Lake") and a surface mineral lease that allows for the extraction of sand and gravel. This authorization allows the Corporation, as pit management contractor on behalf of the Province, to commence with activities to open aggregate operations at Coffey Lake to the public. The public pit opened to customers on March 21, 2020. Coffey Lake is the sequel to the Province'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 Province has a term of 15 years.

Note 25 – Subsequent Events – continued

Canadian Western Bank advance

On January 29, 2020 the Corporation entered into an arrangement with Canadian Western Bank ("CWB") whereby $1,500,000 was advanced to the Corporation by CWB for working capital purposes. Interest charged on the advance is 5.4% per annum calculated daily and compounded and payable monthly beginning on February 20, 2020. The first three installments are interest only with the final thirty-two installments being $49,021.85 each until December 31, 2022. Security for the advance includes a General Security Agreement which provides a first security interest in all specific serial numbered assets and all present and after acquired property, a full liability guarantee from AMI Silica and AMI RockChain in favour of CWB.

Shell contract

On February 3, 2020 a Master Purchase Contract was entered into whereby a contract with an effective date of July 1, 2021 was agreed to by AMI Silica and Shell Canada ("Shell"). Under terms of the contract, Shell is to purchase, at pre-determined prices, a minimum amount of silica sand up to an annual maximum representing the majority of the Duvernay project's stated capacity. The contract's initial term is five years commencing on the effective date with Shell having the right to extend the contract for an additional period of two twelve-month terms. The contract also provides Shell with the option to procure sand from the Corporation's future Montney silica sand project.

AMI RockChain Inc. – Corporate name change

On February 19, 2020 the Corporation announced that its wholly owned subsidiary Aggregates Marketing Inc. had rebranded itself as AMI RockChain Inc. The name change and upgraded website intend to bring further clarity to the midstream business model of integrated supply-transportation solutions for aggregates optimized by the use of the Corporation's proprietary RockChain™ technology.

COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted local economies around the world. In many countries, including Canada, businesses are being forced to temporarily cease or to various extents limit operations for indefinite periods of time. Measures taken to contain the spread of the COVID-19 virus, including travel bans, quarantines, social distancing, and closures of on-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

Management does not anticipate that the impact from COVID-19 will affect the Corporation to the extent that on-going cash requirements to fund operations will become problematic. The Corporation has determined that this event is a non-adjusting subsequent event. Therefore, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect any impact of this event. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses to COVID-19, remains unclear at this time. It is not possible to reliably estimate the duration and severity of the consequences of COVID-19, or the impact the event may have on the financial position and results of the Corporation for future periods.