



THREE AND NINE MONTHS ENDED SEPTEMBER 30, **2020**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

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### **NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of Athabasca Minerals Inc. (the “Corporation” or “AMI” or “Athabasca”) have been prepared by and are the responsibility of the Corporation’s management.

The Corporation’s independent auditor has not performed a review of these financial statements in accordance with standards established by CPA Canada for a review of interim financial statements.

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

	Notes	As at	
		September 30, 2020	December 31, 2019
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 1,176,001	\$ 1,995,280
Trade and other receivables	5, 21	245,888	1,011,903
Inventory	6	846,599	1,112,475
Prepaid expenses and deposits		46,887	115,582
<b>Current Assets</b>		<b>2,315,375</b>	<b>4,235,240</b>
Long-term deposits	7	769,078	803,288
Restricted cash	8	1,077,360	1,761,470
Contract assets	9	2,488,261	392,879
Property and equipment	10	787,940	982,306
Right-of-use assets	11	284,000	175,414
Intangible assets	12	91,480	-
Resource properties	13	6,685,322	6,288,436
Investments in associates	14	3,598,941	3,633,427
<b>Total Assets</b>		<b>\$ 18,097,757</b>	<b>\$ 18,272,460</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	21	\$ 587,206	\$ 1,348,550
Income taxes payable	4	31,344	-
Current portion of bank loans	15	524,699	-
Current portion of lease obligations	16	165,506	93,685
Current portion of environmental rehabilitation obligations	17	16,904	16,693
<b>Current Liabilities</b>		<b>1,325,659</b>	<b>1,458,928</b>
Bank loans	15	1,010,607	-
Lease obligations	16	115,551	86,205
Environmental rehabilitation obligations	17	3,077,372	2,455,513
<b>Total Liabilities</b>		<b>5,529,189</b>	<b>4,000,646</b>
<b>Shareholders' Equity</b>			
Share capital	18	17,450,153	16,734,732
Contributed surplus		5,141,477	4,964,152
Deficit		(10,023,062)	(7,427,070)
<b>Total Shareholders' Equity</b>		<b>12,568,568</b>	<b>14,271,814</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 18,097,757</b>	<b>\$ 18,272,460</b>

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

Approved by the Board of Directors

" Don Paulencu "

Director

"Terrance Kutryk"

Director

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

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Aggregate sales revenue	24	\$ 326,194	\$ 78,146	\$ 874,283	\$ 1,058,551
Management services revenue, net of royalties	24	99,537	-	556,750	433,635
<b>Revenue</b>		<b>425,731</b>	<b>78,146</b>	<b>1,431,033</b>	<b>1,492,186</b>
Operating costs		(601,036)	(430,456)	(1,392,207)	(2,107,061)
Depreciation, depletion, and amortization expense	10, 11, 12	(146,647)	(92,472)	(350,342)	(238,418)
Cost of sales		(747,683)	(522,928)	(1,742,549)	(2,345,479)
<b>Gross profit (loss)</b>		<b>(321,952)</b>	<b>(444,782)</b>	<b>(311,516)</b>	<b>(853,293)</b>
General and administrative expenses		(631,635)	(772,447)	(2,080,456)	(2,389,525)
Share of loss from investments in associates	14	(6,889)	(29,289)	(34,486)	(90,176)
Share-based compensation expense	18	(84,636)	(164,765)	(263,343)	(311,407)
Other operating income (expenses)	23	(120,455)	2,159,503	(231,658)	1,986,378
<b>Operating (loss) income</b>		<b>(1,165,567)</b>	<b>748,220</b>	<b>(2,921,459)</b>	<b>(1,658,023)</b>
Finance costs on lease obligations	23	(2,598)	(251)	(8,185)	(872)
Other non-operating income (expenses)	23	55,841	(18,041)	317,265	(32,068)
Interest income		5,970	18,738	16,387	73,848
<b>(Loss) income before income taxes</b>		<b>(1,106,354)</b>	<b>748,666</b>	<b>(2,595,992)</b>	<b>(1,617,115)</b>
Income tax (expense) recovery		-	-	-	(1,825)
<b>Total (loss) income and comprehensive (loss) income</b>		<b>\$ (1,106,354)</b>	<b>\$ 748,666</b>	<b>\$ (2,595,992)</b>	<b>\$ (1,618,940)</b>
(Loss) earnings per common share - basic	18	\$ (0.023)	\$ 0.017	\$ (0.055)	\$ (0.038)
(Loss) earnings per common share - diluted	18	\$ (0.023)	\$ 0.016	\$ (0.055)	\$ (0.038)
Weighted average number of shares outstanding	18	48,533,165	44,682,155	47,473,740	42,803,924

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

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

	Notes	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance as at December 31, 2018, as previously stated		40,240,606	\$ 14,465,325	\$ 4,908,045	\$ (4,701,467)	\$ 14,671,903
Adjustment on initial application of IFRS 16, net of tax of \$1,825		-	-	-	(4,935)	(4,935)
<b>Adjusted balance as at January 1, 2019</b>		<b>40,240,606</b>	<b>\$ 14,465,325</b>	<b>\$ 4,908,045</b>	<b>\$ (4,706,402)</b>	<b>\$ 14,666,968</b>
Shares issued in purchase of investment	14	2,100,000	\$ 1,129,800	\$ -	\$ -	\$ 1,129,800
Share-based compensation		-	-	204,712	-	204,712
Stock options exercised		516,667	195,194	(73,935)	-	121,259
Warrants exercised		1,987,500	795,000	(99,375)	-	695,625
Share issuance costs, net of tax of \$nil		-	(2,877)	-	-	(2,877)
Total loss and comprehensive loss for the period		-	-	-	(1,618,940)	(1,618,940)
<b>Balance as at September 30, 2019</b>		<b>44,844,773</b>	<b>\$ 16,582,442</b>	<b>\$ 4,939,447</b>	<b>\$ (6,325,342)</b>	<b>\$ 15,196,547</b>
Share-based compensation		-	-	82,212	-	82,212
Stock options exercised		481,667	152,290	(57,507)	-	94,783
Total loss and comprehensive loss for the period		-	-	-	(1,101,728)	(1,101,728)
<b>Balance as at December 31, 2019</b>		<b>45,326,440</b>	<b>\$ 16,734,732</b>	<b>\$ 4,964,152</b>	<b>\$ (7,427,070)</b>	<b>\$ 14,271,814</b>
Shares issued	18	3,516,777	\$ 701,766	\$ -	\$ -	\$ 701,766
Share-based compensation	18	-	-	182,480	-	182,480
Stock options exercised	18	50,000	13,655	(5,155)	-	8,500
Total loss and comprehensive loss for the period		-	-	-	(2,595,992)	(2,595,992)
<b>Balance as at September 30, 2020</b>		<b>48,893,217</b>	<b>\$ 17,450,153</b>	<b>\$ 5,141,477</b>	<b>\$ (10,023,062)</b>	<b>\$ 12,568,568</b>

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

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

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
<b>OPERATING ACTIVITIES</b>					
Receipts from customers		\$ 381,432	\$ 1,070,696	\$ 2,545,561	\$ 3,176,028
Payments to suppliers		(584,691)	(1,265,063)	(2,597,622)	(3,196,403)
Payments to employees		(312,502)	(584,474)	(1,426,835)	(1,920,406)
Interest received		5,970	18,738	16,387	73,848
Finance costs paid		(2,598)	(251)	(8,185)	(872)
<b>Net cash used in operating activities</b>		<b>(512,389)</b>	<b>(760,354)</b>	<b>(1,470,694)</b>	<b>(1,867,805)</b>
<b>INVESTING ACTIVITIES</b>					
Long-term deposits	7	(11,826)	12,475	34,210	6,770
Restricted cash	8	757,800	973,715	684,110	1,292,509
Spending on contract assets	9	(35,663)	(122,673)	(1,600,329)	(179,850)
Proceeds on disposal of property and equipment	10	8,000	-	8,000	6,700
Purchase of property and equipment	10	-	(35,946)	-	(44,824)
Spending on resource properties	13	(701)	(20,549)	(1,527)	(57,185)
Cash acquired in TerraShift acquisition	4	-	-	151,832	-
Cash consideration paid for acquisition of TerraShift	4	-	-	(25,000)	-
Consideration paid for investments in associates	14	-	-	-	(1,022,000)
<b>Net cash generated from (used in) investing activities</b>		<b>717,610</b>	<b>807,022</b>	<b>(748,704)</b>	<b>2,120</b>
<b>FINANCING ACTIVITIES</b>					
New financing from bank loans	15	-	-	1,580,000	-
Repayment of bank loans	15	(84,694)	-	(84,694)	-
Repayment of lease obligations	16	(34,026)	(4,291)	(103,687)	(40,570)
Net proceeds from exercise of warrants and stock options	18	-	221,840	8,500	814,007
<b>Net cash generated from (used in) financing activities</b>		<b>(118,720)</b>	<b>217,549</b>	<b>1,400,119</b>	<b>773,437</b>
<b>Net change in cash</b>		<b>86,501</b>	<b>264,217</b>	<b>(819,279)</b>	<b>(1,092,248)</b>
Cash, beginning of period		1,089,500	3,722,072	1,995,280	5,078,537
<b>Cash, end of period</b>		<b>\$ 1,176,001</b>	<b>\$ 3,986,289</b>	<b>\$ 1,176,001</b>	<b>\$ 3,986,289</b>

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

## Note 1 - Nature of Business

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

Incorporated in 2006, Athabasca is an integrated group of companies focused on the aggregates, industrial minerals and resource sectors, including exploration and 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, integrated supply/delivery solutions of industrial minerals, and new venture development. The Corporation is strategically focused on growing its three core business units: the AMI Aggregates division, the AMI RockChain division, and the AMI Silica division. Management is continually pursuing opportunities for sustained growth and diversification in supplying aggregate products and industrial minerals.

Athabasca's business is comprised of the following three reportable segments:

- **AMI Aggregates** division produces and sells aggregate out of its corporate pits and manages the Coffey Lake Public Pit on behalf of the Province of Alberta for which aggregate management services revenue are earned. 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.
- **AMI Silica** division is positioning to become a leading supplier of premium domestic silica sand with regional deposits in Alberta and NE British Columbia. This reporting segment encompasses all silica assets including Firebag, the Duvernay Project and the Montney In-Basin Project.
- **AMI RockChain** division is 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.
  - **TerraShift Engineering Ltd.** ("TerraShift") is a newly acquired entity within the AMI RockChain division. It offers technology-based applications that support resource exploration and development, environmental and regulatory planning, resource management, compliance reporting, and reclamation for a growing customer base across Western Canada and Ontario. TerraShift operating results are considered part of the AMI RockChain division.

The unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 were approved and authorized for issue by the Board of Directors on November 24, 2020.

## Note 2 - Basis of Presentation

### a) Statement of Compliance

The unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020, including comparatives, were prepared in accordance with IAS 34 International Accounting Standard – "Interim Financial Reporting" (IAS 34) as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") have been condensed or omitted.

The significant judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the Corporation's audited annual consolidated financial statements for the year ended December 31, 2019, and should be read in conjunction with those audited annual consolidated financial statements. Actual results may differ from estimated results due to differences between estimated or anticipated events and actual events and results.

## Note 2 - Basis of Presentation – continued

### b) Basis of Presentation

These unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis.

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. They do not contain all the necessary annual disclosures and as a result, they should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2019.

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

The Corporation also holds a 49.2% ownership interest in a private Alberta corporation that owns the Montney In-Basin silica sand project (Note 14) and a 49.6% ownership interest in a private Alberta corporation that holds the Duvernay Sand Project in Alberta (Note 14). These interests are accounted for using the equity method.

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

### c) Functional and Presentation Currency

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

## Note 3 – Significant Accounting Policies

The accounting policies applied in these unaudited interim condensed consolidated financial statements are the same as those applied in the December 31, 2019 audited annual consolidated financial statements with the addition of the following new policy arising due to the acquisition of TerraShift on June 30, 2020.

### Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the consideration transferred, measured at the acquisition date at fair value. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, “Business Combinations” are recognized at their fair values at the acquisition date. The process of determining fair value of the acquired assets and the consideration paid is complex and may consume an extended time period. Acquisition costs incurred are expensed in the period in which they are incurred except for costs related to shares issued in conjunction with the business combination.



### Note 3 – Significant Accounting Policies – continued

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

### Note 4 – Acquisition of TerraShift

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

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

- Initial payment: \$25,000 cash and \$75,013 in AMI common shares paid on June 30, 2020
- Trailing payments: Additional payments of \$75,000 in AMI common shares on each of June 30, 2021 and June 30, 2022
- Performance payout: Additional payments of 50% of TerraShift earnings before interest, taxes, depreciation and amortization (“EBITDA”) higher than an agreed upon amount for each of the first and second year of operations post-closing. If the EBITDA targets are exceeded, these performance payments can be paid by the Corporation in cash or AMI common shares.

The trailing payments and performance payout are both contingent on the two former TerraShift shareholders remaining employed by the Corporation, and as such, under IFRS 3, they are considered part of employee remuneration and not part of the TerraShift purchase price. AMI RockChain accrues an estimate for each of these employee bonuses on a quarterly basis, and expenses the amounts in the consolidated statement of (loss) income and comprehensive (loss) income, as needed.

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

	Notes	Total
<b>Purchase price consideration</b>		
AMI common shares (542,002 common shares @ \$0.1384 per share)	18	\$ 75,013
Cash		25,000
<b>Total purchase price</b>		<b>\$ 100,013</b>

## Note 4 – Acquisition of TerraShift - continued

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

	Notes	Total
<b>Purchase price allocation</b>		
Cash		\$ 151,832
Trade and other receivables		30,178
Property and equipment	10	7,741
Intangible assets - customer relationships and software	12	143,447
Accounts payable and accrued liabilities		(35,693)
Income taxes payable		(31,344)
Bank Loan ("CEBA" loan)	15	(40,000)
<b>Total net assets acquired</b>		<b>\$ 226,161</b>
Total purchase price		100,013
<b>Gain on acquisition of TerraShift</b>		<b>\$ 126,148</b>

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

The estimate of the fair value of the acquisition related intangibles and the resulting gain on acquisition is preliminary. The final purchase price allocation as well as the determination of the fair value of the net assets acquired and the acquisition related intangibles and gain on acquisition of TerraShift will be determined within six months of the acquisition date.

## Note 5 – Trade and Other Receivables

Trade and other receivables are non-interest bearing and are carried at amortized cost, and impaired using the simplified approach which records impairment at the lifetime expected credit losses.

## Note 6 – Inventory

Inventory with a production cost of approximately \$291,833 and \$803,425 was sold and is included in operating costs for the three and nine months ended September 30, 2020 respectively (three and nine months ended September 30, 2019: \$16,000 and \$797,000 respectively). These aggregate sales were networked sales with third-parties via AMI RockChain.

In the third quarter of 2020, the Corporation recognized a write-down based on the net realizable value of unprocessed gravel and crushed gravel. During the three and nine months ended September 30, 2020, the Corporation recognized a write-down of \$265,876 included in operating costs (three and nine months ended September 30, 2019: \$nil).

## Note 6 – Inventory - continued

During the three and nine months ended September 30, 2019, the Corporation recognized a stockpile loss based on aerial drone measurements of stockpile volumes of \$11,000 and \$26,000 respectively. This was included in operating costs.

As at September 30, 2020, inventory consists of \$264,180 of unprocessed gravel and \$582,419 of crushed gravel (December 31, 2019 - \$264,180 and \$848,295). The reduction in crushed gravel from December 2019 is the result of the write-down mentioned above.

## Note 7 – Long-term Deposits

	Notes	As at	
		September 30, 2020	December 31, 2019
Security deposits on surface materials leases		\$ 629,188	\$ 665,188
Security deposits on miscellaneous leases		106,520	106,520
		<b>735,708</b>	<b>771,708</b>
Security deposits on exploration leases		33,370	31,580
		<b>\$ 769,078</b>	<b>\$ 803,288</b>

## Note 8 – Restricted Cash

	Notes	As at	
		September 30, 2020	December 31, 2019
<b><u>Funds on deposit</u></b>			
Poplar Creek site		\$ -	\$ 300,000
House River pit		-	56,406
<b><u>Guaranteed investment certificates for letters of credit</u></b>			
Susan Lake pit		230,706	228,540
Poplar Creek Site, storage yard		180,000	183,600
Emerson pit		76,004	76,004
Coffey Lake reclamation		296,520	296,520
Coffey Lake industrial miscellaneous lease		74,130	-
Coffey Lake performance bond		100,000	500,000
Coffey Lake right of way		100,000	100,000
Credit card facility		20,000	20,400
		<b>\$ 1,077,360</b>	<b>\$ 1,761,470</b>

In prior years, the Corporation placed funds on deposit to be applied toward the costs of reclamation for the Poplar Creek site and the House River pit, based on contractual obligations. As those contractual obligations are no longer in place, the restricted cash balance as at September 30, 2020 is \$nil (December 31, 2019: \$356,406).

The Corporation has secured its letters of credit to the benefit of the Government of Alberta for decommissioning and restoration with guaranteed investment certificates as at September 30, 2020 in the amount of \$1,057,360 (December 31, 2019: \$1,384,664). This amount includes \$896,520 put in place in December 2019 as well as \$74,130 put in place in March 2020 towards the new Coffey Lake public pit. A \$400,000 reclassification from restricted cash to unrestricted cash for the Coffey Lake performance bond occurred in the third quarter of 2020. See Note 15 for additional information on the reclassification of restricted cash and see Note 17 for additional information regarding the reclamation liability set up for the Coffey Lake public pit.

## Note 9 – Contract Assets

	Notes	As at	
		September 30, 2020	December 31, 2019
		<b>Costs to obtain contract</b>	Costs to obtain contract
Coffey Lake public pit		\$ 1,487,526	\$ 392,879
Duvernay Sand Project off-take agreement		1,000,735	-
		<b>\$ 2,488,261</b>	<b>\$ 392,879</b>

### Coffey Lake Public Pit

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

During the three and nine months ended September 30, 2020, the Corporation spent \$35,663 and \$1,099,594 respectively on the Coffey Lake contract asset (December 31, 2019: \$392,879).

The Coffey Lake contract asset will be amortized based on actual volume sales as a proportion of the estimated economically recoverable resource (units of production method). For the three and nine months ended September 30, 2020, the Corporation recorded amortization of \$96 and \$4,947 respectively on the Coffey Lake contract asset (December 31, 2019: \$nil).

### Duvernay Sand Project Off-take Agreement

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

The Corporation incurred costs of \$nil and \$1,000,735 in the three and nine months ended September 30, 2020 respectively (December 31, 2019: \$nil) to secure the Duvernay off-take agreement. These costs include \$500,000 in AMI's common shares issued to the Corporation's advisors as well as cash payments of \$500,735.

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

## Note 10 – Property and Equipment

	Stockpile pad	Equipment	On-site buildings	Office complex	Scales and scale houses	Total
<b>Cost:</b>						
<b>December 31, 2018</b>	\$ 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)
<b>December 31, 2019</b>	\$ 262,104	\$ 4,399,599	\$ 195,101	\$ 104,162	\$ 523,888	\$ 5,484,854
Additions	-	7,741	-	-	-	7,741
Disposals	-	-	-	-	-	-
<b>September 30, 2020</b>	\$ 262,104	\$ 4,407,340	\$ 195,101	\$ 104,162	\$ 523,888	\$ 5,492,595
<b>Accumulated Depreciation:</b>						
<b>December 31, 2018</b>	\$ 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)
<b>December 31, 2019</b>	\$ 231,372	\$ 3,531,514	\$ 186,894	\$ 104,162	\$ 448,606	\$ 4,502,548
Additions	30,732	153,609	1,783	-	15,983	202,107
Disposals	-	-	-	-	-	-
<b>September 30, 2020</b>	\$ 262,104	\$ 3,685,123	\$ 188,677	\$ 104,162	\$ 464,589	\$ 4,704,655
<b>Net book value:</b>						
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
<b>September 30, 2020</b>	\$ -	\$ 722,217	\$ 6,424	\$ -	\$ 59,299	\$ 787,940

### Depreciation expense for the following periods:

	Total
Nine months ended September 30, 2019 depreciation to statement of (loss) income and comprehensive (loss) income	\$ 218,894
Nine months ended September 30, 2019 depreciation to repayment of environmental rehabilitation obligations	Note 17 \$ 21,293
<b>Nine months ended September 30, 2020 depreciation to statement of (loss) income and comprehensive (loss) income</b>	<b>\$ 202,107</b>
<b>Nine months ended September 30, 2020 depreciation to repayment of environmental rehabilitation obligations</b>	<b>Note 17 \$ -</b>

During the three and nine months ended September 30, 2020, management acquired \$nil and \$7,741 in new assets (December 31, 2019 - \$51,372). The additions in 2020 were all part of the TerraShift acquisition described in Note 4.

During the three and nine months ended September 30, 2020, management recorded no impairment loss on assets.

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. Additionally, 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 three and nine months ended September 30, 2020, the Corporation sold property and equipment with a carrying amount of \$nil for net proceeds of \$8,000, which resulted in a gain of \$8,000. 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.

## Note 11 – Right-of-use Assets

	Notes	Truck lease asset	Calgary office lease asset	Edmonton office lease asset	Xerox Photocopier lease asset	Total
<b>Cost:</b>						
<b>December 31, 2018, as previously stated</b>		\$ -	\$ -	\$ -	\$ -	\$ -
Adjustment on initial application of IFRS 16		\$ 73,823	\$ -	\$ -	\$ -	\$ 73,823
<b>Adjusted balance as at January 1, 2019</b>		\$ 73,823	\$ -	\$ -	\$ -	\$ 73,823
Additions		-	-	168,613	15,116	\$ 183,729
Disposals		-	-	-	-	\$ -
<b>December 31, 2019</b>		\$ 73,823	\$ -	\$ 168,613	\$ 15,116	\$ 257,552
Additions		-	204,854	-	-	\$ 204,854
Disposals		-	-	-	-	\$ -
<b>September 30, 2020</b>		\$ 73,823	\$ 204,854	\$ 168,613	\$ 15,116	\$ 462,406
<b>Accumulated Depreciation:</b>						
<b>December 31, 2018, as previously stated</b>		\$ -	\$ -	\$ -	\$ -	\$ -
Adjustment on initial application of IFRS 16		\$ 42,609	\$ -	\$ -	\$ -	\$ 42,609
<b>Adjusted balance as at January 1, 2019</b>		\$ 42,609	\$ -	\$ -	\$ -	\$ 42,609
Additions		12,286	-	26,099	1,144	\$ 39,529
Disposals		-	-	-	-	\$ -
<b>December 31, 2019</b>		\$ 54,895	\$ -	\$ 26,099	\$ 1,144	\$ 82,138
Additions		933	41,667	51,401	2,267	\$ 96,268
Disposals		-	-	-	-	\$ -
<b>September 30, 2020</b>		\$ 55,828	\$ 41,667	\$ 77,500	\$ 3,411	\$ 178,406
<b>Net book value:</b>						
<b>December 31, 2019</b>		\$ 18,928	\$ -	\$ 142,514	\$ 13,972	\$ 175,414
<b>September 30, 2020</b>		\$ 17,995	\$ 163,187	\$ 91,113	\$ 11,705	\$ 284,000

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

The Corporation acquired one new right-of-use asset for the new Calgary office lease during the first quarter of 2020 at a cost of \$204,854. No additional assets were acquired in the second or third quarter of 2020. This asset also includes a lease obligation of \$204,854 (see Note 16).

The right-of-use assets are being depreciated over the expected life of each asset in accordance with the Corporation's accounting policies under IFRS 16.

## Note 12 – Intangible Assets

	Notes	Customer Relationships	Software	Total
<b>Cost:</b>				
<b>December 31, 2018</b>		\$ -	\$ -	\$ -
Additions		-	-	\$ -
Disposals		-	-	\$ -
<b>December 31, 2019</b>		\$ -	\$ -	\$ -
Additions	4	83,635	59,812	\$ 143,447
Disposals		-	-	\$ -
<b>September 30, 2020</b>		\$ 83,635	\$ 59,812	\$ 143,447
<b>Accumulated Depreciation:</b>				
<b>December 31, 2018</b>		\$ -	\$ -	\$ -
Additions		-	-	\$ -
Disposals		-	-	\$ -
<b>December 31, 2019</b>		\$ -	\$ -	\$ -
Additions	4	47,800	4,167	\$ 51,967
Disposals		-	-	\$ -
<b>September 30, 2020</b>		\$ 47,800	\$ 4,167	\$ 51,967
<b>Net book value:</b>				
<b>December 31, 2019</b>		\$ -	\$ -	\$ -
<b>September 30, 2020</b>		\$ 35,835	\$ 55,645	\$ 91,480

During the three and nine months ended September 30, 2020, management acquired \$143,447 in new intangible assets (December 31, 2019 - \$nil). The additions in 2020 were all part of the TerraShift acquisition described in Note 4, and the intangible assets are being amortized over the expected life of each asset as described in Note 4.

During the three and nine months ended September 30, 2020, management recorded no impairment loss on intangible assets, and management did not sell or dispose of any intangible assets.

## Note 13 – Resource Properties

	Notes	As at	
		September 30, 2020	December 31, 2019
Exploration costs		\$ 1,280,792	\$ 1,385,917
Pit development costs		3,100,249	3,099,423
Environmental rehabilitation obligation assets		2,031,588	1,522,064
Other costs		272,693	281,032
		<b>\$ 6,685,322</b>	<b>\$ 6,288,436</b>

### Exploration and Pit Development Costs

The exploration and pit development costs have been 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 the exploration costs:

	Richardson	Hinton	Steepbank	All Other Projects	Total
Cumulative Exploration Cost at December 31, 2018	\$ 1,090,906	\$ 95,117	\$ 105,476	\$ 38,130	\$ 1,329,629
Spending	39,515	16,773	-	-	56,288
<b>Cumulative Exploration Costs at December 31, 2019</b>	<b>\$ 1,130,421</b>	<b>\$ 111,890</b>	<b>\$ 105,476</b>	<b>\$ 38,130</b>	<b>\$ 1,385,917</b>
Spending	-	-	350	351	701
Write down of exploration costs	-	-	(105,826)	-	(105,826)
<b>Cumulative Exploration Costs at September 30, 2020</b>	<b>\$ 1,130,421</b>	<b>\$ 111,890</b>	<b>\$ -</b>	<b>\$ 38,481</b>	<b>\$ 1,280,792</b>

During the three and nine months ended September 30, 2020, the Corporation spent \$701 to advance the exploration projects (year ended December 31, 2019: \$56,288).

In the three months ended September 30, 2020, the Steepbank project was canceled, and management therefore wrote down the carrying value of the associated cumulative exploration costs to \$nil, resulting in the recognition of an impairment loss of \$105,826 included in other operating expenses.

The following table summarizes the pit development costs:

	Firebag	Kearl	Logan	House River	Pelican Hill	Emerson	Lynton	Total
Cumulative Pit Development Costs at December 31, 2018	\$ 1,141,355	\$ 1,042,534	\$ 490,055	\$ 175,266	\$ 230,357	\$ 491	\$ 44	\$ 3,080,102
Additions	-	-	-	-	19,321	-	-	19,321
<b>Cumulative Pit Development Costs at December 31, 2019</b>	<b>\$ 1,141,355</b>	<b>\$ 1,042,534</b>	<b>\$ 490,055</b>	<b>\$ 175,266</b>	<b>\$ 249,678</b>	<b>\$ 491</b>	<b>\$ 44</b>	<b>\$ 3,099,423</b>
Additions	-	-	266	-	560	-	-	826
<b>Cumulative Pit Development Costs at September 30, 2020</b>	<b>\$ 1,141,355</b>	<b>\$ 1,042,534</b>	<b>\$ 490,321</b>	<b>\$ 175,266</b>	<b>\$ 250,238</b>	<b>\$ 491</b>	<b>\$ 44</b>	<b>\$ 3,100,249</b>

During the three and nine months ended September 30, 2020, the Corporation spent \$nil and \$826 respectively on pit development costs (year ended December 31, 2019: \$19,321).



## Note 13 – Resource Properties – continued

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

The following summarizes the ERO assets:

	Notes	As at	
		September 30, 2020	December 31, 2019
Opening Balance, ERO assets		1,522,064	\$ 1,510,483
Change in estimate recognized in ERO assets		279,557	14,566
Amortization of ERO assets	23	(10,970)	(12,562)
Change in discount rate affecting ERO assets		240,937	9,577
<b>Closing Balance, ERO assets</b>		<b>\$ 2,031,588</b>	<b>\$ 1,522,064</b>

The ERO assets pertain to resource properties where the Corporation has the legal and constructive obligation to complete decommissioning, reclamation and restoration costs on the property as discussed in Note 17. The ERO assets increased significantly since December 31, 2019 due to the new disturbance at the Coffey Lake public pit, the new stockpile site at True North Staging Hub, and due to the significant decrease in Canadian bond rates that has impacted the discount rate used to value the ERO liabilities.

### Other Costs

As at September 30, 2020, other costs within resource properties include \$272,693 for miscellaneous lease costs and deposits on land (December 31, 2019: \$281,032). Amortization of the lease costs in the three months and nine months ended September 30, 2020 was \$2,780 and \$8,339 respectively (September 30, 2019: \$2,780 and \$8,339 respectively).

## Note 14 – Investments in Associates

### Duvernay 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 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 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 option and it 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.

## Note 14 – Investments in Associates - continued

The following summarizes the investments in associates:

Notes	As at					
	September 30, 2020			December 31, 2019		
	Montney in-basin project	Duvernay project	Total	Montney in-basin project	Duvernay project	Total
Investments in associates, beginning of year	\$ 1,585,337	\$ 2,048,090	\$ 3,633,427	\$ 1,646,151	\$ -	\$ 1,646,151
<u>Additions:</u>						
Cash consideration for original purchase	-	-	-	\$ -	\$ 280,000	280,000
Share consideration for original purchase	-	-	-	\$ -	\$ 105,000	105,000
Cash consideration for option exercised	-	-	-	\$ -	\$ 742,000	742,000
Share consideration for option exercised	-	-	-	\$ -	\$ 1,024,800	1,024,800
	1,585,337	2,048,090	3,633,427	\$ 1,646,151	\$ 2,151,800	3,797,951
Purchase price allocated to share purchase options on transaction date	-	-	-	\$ -	\$ (59,641)	(59,641)
	1,585,337	2,048,090	3,633,427	\$ 1,646,151	\$ 2,092,159	3,738,310
Corporation's ownership interest	49.2%	49.6%		49.2%	49.6%	
Corporation's share of associate's net loss for the period	(15,428)	(19,058)	(34,486)	(60,814)	(44,069)	(104,883)
Investments in associates, end of period	1,569,909	2,029,032	3,598,941	\$ 1,585,337	\$ 2,048,090	\$ 3,633,427

## Note 15 – Bank Loans and Credit Facility

On July 4, 2018, the Corporation entered into a credit facility with Canadian Western Bank (“CWB”) with a letter of credit facility for up to \$1,351,760 and a credit card facility for up to \$50,000. Each letter of credit costs the Corporation an annual fee of 1.50%. On December 9, 2019, the letter of credit facility was increased to a maximum available amount of \$1,458,240.

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

The Corporation is in compliance with all covenants and capital spending requirements as part of this credit facility.

### CWB Bank Loan

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

The term of the bank loan with CWB is thirty-nine months with thirty-three monthly loan payments of \$49,022 starting in August 2020, after six months of interest only payments. The bank loan was originally for 3 years, but CWB added three months of interest only payments from May 2020 to July 2020 and extended the term of the loan by three months due to the economic uncertainty in Alberta and around the world due to the COVID-19 pandemic. The interest rate on the bank loan is 5.4%. Interest paid from February 2020 to September 2020 totalling \$53,961 have been capitalized to the Coffey Lake contract asset (See Note 9). Blended loan payments started in August 2020 and the Corporation has paid down principal of \$84,694 on the bank loan in the three months ended September 30, 2020.

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

## Note 15 – Bank Loans and Credit Facility - continued

### Canada Emergency Business Account (“CEBA”) Loans

In April 2020, the Corporation received two \$40,000 loans from the Government of Canada through the Canadian Western Bank. These loans were made available to companies that have been negatively impacted by the COVID-19 pandemic and met certain other criteria. AMI RockChain and AMI Silica each received a CEBA loan.

Additionally, TerraShift received a CEBA loan via the Alberta Treasury Branch (“ATB”), which is now part of the Corporation’s liabilities as a result of the acquisition on June 30, 2020.

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

	Interest Rate	Monthly Payments	As at	
			September 30, 2020	December 31, 2019
Canada Emergency Business Account (AMI RockChain)	0.00%	\$ -	\$ 40,000	\$ -
Canada Emergency Business Account (AMI Silica)	0.00%	\$ -	\$ 40,000	\$ -
Canada Emergency Business Account (TerraShift)	0.00%	\$ -	\$ 40,000	\$ -
CWB Bank Loan Facility, due April 30, 2023	5.40%	\$ 49,021.85	\$ 1,415,306	\$ -
			1,535,306	-
Current portion - principal due within one year			(524,699)	-
			\$ 1,010,607	\$ -

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

October 1, 2020 - September 30, 2021	\$ 588,262
October 1, 2021 - September 30, 2022	\$ 588,262
October 1, 2022 - September 30, 2023	\$ 462,953
October 1, 2023 - September 30, 2024	\$ -
October 1, 2024 - September 30, 2025	\$ -
	1,639,477
Less: interest included in payments above	104,171
Bank loan principal outstanding, September 30, 2020	\$ 1,535,306

### Letter of Credit/Guarantee Facility

As at September 30, 2020, the Corporation has issued letters of credit in the amounts of \$956,596 in favour of the Government of Alberta. The Corporation has also issued a letter of credit to Imperial Oil for \$100,000 for a right of way at the Coffey Lake site (December 31, 2019: \$100,000). These letters of credit are secured by guaranteed investment certificates (See Note 8).

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

## Note 15 – Bank Loans and Credit Facility - continued

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

	Notes	As at	
		September 30, 2020	December 31, 2019
Susan Lake Pit		\$ 230,706	\$ 228,540
Poplar Creek Site, storage yard		180,000	180,000
Emerson pit		75,240	75,240
Coffey Lake reclamation		296,520	296,520
Coffey Lake industrial miscellaneous lease		74,130	-
Coffey Lake performance bond		100,000	500,000
		<u>\$ 956,596</u>	<u>\$ 1,280,300</u>

### Credit Card Facility

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

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

## Note 16 – Lease Obligations

The Corporation's lease obligations and future minimum lease obligations are summarized in the following table. The assets are also included as right-of-use assets under the newly adopted accounting standard IFRS 16 (see Note 11).

Finance Leases	Interest Rate	Monthly / Quarterly * Instalments	As at	
			September 30, 2020	December 31, 2019
EDF Trading LLC Calgary office lease, due December 31, 2022	3.680%	Variable	\$ 155,268	\$ -
VETS Group Ltd. Edmonton Office Lease, due Jan 31, 2022	3.680%	Variable	92,392	141,952
Xerox Photocopier Lease, due May 19, 2024	3.680%	816 *	11,532	13,623
Jim Peplinski Leasing, currently due	3.680%	1,230	21,865	24,315
			<u>281,057</u>	<u>179,890</u>
Current portion - principal due within one year			<u>(165,506)</u>	<u>(93,685)</u>
			<u>\$ 115,551</u>	<u>\$ 86,205</u>

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

October 1, 2020 - September 30, 2021	\$ 172,674
October 1, 2021 - September 30, 2022	\$ 94,429
October 1, 2022 - September 30, 2023	\$ 21,269
October 1, 2023 - September 30, 2024	\$ 2,613
October 1, 2024 - September 30, 2025	\$ -
	<u>290,985</u>
Less: interest included in payments above	9,928
Lease obligations principal outstanding, September 30, 2020	<u>\$ 281,057</u>

The Corporation agreed to lease obligations of \$204,854 for the new Calgary office location in the first quarter of 2020. In the year ended December 31, 2019, the Corporation agreed to new lease obligations of \$171,729 for the new Edmonton office location and a photocopier.

## Note 16 – Lease Obligations – continued

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

	Notes	Total
Lease obligations as at December 31, 2018	\$	29,284
Adjustment on initial application of IFRS 16		37,974
<b>Adjusted balance as at January 1, 2019</b>	<b>\$</b>	<b>67,258</b>
Addition of lease obligations		171,728
Total principal repayments		(40,570)
<b>Lease obligations as at September 30, 2019</b>	<b>\$</b>	<b>198,416</b>
Total principal repayments		(18,526)
<b>Lease obligations as at December 31, 2019</b>	<b>\$</b>	<b>179,890</b>
Addition of lease obligations		204,854
Total principal repayments		(103,687)
<b>Lease obligations as at September 30, 2020</b>	<b>\$</b>	<b>281,057</b>

## Note 17 – Environmental Rehabilitation Obligations (“ERO”)

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

	Notes	As at	
		September 30, 2020	December 31, 2019
Opening balance, ERO		\$ 2,472,206	\$ 4,258,139
Change in estimate recognized in ERO assets	13	279,557	14,566
Change in estimate recognized in other operating expenses		-	(1,477,011)
Change in discount rate		240,937	9,577
Change in discount rate recognized in other operating expenses		68,986	4,685
Accretion expense	23	32,590	34,852
Spending on reclamation activities		-	(351,309)
Amortization allocated to reclamation spending		-	(21,293)
Ending balance, ERO		3,094,276	2,472,206
Less: Current portion, ERO to be funded within one year		(16,904)	(16,693)
		<b>\$ 3,077,372</b>	<b>\$ 2,455,513</b>

Provisions for EROs are recognized for mining activities at the Corporate owned pits and the Coffey Lake public pit, as well as estimated costs related to AMI’s final reclamation activities at the Susan Lake public pit. The Corporation assesses its provision for EROs on an annual basis or when new material information becomes available.

The estimated undiscounted ERO as at September 30, 2020 is \$3,253,234 (December 31, 2019: \$2,947,973).

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

## Note 17 – Environmental Rehabilitation Obligations (“ERO”) - continued

Total reclamation funded during the nine months ended September 30, 2020 was \$nil (year ended December 31, 2019: \$372,602). Reclamation work performed in 2019 primarily related to activities at Susan Lake as well as Poplar Creek.

The discount rates used by the Corporation are based on the Government of Canada bond yields for periods comparable to the expected timing of reclamation activities at each site. These rates ranged from 0.25% to 1.11% as at September 30, 2020 (December 31, 2019: 1.69% to 1.76%) depending on the expected timing of reclamation activities. Discount rates increased from June 30, 2020, but decreased significantly from December 31, 2019, which caused the ERO to decrease by \$14,549 in the three months ended September 30, 2020, but to increase by \$309,923 in the nine months ended September 30, 2020. It is expected that reclamation activities for the owned and managed pits and stockpile sites, as well as Susan Lake, will occur between 2020 and 2036 considering the projected production schedules, the timing of reclamation activities included in the respective Conservation and Reclamation Business Plans, as well as the timing of expiration of the related surface materials lease for each property.

Accretion expense is the expense calculated when updating the present value of the ERO provision. This expense increases the liability based on estimated timing of reclamation activities and the discount rate used in the ERO calculations. The accretion expense amounts are included in other operating expenses on the statement of (loss) income and comprehensive (loss) income and are summarized in the respective table in Note 23.

## Note 18 – Share Capital

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

Notes	Nine months ended September 30, 2020		Year ended December 31, 2019	
	Number of Shares	Amount	Number of Shares	Amount
<b>Authorized:</b>				
An unlimited number of:				
Common voting shares with no par value				
Preferred shares, issuable in series				
<b>Issued and outstanding, beginning of period</b>	<b>45,326,440</b>	<b>\$ 16,734,732</b>	<b>40,240,606</b>	<b>\$ 14,465,325</b>
Shares issued in purchase of investment	-	-	2,100,000	1,129,800
Shares issued to contractors/consultants/employees	3,516,777	701,766	-	-
Common share issuance costs	-	-	-	(2,877)
Warrants exercised	-	-	1,987,500	795,000
Stock options exercised	50,000	13,655	998,334	347,484
<b>Issued and outstanding, end of period</b>	<b>48,893,217</b>	<b>\$ 17,450,153</b>	<b>45,326,440</b>	<b>\$ 16,734,732</b>

During the first quarter of 2020, the Corporation issued shares to two entities who helped secure the Shell off-take agreement for the Duvernay Sand Project. The Corporation issued each entity 1,065,190 common voting shares worth \$250,000 for a total issuance of shares of 2,130,380 valued at \$500,000 (See Note 9).

The Corporation has paid various employees, contractors and consultants partially or in whole using common voting shares rather than cash for services provided. During the three months ended September 30, 2020, the Corporation issued 579,459 common shares as payment of costs totaling \$82,322 (three months ended September 30, 2019: nil). During the nine months ended September 30, 2020, the Corporation issued 844,395 common shares as payment of costs totaling \$126,753 (nine months ended September 30, 2019: nil). The Employee Share Purchase Plan (the “ESP Plan”) provides for issuance of common shares to consultants, directors and employees to a maximum limit of 2% of the outstanding common shares. The ESP Plan was approved by shareholders at the Annual and Special Meeting in September 2020.

Additionally, the Corporation issued 542,002 common shares at a value of \$75,013 as part of the acquisition of TerraShift on June 30, 2020 as described in Note 4.

## Note 18 – Share Capital – continued

### 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:

	Nine months ended September 30, 2020		Year ended December 31, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
<b>Options outstanding, beginning of year:</b>	2,680,000	\$ 0.35	2,555,000	\$ 0.33
Issued	1,009,000	0.17	1,731,667	0.46
Exercised	(50,000)	0.17	(998,334)	0.22
Expired or cancelled	(580,000)	0.43	(608,333)	0.77
<b>Options outstanding, end of period:</b>	<b>3,059,000</b>	<b>\$ 0.28</b>	<b>2,680,000</b>	<b>\$ 0.35</b>

Of the 3,059,000 (December 31, 2019: 2,680,000) outstanding stock options, 1,626,667 (December 31, 2019: 1,241,666) options have vested and therefore, were exercisable at September 30, 2020 at a weighted average exercise price of \$0.30 per share (December 31, 2019: \$0.27 per share).

No options were issued in the three months ended September 30, 2020. During the nine months ended September 30, 2020, 1,009,000 options were issued to Directors, Officers and employees of the Corporation at an exercise price of \$0.17 per share (year ended December 31, 2019: 1,731,667).

During the three and nine months ended September 30, 2020, nil and 50,000 options respectively were exercised at an exercise price of \$0.17 per share for total proceeds of \$8,500. The share price on the day they were exercised was \$0.31 per share. For the year ended December 31, 2019, 998,334 options were exercised at an average exercise price of \$0.22 per share with an average share price on the days they were exercised of \$0.48 per share.

During the three and nine months ended September 30, 2020, nil and 580,000 options respectively expired or were cancelled (year ended December 31, 2019: 608,333).

The weighted average remaining contractual life of the outstanding stock options is 3.65 years (December 31, 2019: 4.00 years).

The Corporation's outstanding stock options are as follows:

Expiry Date	Exercise Price	As at	
		September 30, 2020	December 31, 2019
December 14, 2020	\$ 0.30	-	50,000
January 13, 2022	0.24	195,000	195,000
April 30, 2023	0.17	-	65,000
June 4, 2023	0.17	400,000	400,000
September 13, 2023	0.30	100,000	100,000
November 23, 2023	0.26	350,000	380,000
January 9, 2024	0.28	140,000	225,000
May 21, 2024	0.57	-	75,000
May 22, 2024	0.57	270,000	315,000
June 24, 2024	0.65	120,000	120,000
August 20, 2024	0.64	30,000	190,000
December 6, 2024	0.33	470,000	520,000
December 19, 2024	0.28	15,000	45,000
April 16, 2025	0.17	969,000	-
		<b>3,059,000</b>	<b>2,680,000</b>



## Note 18 – Share Capital – continued

The Corporation's stock option plan provides that the Board of Directors may from time to time, in its discretion, grant to Directors, Officers, employees and consultants of the Corporation, or any subsidiary of the Corporation, the option to purchase common shares. Pursuant to the stock option plan, options must be exercised within thirty days following termination of employment or cessation of the optionee's position with the Corporation, or such other period established by the Board of Directors, provided that if the cessation of office, directorship, consulting arrangement or employment was by reason of death or disability, the option may be exercised within one year, subject to the expiry date.

The 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
April 16, 2020	1,009,000	\$ 0.17	Nil	82.2%	0.43%	5 years	\$ 0.11	19.6%
December 19, 2019	45,000	\$ 0.28	Nil	77.9%	1.66%	5 years	\$ 0.18	19.2%
December 6, 2019	520,000	\$ 0.33	Nil	77.0%	1.58%	5 years	\$ 0.21	19.2%
August 20, 2019	220,000	\$ 0.64	Nil	84.9%	1.19%	5 years	\$ 0.43	18.8%
June 24, 2019	120,000	\$ 0.65	Nil	79.6%	1.34%	5 years	\$ 0.42	18.1%
May 22, 2019	476,667	\$ 0.57	Nil	81.6%	1.61%	5 years	\$ 0.37	17.7%
May 21, 2019	75,000	\$ 0.57	Nil	85.1%	1.64%	5 years	\$ 0.38	17.7%
January 9, 2019	275,000	\$ 0.28	Nil	78.2%	1.90%	5 years	\$ 0.18	17.3%
November 23, 2018	610,000	\$ 0.26	Nil	73.1%	2.28%	5 years	\$ 0.16	16.3%

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

Options may be exercisable for up to ten years from the date of grant, but the Board of Directors has the discretion to grant options that are exercisable for a shorter period. The outstanding stock option grants were issued with an exercisable period of five years from the date of grant. Options under the stock option plan are not transferable or assignable.

### Warrants

	Nine months ended September 30, 2020		Year ended December 31, 2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
<b>Warrants outstanding, beginning of period:</b>	<b>887,500</b>	<b>\$ 0.35</b>	2,875,000	\$ 0.35
Issued	-	-	-	-
Exercised	-	0.35	(1,987,500)	0.35
Expired or cancelled	-	-	-	-
<b>Warrants outstanding, end of period:</b>	<b>887,500</b>	<b>\$ 0.35</b>	887,500	\$ 0.35

Of the 887,500 (December 31, 2019: 887,500) outstanding warrants, 887,500 (December 31, 2019: 887,500) were exercisable at September 30, 2020 at a weighted average exercise price of \$0.35 per warrant (December 31, 2019: \$0.35 per warrant).

During the nine months ended September 30, 2020, no warrants were exercised (year ended December 31, 2019: 1,987,500 warrants were exercised). The warrants expire on November 21, 2020 so the weighted average remaining contractual life of the warrants is 0.14 years (December 31, 2019: 0.89 years).



## Note 18 – Share Capital – continued

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

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

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

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

	Nine months ended September 30, 2020				Year ended December 31, 2019			
	Number of DSUs	Weighted Average Fair Value	Number of RSUs	Weighted Average Fair Value	Number of DSUs	Weighted Average Fair Value	Number of RSUs	Weighted Average Fair Value
Outstanding, beginning of year:	1,329,000	\$ 0.06	-	\$ -	-	\$ -	-	\$ -
Issued	207,000	0.17	-	-	1,449,000	0.06	-	-
Expired or cancelled	(345,000)	0.06	-	-	(120,000)	0.06	-	-
Outstanding, end of year:	1,191,000	\$ 0.13	-	\$ -	1,329,000	\$ 0.06	-	\$ -

During the year ended December 31, 2019, 1,449,000 DSUs were granted to Directors, Officers and employees of the Corporation. DSUs vest 1/3rd on the first, second, and third (annual) anniversary of the date of grant based on continued tenure of the participant. During the second quarter of 2020, an additional 207,000 DSUs were granted to Directors and Officers of the Corporation. No DSUs were granted in the third quarter of 2020.

Of the 1,191,000 (December 31, 2019: 1,329,000) outstanding DSUs as at September 30, 2020, 235,000 (December 31, 2019: nil) DSUs have vested.

During the three and nine months ended September 30, 2020, nil and 345,000 DSUs were forfeited respectively due to the departures of some participants (December 31, 2019: 120,000).

The fair value of the DSU liability as at September 30, 2020 is \$158,384 (December 31, 2019: \$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 18.8%. This liability 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) income and comprehensive (loss) income.

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

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

## Note 18 – Share Capital – continued

Share-based compensation expense is comprised of the following:

	Three months ended September 30,		Nine months ended September 30	
	2020	2019	2020	2019
Stock options	\$ 56,650	\$ 86,898	\$ 182,480	\$ 204,712
Deferred share units	27,986	77,867	80,863	106,695
<b>Share-based compensation expense</b>	<b>\$ 84,636</b>	<b>\$ 164,765</b>	<b>\$ 263,343</b>	<b>\$ 311,407</b>

Share-based compensation expense in the consolidated statements of (loss) income and comprehensive (loss) income for the three and nine months ended September 30, 2020 includes \$14,896 and \$57,301 respectively to Directors (three and nine months ended September 30, 2019: \$24,934 and \$54,142 respectively) and \$49,156 and \$163,546 respectively to Officers (three and nine months ended September 30, 2019: \$77,996 and \$152,672 respectively).

### (Loss) Earnings Per Common Share

The treasury stock method is used to calculate diluted (loss) earnings per share, and under this method options that are anti-dilutive are excluded from the calculation of diluted (loss) earnings per share.

For the three and nine months ended September 30, 2020 and the nine months ended September 30, 2019, all outstanding options and warrants were considered anti-dilutive because the Corporation recorded a loss in all those periods.

For the three months ended September 30, 2019, in-the-money options of 2,725,000 and warrants of 887,500 are included in the calculation of diluted earnings per share whereby expected proceeds from these options and warrants are assumed to purchase common shares at the average market price of \$0.63/share during the period in order to calculate the anticipated incremental number of shares of 1,682,328 for the diluted earnings per share calculation.

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
<b>Basic loss per share</b>				
Total (loss) income and comprehensive (loss) income	\$ (1,106,354)	\$ 748,666	\$ (2,595,992)	\$ (1,618,940)
Weighted average number of common shares outstanding	48,533,165	44,682,155	47,473,740	42,803,924
<b>Total (loss) earnings and comprehensive (loss) earnings per common share, basic</b>	<b>\$ (0.023)</b>	<b>\$ 0.017</b>	<b>\$ (0.055)</b>	<b>\$ (0.038)</b>
<b>Diluted loss per share</b>				
Total (loss) income and comprehensive (loss) income	\$ (1,106,354)	\$ 748,666	\$ (2,595,992)	\$ (1,618,940)
Weighted average number of common shares outstanding	48,533,165	44,682,155	47,473,740	42,803,924
Effect of dilutive stock options and warrants	-	1,682,328	-	-
Weighted average number of common shares outstanding after dilution	48,533,165	46,364,483	47,473,740	42,803,924
<b>Total (loss) earnings and comprehensive (loss) earnings per common share, diluted</b>	<b>\$ (0.023)</b>	<b>\$ 0.016</b>	<b>\$ (0.055)</b>	<b>\$ (0.038)</b>

## Note 19 – 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., TerraShift Engineering Ltd., the private Alberta corporation that owns the Montney In-Basin silica sand project, and the private Alberta corporation that owns the Duvernay Sand Project.

Transactions with independent Directors were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
<b>Directors:</b>				
Directors fees	\$ 34,000	\$ 35,016	\$ 110,000	\$ 114,516
Travel and miscellaneous expenses	-	3,370	701	6,169
Share-based compensation	14,896	24,934	57,301	54,142
	\$ 48,896	\$ 63,320	\$ 168,002	\$ 174,827

Amounts due to Directors as at September 30, 2020 was \$nil (September 30, 2019: \$393). The Director's fees are paid on a quarterly basis, and historically have also included additional fees per meeting. In Q2 2020 the Director fee structure was revised going forward with cost improvements based on a flat-fee structure, without any further incremental meeting fees. Any unpaid amounts due to Directors are unsecured and are non-interest bearing.

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

## Note 20 – Compensation of Key Management

The remuneration paid to named Officers of the Corporation were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Salaries and other benefits	\$ 155,617	\$ 155,246	\$ 466,588	\$ 466,261
Share-based compensation	49,156	77,996	163,546	152,672
	\$ 204,773	\$ 233,242	\$ 630,134	\$ 618,933

Amounts due to named Officers of the Corporation at September 30, 2020 was \$nil (September 30, 2019: \$159). These amounts are for expenses paid on behalf of the Corporation.

## Note 21 – 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
Income taxes payable	Amortized cost
Lease obligations and bank loans	Amortized cost
Deferred share unit liability (included in Accounts payable and accrued liabilities)	Fair value through profit and loss

## Note 21 – Financial Instruments – continued

### Fair Value

Due to the short-term nature of cash, trade and other receivables, as well as accounts payable and accrued liabilities and income taxes payable, 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 lease obligations and bank loans are measured at amortized cost because the reduction in the liability using the schedule of principal payments approximates their fair 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 nine months ended September 30, 2020 (year ended December 31, 2019: none).

### Share purchase options

The Corporation holds share purchase options for the investments in associates as described in Note 14. Both share purchase options were valued at \$nil as at September 30, 2020 and December 31, 2019. Management notified the Corporation's shareholders of the decision to not exercise either of the share purchase options in January 2020. The Duvernay project share purchase options expired unexercised on January 25, 2020. 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, which has not yet occurred.

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

	Notes	September 30, 2020			As at December 31, 2019		
		Montney in-basin silica sand project	Duvernay Sand Project	Total	Montney in-basin silica sand project	Duvernay Sand Project	Total
Opening balance		\$ -	\$ -	\$ -	\$ 124,151	\$ -	\$ 124,151
Share purchase option additions	14	-	-	-	-	59,641	59,641
Change in fair value of share purchase options		-	-	-	(124,151)	(59,641)	(183,792)
<b>Ending balance</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The total amount of the unrealized loss included in the consolidated statements of (loss) income and comprehensive (loss) income for both the three and nine months ended September 30, 2020 is \$nil (year ended December 31, 2019: \$183,792).

## Note 21 – Financial Instruments - continued

### Credit Risk

Financial instruments that potentially subject the Corporation to credit risk consist primarily of cash, restricted cash, trade and other receivables, and long-term deposits. The Corporation's maximum credit risk at September 30, 2020 is the carrying value of these financial assets.

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

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

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

	Current	60-90 days	> 90 days	Total
<b>As at September 30, 2020</b>	\$ 245,727	\$ -	\$ 161	\$ 245,888
<b>As at December 31, 2019</b>	\$ 401,764	\$ 599,259	\$ 10,880	\$ 1,011,903
As at December 31, 2018	\$ 1,048,713	\$ 311,911	\$ 171,239	\$ 1,531,863

As at September 30, 2020, the only entity that owed greater than 10% of the total trade and other receivables balance was the Canada Revenue Agency, which accounted for 66% of the Corporation's balance as at September 30, 2020 (December 31, 2019: two customers accounted for 91%).

### Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through budgeting and forecasting cash flows to ensure it has enough cash to meet its short-term requirements for operations, start-up costs for its wholly-owned subsidiaries AMI RockChain Inc. and AMI Silica Inc. and the newly acquired TerraShift Engineering Ltd., in addition to other contractual obligations. The COVID-19 pandemic has had an impact on the Corporation's overall business and operations; see Note 25 for discussion.

As at September 30, 2020, the Corporation has enough working capital to fund on-going operations and meet its liabilities when they come due. Accordingly, the Corporation is not exposed to significant liquidity risk. The Corporation's financial liabilities include accounts payable and accrued liabilities, income taxes payable, and the bank loans and lease obligations, including interest.

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

	As at September 30, 2020			
	0 - 1 year	2 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	\$ 587,206	\$ -	\$ -	\$ 587,206
Income taxes payable	31,344	-	-	31,344
Bank loans, including interest	588,262	1,051,215	-	1,639,477
Lease obligations, including interest	172,674	115,698	2,613	290,985
<b>Total</b>	<b>\$ 1,379,486</b>	<b>\$ 1,166,913</b>	<b>\$ 2,613</b>	<b>\$ 2,549,012</b>

## Note 22 – Capital Disclosures

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

	Notes	As at	
		September 30, 2020	December 31, 2019
Total equity attributable to shareholders		\$ 12,568,568	\$ 14,271,814
Total borrowings			
Bank loans	15	1,535,306	-
Lease obligations	16	281,057	179,890
Cash		(1,176,001)	(1,995,280)
<b>Total managed capital</b>		<b>\$ 13,208,930</b>	<b>\$ 12,456,424</b>

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

During the nine months ended September 30, 2020, the Corporation agreed to a loan agreement with CWB for \$1,500,000 to manage costs related to the development of the Coffey Lake public pit (See Note 15).

## Note 23 – Supplemental Disclosures for the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income

A large portion of the Corporation's aggregate sales and aggregate management services revenue typically come from a small group of major customers. Any customer who represents more than 10% of the Corporation's revenue for the respective period is considered a major customer. During the nine months ended September 30, 2020, 84% of aggregate sales were sold to three major customers (year ended December 31, 2019: 90% to four customers).

Finance costs are comprised of the following:

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Interest on lease obligations	16	\$ (2,598)	\$ (251)	\$ (8,185)	\$ (872)

Total lease payments, including principal and interest, for the three and nine months ended September 30, 2020 was \$36,623 and \$111,788 respectively (September 30, 2019: \$4,542 and \$41,442 respectively). See Note 16 for additional information.

The interest paid on the CWB bank loan in the nine months ended September 30, 2020 of \$53,961 (September 30, 2019: \$nil) has been capitalized as part of the Coffey Lake contract asset. See Note 15 for additional information.

## Note 23 – Supplemental Disclosures for the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income - continued

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

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Amortization of contract assets	9	\$ (96)	\$ -	\$ (4,947)	\$ -
Impairment of property and equipment	10	-	-	-	(36,294)
Amortization of ERO assets	13	(3,319)	(3,150)	(10,970)	(9,483)
Amortization of resource property lease costs	13	(2,780)	(2,780)	(8,339)	(8,339)
Write down of resource property exploration costs	13	(105,826)	-	(105,826)	-
Change in estimate for ERO recognized in other operating expenses	17	-	2,174,334	-	2,077,368
Change in discount rate recognized in other operating expenses	17	2,429	543	(68,986)	(10,735)
Accretion of ERO liability	17	(10,863)	(9,444)	(32,590)	(26,139)
		\$ (120,455)	\$ 2,159,503	\$ (231,658)	\$ 1,986,378

In the three months ended September 30, 2019, as a result of the approval of the Susan Lake closure plan and the settlement agreement with Syncrude Canada Ltd., the Corporation recorded a gain on ERO of \$2,174,334, which included a change in estimate on the outstanding reclamation obligations at Susan Lake of \$1,572,096 and a gain of \$602,238 on the Susan Lake reclamation fund deposit liabilities being held for future reclamation work.

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

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Camp rental income		45,555	36,300	180,831	174,714
Gain on acquisition of TerraShift	4	-	-	126,148	-
Other rental income		2,286	135	2,286	9,275
Change in fair value of share purchase options	21	-	(50,968)	-	(139,864)
Share purchase option exercised		-	-	-	(79,035)
Gain on disposal of property and equipment		8,000	(3,150)	8,000	3,550
Foreign exchange loss		-	(358)	-	(708)
		\$ 55,841	\$ (18,041)	\$ 317,265	\$ (32,068)

During the second quarter of 2020, the Corporation recorded a gain on the acquisition of TerraShift of \$126,148 as described in Note 4.

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

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Employee benefit expenses		\$ 283,272	\$ 544,922	\$ 1,309,355	\$ 1,766,951

Employee benefit expenses include salaries, wages, bonuses, group benefit premiums, and Canada Pension Plan, Employment Insurance and Workers' Compensation Board contributions. Employee benefit expenses are included in both operating costs and general and administrative expenses in the consolidated statements of (loss) income and comprehensive (loss) income. Not included in the amount above is severance for the three and nine months ended September 30, 2020 of \$nil and \$6,780 respectively (September 30, 2019: \$nil and \$8,608 respectively).

## Note 24 – Segmented Reporting

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

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

The summary of key financial information by reportable segment for the three and nine months ended September 30, 2020 (along with comparative information for results by segment for the three and nine months ended September 30, 2019) as well as the balance sheet information as at September 30, 2020 (along with comparative information for segment assets and liabilities information as at December 31, 2019) is as follows:

	AMI Aggregates		AMI RockChain		AMI Silica		Corporate		Consolidation / elimination entries		Consolidated	
For the three months ended September 30,	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue:												
Aggregate sales revenue	\$ -	\$ 34,101	\$ 326,194	\$ 44,045	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 326,194	\$ 78,146
Management services revenue	-	-	138,569	-	-	-	-	-	(39,032)	-	99,537	-
Total (loss) income and comprehensive (loss) income	(491,339)	1,623,045	13,616	(124,532)	(28,849)	(393,819)	(547,815)	(356,028)	(51,967)	-	(1,106,354)	748,666
Depreciation, depletion, and amortization expense	(45,234)	(70,036)	(2,109)	(901)	-	-	(47,337)	(21,535)	(51,967)	-	(146,647)	(92,472)
Finance costs	(2,598)	(251)	-	-	-	-	-	-	-	-	(2,598)	(251)
Interest income	-	-	-	-	-	-	5,970	18,738	-	-	5,970	18,738
Income tax recovery (expense)	-	-	-	-	-	-	-	-	-	-	-	-
For the nine months ended September 30,	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue:												
Aggregate sales revenue	\$ -	\$ 1,014,506	\$ 874,283	\$ 44,045	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 874,283	\$ 1,058,551
Management services revenue	457,213	433,635	138,569	-	-	-	-	-	(39,032)	-	556,750	433,635
Total (loss) income and comprehensive (loss) income	(582,258)	1,042,909	(225,413)	(248,682)	(128,469)	(728,344)	(1,734,033)	(1,684,823)	74,181	-	(2,595,992)	(1,618,940)
Depreciation, depletion, and amortization expense	(166,309)	(200,376)	(4,275)	(2,401)	-	-	(127,791)	(35,641)	(51,967)	-	(350,342)	(238,418)
Finance costs	(8,185)	(872)	-	-	-	-	-	-	-	-	(8,185)	(872)
Interest income	-	-	-	-	-	-	16,387	73,848	-	-	16,387	73,848
Income tax recovery (expense)	-	-	-	-	-	-	-	(1,825)	-	-	-	(1,825)
As at	Sept. 30, 2020	Dec. 31, 2019	Sept. 30, 2020	Dec. 31, 2019	Sept. 30, 2020	Dec. 31, 2019	Sept. 30, 2020	Dec. 31, 2019	Sept. 30, 2020	Dec. 31, 2019	Sept. 30, 2020	Dec. 31, 2019
Segment assets	\$14,807,559	\$12,448,558	\$ 346,671	\$ 689,520	\$ 5,874,361	\$ 4,911,880	\$ 1,424,215	\$ 2,365,482	\$ (4,355,049)	\$ (2,142,980)	\$18,097,757	\$18,272,460
Segment liabilities	4,829,307	3,720,962	1,553,668	470,849	3,041,128	1,516,780	451,602	435,035	(4,346,516)	(2,142,980)	5,529,189	4,000,646

Consolidation entries include elimination of the net assets acquired in the TerraShift acquisition, and the gain recorded in the acquisition. See Note 4 for details on the TerraShift acquisition. During the third quarter of 2020, additional consolidation entries were booked for amortization on the TerraShift intangible assets and the elimination of intercompany revenue from the AMI RockChain segment.



## Note 25 – COVID-19

The Corporation faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect its business and financial conditions. In December 2019, a novel strain of the coronavirus (“COVID-19”) emerged in China and the virus has now spread across the world. The Corporation’s business is being adversely impacted by the effects of COVID-19, as both aggregate sales revenue and management services revenue have been significantly lower than expected in 2020.

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

The Corporation has utilized many of the financial programs offered by the Canadian government to assist entities impacted by COVID-19, including the Canadian Emergency Wage Subsidy and the Canadian Emergency Business Account loan program. Furthermore, the Corporation has implemented various cost cutting initiatives to manage cash flow, including payroll reductions and extending the interest only payments on the existing bank loan with CWB. The Corporation continues to stay informed of the progress of the pandemic and is taking action wherever and whenever possible to mitigate the impact of the pandemic on the staff and operations of the Corporation. The Corporation is continuing to monitor the actual and potential financial impact of COVID-19, such as changes to discount rates and indicators of impairment of non-financial assets, and is updating any accounting estimates that are impacted by the effects of COVID-19.

The Corporation’s other financial risks and capital risk management strategies are described in the Corporation’s annual consolidated financial statements for the year ended December 31, 2019. These interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and other annual reporting documents prepared by the Corporation for the year ended December 31, 2019.

## Note 26 – Subsequent Events

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

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

This event has the anticipated effect in Q4-2020 of increasing cash and share capital, and decreasing basic and diluted losses per common share for the year ended December 31, 2020.