



THREE and SIX MONTHS ENDED JUNE 30, **2022**

**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	
		June 30, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 1,210,688	\$ 2,517,433
Trade and other receivables	5, 18	3,640,323	1,291,644
Income taxes recoverable - Canada		56,873	74,337
Inventory	4, 6	3,346,122	846,599
Prepaid expenses and deposits		275,776	52,991
<b>Current Assets</b>		<b>8,529,782</b>	<b>4,783,004</b>
Long-term deposits	7	769,078	769,078
Restricted cash	8	120,000	120,000
Contract costs	9	1,404,898	2,420,470
Property, plant and equipment	4, 10	40,358,644	593,911
Right-of-use assets		58,226	87,440
Intangible assets		29,258	36,201
Resource properties	11	9,754,312	12,126,762
<b>Total Assets</b>		<b>\$ 61,024,198</b>	<b>\$ 20,936,866</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	19	\$ 5,145,327	\$ 1,765,131
Income taxes payable - USA		64,408	64,408
Shareholders' loans	16	1,955,266	-
Current portion of bank and government loans	12	778,053	755,051
Current portion of lease obligations	13	47,436	73,618
Current portion of environmental rehabilitation obligations	14	133,295	133,295
<b>Current Liabilities</b>		<b>8,123,785</b>	<b>2,791,503</b>
Bank and government loans	12	-	300,000
Bonds - railcar sublease	4, 12	3,221,500	-
Lease obligations	13	4,128	4,899
Deposit liabilities		49,376	26,770
Deferred tax liability	4	9,744,178	-
Environmental rehabilitation obligations	14	6,788,966	2,662,417
<b>Total Liabilities</b>		<b>27,931,933</b>	<b>5,785,589</b>
<b>Shareholders' Equity</b>			
Share capital	15	23,335,802	22,971,793
Contributed surplus		5,385,759	5,324,170
Retained earnings (deficit)		4,051,936	(13,144,686)
Accumulated other comprehensive income		318,768	-
<b>Total Shareholders' Equity</b>		<b>33,092,265</b>	<b>15,151,277</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 61,024,198</b>	<b>\$ 20,936,866</b>

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

Approved by the Board of Directors

" Don Paulencu "

Director

"Terrance Kutryk"

Director

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

	Notes	Three months ended June 30, 2022		Six months ended June 30, 2022	
		2022	2021	2022	2021
Product sales revenue	21	5,967,509	\$ 2,354,880	11,873,269	\$ 2,782,202
Services revenue	21	\$ 1,489,189	\$ 927,056	2,628,036	\$ 1,724,986
<b>Gross revenue, including royalties</b>		<b>7,456,698</b>	<b>3,281,936</b>	<b>14,501,305</b>	<b>4,507,188</b>
Less: provincial royalties		(122,229)	(40,703)	(182,390)	(169,298)
<b>Revenue, net of royalties</b>		<b>7,334,469</b>	<b>3,241,233</b>	<b>14,318,915</b>	<b>4,337,890</b>
Operating costs		(6,723,390)	(2,649,849)	(12,470,207)	(3,455,143)
Depreciation, depletion, and amortization expense		(1,012,177)	(124,270)	(1,067,181)	(214,954)
Cost of sales		(7,735,567)	(2,774,119)	(13,537,388)	(3,670,097)
<b>Gross profit (loss)</b>		<b>(401,098)</b>	<b>467,114</b>	<b>781,527</b>	<b>667,793</b>
General and administrative expenses		(1,109,706)	(883,938)	(1,974,359)	(1,726,113)
Severance expense	17	(638,985)	-	(638,985)	-
Share-based compensation	15	(5,929)	(65,660)	(71,444)	(133,182)
Write-down of contract costs and resource properties	9,11	(3,322,735)	-	(3,322,735)	-
Other operating expenses	20	(11,088)	(109,314)	(34,821)	(89,842)
<b>Operating loss</b>		<b>(5,489,541)</b>	<b>(591,798)</b>	<b>(5,260,817)</b>	<b>(1,281,344)</b>
Finance costs	20	(55,479)	(16,321)	(65,025)	(36,562)
Gain on acquisition of Wisconsin assets	4	100,970	-	22,445,116	-
Other non-operating income	20	59,969	28,013	75,826	129,707
Interest income		855	385	1,522	6,672
<b>Income (loss) before income taxes</b>		<b>(5,383,226)</b>	<b>(579,721)</b>	<b>17,196,622</b>	<b>(1,181,527)</b>
Deferred tax expense		-	(5)	-	(111)
<b>Net income (loss)</b>		<b>(5,383,226)</b>	<b>(579,726)</b>	<b>17,196,622</b>	<b>(1,181,638)</b>
Other comprehensive income	20	612,594	-	318,768	-
<b>Total comprehensive income (loss)</b>		<b>\$ (4,770,632)</b>	<b>\$ (579,726)</b>	<b>\$ 17,515,390</b>	<b>\$ (1,181,638)</b>
Comprehensive income (loss) per common share - basic	15	\$ (0.061)	\$ (0.009)	\$ 0.226	\$ (0.018)
Comprehensive income (loss) per common share - diluted	15	\$ (0.061)	\$ (0.009)	\$ 0.223	\$ (0.018)
Weighted average number of shares outstanding	15	77,695,603	67,964,924	77,410,491	65,681,034

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

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

	Notes	Number of Shares	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total Shareholders' Equity
<b>Balance as at December 31, 2020</b>		<b>59,110,153</b>	<b>\$ 18,955,877</b>	<b>\$ 5,186,552</b>	<b>\$ (10,957,595)</b>	<b>\$ 13,184,834</b>
Shares issued	15	9,143,800	\$ 2,275,001	\$ -	\$ -	\$ 2,275,001
Share-based compensation	15	-	-	85,988	-	85,988
Stock options exercised	15	147,000	52,476	(19,896)	-	32,580
Share issuance costs, net of tax of \$nil	15	-	(11,145)	-	-	(11,145)
Total loss and comprehensive loss for the period		-	-	-	(1,181,638)	(1,181,638)
<b>Balance as at June 30, 2021</b>		<b>68,400,953</b>	<b>\$ 21,272,209</b>	<b>\$ 5,252,644</b>	<b>\$ (12,139,233)</b>	<b>\$ 14,385,620</b>
<b>Balance as at December 31, 2021</b>		<b>76,964,088</b>	<b>\$ 22,971,793</b>	<b>\$ 5,324,170</b>	<b>\$ (13,144,686)</b>	<b>\$ 15,151,277</b>
Shares issued	15	100,000	\$ 32,990	\$ -	\$ -	\$ 32,990
Share-based compensation	15	-	-	190,171	-	190,171
Stock options exercised	15	1,005,300	331,019	(128,582)	-	202,437
Total income and comprehensive income for the period		-	-	-	17,515,390	17,515,390
<b>Balance as at June 30, 2022</b>		<b>78,069,388</b>	<b>\$ 23,335,802</b>	<b>\$ 5,385,759</b>	<b>\$ 4,370,704</b>	<b>\$ 33,092,265</b>

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

## Interim Consolidated Statements of Cash Flows (Unaudited)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021
<b>OPERATING ACTIVITIES</b>					
Net income (loss)		(5,383,226)	\$ (579,726)	17,196,622	\$ (1,181,638)
<b>Adjustments for non-cash items</b>					
Depreciation, depletion, and amortization expense		1,012,177	124,270	1,067,181	214,954
Amortization of resource property lease costs	20	1,430	2,779	4,210	5,559
Amortization of environmental rehabilitation obligations asset	11, 20	3,439	2,487	12,059	5,032
Amortization of contract costs	9, 20	6,748	2,102	14,837	9,936
Change in estimate for environmental rehabilitation obligations	11	-	(9,296)	-	(23,978)
Change in discount rate for environmental rehabilitation obligations	11	(22,805)	110,160	(35,693)	78,006
Accretion of environmental rehabilitation obligations	20	22,275	1,082	39,407	15,287
Writedown of contract and resource properties	9, 11, 20	3,322,735	-	3,322,735	-
Gain on acquisition of Wisconsin Assets	4	(100,970)	-	(22,445,116)	-
Share-based compensation	15	5,929	65,660	71,444	133,182
Shares issued in payment of royalties	15	-	-	-	200,001
<b>Changes in non-cash working capital balances</b>					
Trade and other receivables		2,025,412	(2,575,889)	(2,348,679)	(2,130,967)
Amounts due from related entities		-	-	-	88,876
Prepaid expenses and deposits		(127,102)	88,926	(222,785)	(142,384)
Inventory	4, 6	(120,515)	-	(2,499,523)	-
Accounts payable and accrued liabilities		(1,885,871)	2,066,095	3,521,530	1,739,876
Income taxes payable (recoverable)		-	-	17,464	(14,436)
<b>Net cash used in operating activities</b>		<b>(1,240,344)</b>	<b>(701,350)</b>	<b>(2,284,307)</b>	<b>(1,002,694)</b>
<b>INVESTING ACTIVITIES</b>					
Restricted cash	8	-	-	-	(3,370)
Purchase of property and equipment	4	-	-	(1,234,700)	-
Spending on resource properties	11	(58,366)	(114,824)	(58,366)	(184,883)
Cash acquired in acquisition of associates		-	-	-	120,155
Cash consideration paid for interest in associates		-	-	-	(1)
<b>Net cash from investing activities</b>		<b>(58,366)</b>	<b>(114,824)</b>	<b>(1,293,066)</b>	<b>(68,099)</b>
<b>FINANCING ACTIVITIES</b>					
Proceeds from issuance of common share units	15	-	75,000	32,990	75,000
Common share issuance costs		-	(11,145)	-	(11,145)
Increase in bank loans	12	-	-	-	40,000
Increase in shareholders' loans		1,955,266	-	1,955,266	-
Repayment of bank loans	12	(139,376)	(132,088)	(276,998)	(262,596)
Repayment of lease obligations	13	(17,238)	(33,772)	(26,953)	(82,822)
Net proceeds from exercise of stock options	15	183,371	32,580	202,437	32,580
<b>Net cash from (used in) financing activities</b>		<b>1,982,023</b>	<b>(69,425)</b>	<b>1,886,742</b>	<b>(208,983)</b>
Impact of foreign currency translation		(1,147)	-	383,886	-
<b>Net change in cash</b>		<b>683,313</b>	<b>(885,599)</b>	<b>(1,690,631)</b>	<b>(1,279,776)</b>
Cash, beginning of period		528,522	1,560,194	2,517,433	1,954,371
<b>Cash, end of period</b>		<b>1,210,688</b>	<b>\$ 674,595</b>	<b>1,210,688</b>	<b>\$ 674,595</b>

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

## Note 1 - Nature of Business

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

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

- **AMI Silica** division ([amisilica.com](http://amisilica.com)) has resource holdings and business interests in Alberta, North-East BC, and the United States.
- **AMI Aggregates** division produces and sells aggregates from its corporate pits and manages the Coffey Lake Public Pit on behalf of the Government of Alberta.
- **Métis North Sand & Gravel** ([www.metisnorthrocks.com](http://www.metisnorthrocks.com)) is a strategic partnership with the McKay Métis Group to deliver aggregates to the energy, infrastructure, and construction sectors in the Wood Buffalo region.
- **AMI RockChain** division ([amirockchain.com](http://amirockchain.com)) is a midstream, technology-enabled business using its proprietary RockChain™ digital platform, automated supply-chain and logistics solutions, quality-assurance & safety programs to deliver products across Canada.
- **TerraShift Engineering** ([terrashift.ca](http://terrashift.ca)) conducts resource exploration, regulatory, mining, environmental and reclamation engineering for a growing nation-wide customer base and is also the developer of the proprietary TerraMaps™ software.

The unaudited interim condensed consolidated financial statements for the three months ended June 30, 2022 were approved and authorized for issue by the Board of Directors on August 25, 2022.

## Note 2 - Basis of Presentation

### a) Statement of Compliance

The unaudited interim condensed consolidated financial statements for the three months ended June 30, 2022, 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 consolidated financial statements for the year ended December 31, 2021 and should be read in conjunction with those consolidated financial statements. Actual results may differ from estimated results due to differences between estimated or anticipated events and actual events and results.

### b) Basis of Presentation

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

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, 2021.

## Note 2 - Basis of Presentation - continued

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, and on February 5, 2021, the Corporation acquired control of the numbered Alberta corporations that respectively own the Montney In-Basin Project and the Duvernay Project by securing 100% ownership of each company. The Corporation and JMAC Energy Services LLC owns AMI Silica LLC. on a 50/50 basis. AMI Silica LLC. was formed under the laws of North Dakota effective June 2, 2021.

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

### c) Functional and Presentation Currency

These 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, 2021 consolidated financial statements.

### *New accounting standards issued effective January 1, 2022*

The IASB issued an amendment to IAS 16, Property, Plant and Equipment, to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment requires companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The Company adopted the amendment effective January 1, 2022, which did not have any impact on the condensed interim consolidated financial statements.

## Note 4 – Business Combination

On December 1, 2021, the Corporation announced that it would acquire the assets, through its 50%/50% joint operation with a privately owned company based in Washington, United States. The Corporation closed the Definitive Agreement on March 3, 2022, in an arms-length transaction for a total price of \$1,000,000 USD. The strategic assets are comprised of real estate, an operating sand mine and processing plant, fixed storage, and two rail transloads. Control of the assets took place on February 1, 2022, as per the Amendment to the Operation Service Agreement signed by both parties on November 30, 2021.

In accordance with IFRS 3 Business Combinations (“IFRS 3”), Business Combinations, these transactions meet the definition of a business combination and, accordingly, the assets acquired, and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date. The Corporation was able to acquire the strategic assets at a bargain purchase, as the seller had made a strategic decision to exit the industry.

The substance of this transaction constituted a business combination. Management gathered the relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired. As such, the initial purchase price was allocated based on the Company’s estimated fair value of the identifiable assets acquired on the acquisition date and has not been audited. The Plant Phase 1 and Phase 2 values are derived from the net book value of the seller. The values assigned are, therefore, preliminary, and subject to change. The final fair valuation of the assets and liabilities assumed, and the preliminary purchase price allocation will be finalized by the end of the fiscal year 2022.

The preliminary purchase price allocation to the following identifiable assets and liabilities is based on their estimated fair values as at February 1, 2022:



	CAD (100%)	CAD 50% AMI ownership
Purchase price	\$ 2,957,721	\$ 1,478,861
<b>Inventory - Operating Agreement Amendment</b>	<b>1,445,341</b>	<b>722,671</b>
Land - Plant site	5,091,581	2,545,791
Land - Transload	445,340	222,670
Plant Phase 2	33,583,303	16,791,652
Plant Phase 1	27,660,433	13,830,216
Transload	7,403,466	3,701,733
Mobile assets	7,407,388	3,703,694
Property, plant and equipment	81,591,511	40,795,756
Reclamation and other liabilities	(8,430,767)	(4,215,384)
Railcar sublease bond	(6,443,000)	(3,221,500)
Mitchell royalty	(101,705)	(50,853)
Legal fees	(57,838)	(28,919)
Property taxes payable	(64,238)	(32,119)
Deferred taxes liability	(19,488,355)	(9,744,178)
Gain on acquisition of Wisconsin Assets	(45,493,231)	(22,746,616)
	<b>\$ 2,957,718</b>	<b>\$ 1,478,858</b>

## 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 provides for potential losses using a matrix based on historical observed default rates. These provisions are known as lifetime expected credit losses.

During the three and six months ended June 30, 2022 respectively, the estimated credit loss amounted to \$nil (three and six months ended June, 2021: \$262 and \$262 respectively).

## Note 6 – Inventory

Inventory with a production cost of \$649,693 and 2,689,575 was sold and is included in operating costs for the three and six months ended June 30, 2022 (three and six months ended June 30, 2021: \$2,172,597 and \$2,552,228 respectively).

The inventory balance of \$3,346,122 (December 31, 2021: \$846,599) consists of \$264,180 of unprocessed gravel, \$886,068 of crushed gravel and \$2,195,874 of sand (December 31, 2021: \$264,180 of unprocessed gravel and \$582,419 of crushed gravel).

## Note 7 – Long-term Deposits

	As at	
	June 30, 2022	December 31, 2021
Security deposits on gravel leases	\$ 629,188	\$ 629,188
Security deposits on miscellaneous leases	106,520	106,520
Security deposits on exploration leases	33,370	33,370
	<b>\$ 769,078</b>	<b>\$ 769,078</b>

## Note 8 – Restricted Cash

	As at	
	June 30, 2022	December 31, 2021
<b>Guaranteed investment certificates for letters of credit</b>		
Coffey Lake performance bond - right of way	100,000	100,000
Credit card facility	20,000	20,000
	<b>\$ 120,000</b>	<b>\$ 120,000</b>

The Corporation has secured its letters of credit to the benefit of Imperial Oil and the Government of Alberta with Account Performance Service Guarantees (APSG) and guaranteed investment certificates as of June 30, 2022, in the amount of \$959,695 and \$100,000 (December 31, 2021: \$959,695 and \$100,000). In July 2021 the Corporation entered into an APSG arrangement with Export Development Canada for a maximum aggregate liability of \$1,000,000. The

APSG allowed the Corporation to free up \$959,965 that was previously held as restricted cash. See note 12 for outstanding letters of credit and note 14 for the reclamation liability for the Coffey Lake public pit as of June 30, 2022.

## Note 9 – Contract Costs

	As at	
	June 30, 2022	December 31, 2021
	<b>Costs to obtain contract</b>	Costs to obtain contract
Coffey Lake public pit	\$ 1,404,898	\$ 1,419,735
Prosvita Sand Project off-take agreement	-	1,000,735
	<b>\$ 1,404,898</b>	<b>\$ 2,420,470</b>

### Coffey Lake

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

The Coffey Lake contract costs will be amortized based on actual volume sales as a proportion of the estimated economically recoverable resource (units of production method). For the three months and six months ended June 30, 2022, the Corporation recorded amortization of \$6,748 and \$14,837 on the Coffey Lake contract costs (June 30, 2021: \$2,102 and \$9,936).

### Prosvita 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. Due to lengthy regulatory approvals and increasing cost estimates for production facilities, it is unlikely silica sand will be produced from the Duvernay site before mid-2026, meaning the Corporation will not be able to meet the terms of this contract. Therefore, the contract costs of \$1,000,735 were written off at June 30, 2022.

## Note 10 – Property, Plant and Equipment

	Equipment - Cdn Operations	Land - US Operations	Plant - US Operations	Transload - US Operations	Mobile Assets - US Operations	Total
<b>Cost:</b>						
December 31, 2021	\$ 5,501,882	\$ -	\$ -	\$ -	\$ -	\$ 5,501,882
Additions	-	2,768,461	30,621,868	3,701,733	3,703,694	40,795,756
June 30, 2022	<b>\$ 5,501,882</b>	<b>\$ 2,768,461</b>	<b>\$ 30,621,868</b>	<b>\$ 3,701,733</b>	<b>\$ 3,703,694</b>	<b>\$ 46,297,638</b>
<b>Accumulated Depreciation:</b>						
December 31, 2021	\$ 4,907,971	\$ -	\$ -	\$ -	\$ -	\$ 4,907,971
Additions	62,494	-	680,486	41,130	246,913	1,031,023
June 30, 2022	<b>\$ 4,970,465</b>	<b>\$ -</b>	<b>\$ 680,486</b>	<b>\$ 41,130</b>	<b>\$ 246,913</b>	<b>\$ 5,938,994</b>
<b>Net book value:</b>						
December 31, 2021	\$ 593,911	\$ -	\$ -	\$ -	\$ -	\$ 593,911
June 30, 2022	<b>\$ 531,417</b>	<b>\$ 2,768,461</b>	<b>\$ 29,941,382</b>	<b>\$ 3,660,603</b>	<b>\$ 3,456,781</b>	<b>\$ 40,358,644</b>

## Note 11 – Resource Properties

	June 30, 2022	December 31, 2021
Exploration costs	\$ 6,188,037	\$ 7,267,345
Pit development costs	2,012,448	3,100,249
Environmental rehabilitation obligation assets	1,395,765	1,500,372
Other costs	158,062	258,796
	<b>\$ 9,754,312</b>	<b>\$ 12,126,762</b>

### Exploration and Pit Development Costs

The exploration and pit development costs were incurred across the Corporation's various operations and development projects which are primarily located in the Fort McMurray area of Northern Alberta. During the period for the three months ended June 30, 2022, management reviewed and evaluated the Corporation's resource properties for impairment. It was determined that certain properties were impaired and a write-down totalling \$2,225,475 was made. The factors considered for impairment were whether substantive expenditure on further exploration is no longer planned or did sufficient data exist 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 the next several years.

The following table summarizes the Exploration costs:

	Richardson	Hargwen	Montney in-basin	Prosvita	All Other Projects	Total
Cumulative Exploration Cost at December 31, 2020	\$ 1,130,421	\$ 111,890	\$ -	\$ -	\$ 39,761	\$ 1,282,072
Spending	-	70,059	-	504,540	-	574,599
Acquisition of exploration costs	-	-	1,120,202	4,290,472	-	5,410,674
<b>Cumulative Exploration Costs at December 31, 2021</b>	<b>\$ 1,130,421</b>	<b>\$ 181,949</b>	<b>\$ 1,120,202</b>	<b>\$ 4,795,012</b>	<b>\$ 39,761</b>	<b>\$ 7,267,345</b>
Spending	-	-	58,366	-	-	58,366
Write-down	(1,130,421)	-	-	-	(7,253)	(1,137,674)
<b>Cumulative Exploration Costs at June 30, 2022</b>	<b>\$ -</b>	<b>\$ 181,949</b>	<b>\$ 1,178,568</b>	<b>\$ 4,795,012</b>	<b>\$ 32,508</b>	<b>\$ 6,188,037</b>

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, 2020	\$ 1,141,355	\$ 1,042,534	\$ 490,321	\$ 175,266	\$ 250,238	\$ 491	\$ 44	\$ 3,100,249
<b>Cumulative Pit Development Costs at December 31, 2021</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>
Abandoned projects and write-down	-	(542,000)	(370,000)	(175,266)	-	(491)	(44)	(1,087,801)
<b>Cumulative Pit Development Costs at June 30, 2022</b>	<b>\$ 1,141,355</b>	<b>\$ 500,534</b>	<b>\$ 120,321</b>	<b>\$ -</b>	<b>\$ 250,238</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,012,448</b>

### Environmental Rehabilitation Obligations (ERO) Asset

The following summarizes the Environmental Rehabilitation Obligations Asset:

	Notes	As at June 30, 2022	December 31, 2021
Opening Balance, ERO asset		\$ 1,500,372	\$ 1,598,535
Change in estimate recognized in ERO asset		-	6,004
Amortization of ERO asset	19	(12,059)	(120,645)
Change in discount rate affecting ERO asset		(92,548)	16,478
<b>Closing Balance, ERO Asset</b>		<b>\$ 1,395,765</b>	<b>\$ 1,500,372</b>

The ERO asset pertains to resource properties where the Corporation has the legal and constructive obligation to complete decommissioning, reclamation, and restoration costs on the property as discussed in Note 14.

## Other Costs

As at June 30, 2022, other costs within resource properties include \$158,062 for miscellaneous lease costs and deposits on land (December 31, 2021: \$258,796). During the three months ended June 30, 2022, lease costs of \$96,526 were written-off as management determined further development was unlikely. Amortization of the lease costs in the three and six months ended June 30, 2022 was \$2,779 and \$5,559 respectively (June 30, 2021: \$2,779 and \$5,559 respectively).

## Note 11 – Resource Properties – continued

### Prosvita Sand Project (Privco2)

On February 5, 2021, the Corporation acquired the remaining 50.4% ownership interest. Since the acquisition occurred, management was required to make a decision on how to account for the previously held equity interest. Two options included:

Remeasurement of previously held equity interest to fair value, with any gain/loss through the profit and loss

No remeasurement of previously held equity interest.

Management chose not to remeasure the previously held equity interest.

Payment to the shareholders for the acquisition of 100% interest was comprised of two types of share-based payments:

Initial payment: 4,000,000 common shares at a contract stated value/fair value of \$0.25 per common share. Fair value was determined based on the share price at the time that trading was halted once it became apparent that news of the acquisition reached the marketplace.

Contingent payments: 4,000,000 common shares were held in escrow at a contract stated value of \$0.25 per common share. Of the 4,000,000 common shares, the Corporation elected to release 2,000,000 shares from escrow on June 30, 2021, as per the scheduled contingent payments. The remaining 2,000,000 common shares held in escrow previously have been released on June 30, 2022 to the founding partners.

The acquisition of 100% interest is accounted for as an asset purchase since under the concentration of fair value test, a single asset constitutes at least 95% of the fair value of the gross assets.

### Montney In-Basin Project

On February 5, 2021, the Corporation acquired the remaining 50.8% ownership interest for \$1 of cash consideration which is the fair value determined by the independent parties to the transaction. Assets acquired include cash, trade, prepaid expenses, and the resource properties.

The acquisition of 100% interest is accounted for as an asset purchase since under the concentration of fair value test, a single asset constitutes at least 95% of the fair value of the gross assets

The following table summarizes the investments in associates:

	June 30, 2022			As at December 31, 2021		
	Montney in-basin project	Duvernay project	Total	Montney in-basin project	Duvernay project	Total
Investment in associate, beginning of year	\$ -	\$ -	\$ -	\$ 1,568,757	\$ 1,955,534	\$ 3,524,291
<b>Additions:</b>						
Cash consideration for acquisition of 100% interest	-	-	-	1	-	1
Share consideration for acquisition of 100% interest	-	-	-	-	2,000,000	2,000,000
	-	-	-	1,568,758	3,955,534	5,524,292
Assumption of accounts payable and accrued liabilities	-	-	-	-	413,273	413,273
Cash acquired	-	-	-	(41,820)	(78,335)	(120,155)
Trade and other receivables acquired	-	-	-	(381,536)	-	(381,536)
Prepaid expenses and deposits acquired	-	-	-	(25,200)	-	(25,200)
Resource properties acquired	-	-	-	(1,120,202)	(4,290,472)	(5,410,674)
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporation's ownership interest	100.0%	100.0%		100.0%	100.0%	
Corporation's share of associate's net loss for the year	-	-	-	-	-	-
Investments in associates, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## Note 12 – Bank and Government Loans

### CWB Bank Loan

As at June 30, 2022 the Corporation has an outstanding balance owing of \$478,053 and is not subject to any covenants as part of the current credit facility.

Interest paid has been expensed as finance costs (See Note 20). Blended loan payments started in August 2020 and the Corporation has paid down principal of \$139,376 and \$276,997 on the bank loan in the three months and six months ended June 30, 2022 respectively (year ended December 31, 2021 - \$531,873).

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 bank loan.

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

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

	Interest Rate	Monthly Payments	As at	
			June 30, 2022	December 31, 2021
Canada Emergency Business Account (AMI RockChain)	0.00%	\$ -	\$ 60,000	\$ 60,000
Canada Emergency Business Account (AMI Silica)	0.00%	\$ -	60,000	60,000
Canada Emergency Business Account (TerraShift)	0.00%	\$ -	60,000	60,000
Canada Emergency Business Account (2132561)	0.00%	\$ -	60,000	60,000
Canada Emergency Business Account (2140534)	0.00%	\$ -	60,000	60,000
CWB Bank Loan Facility, due April 30, 2023	5.40%	\$ 49,022	478,053	755,051
			778,053	1,055,051
Current portion - principal due within one year			(778,053)	(561,316)
Demand portion - principal callable within one year			-	(193,735)
			\$ -	\$ 300,000

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

January 1, 2022 to December 31, 2022	790,019
January 1, 2023 to December 31, 2023	-
January 1, 2024 to December 31, 2024	-
January 1, 2025 to December 31, 2025	-
January 1, 2026 to December 31, 2026	-
	790,019
Less: interest included in payments above	(11,966)
Principal outstanding, March 31, 2022	\$ 778,053

### Letter of Guarantee Facility

As at June 30, 2022, the Corporation has outstanding letters of credit in the amounts of \$854,430 (2021: \$854,430) 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 (2021: \$100,000). These letters of credit are secured by Account Performance Service Guarantees and guaranteed investment certificates.

## Note 12 – Bank Loans and Credit Facility – continued

### Coffey Lake Performance Bond

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

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

	As at	
	June 30, 2022	December 31, 2021
Susan Lake pit	\$ 228,540	\$ 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	74,130
Coffey Lake performance bond	100,000	100,000
	<u>\$ 954,430</u>	<u>\$ 954,430</u>

### Credit Card Facility

The Corporation has access to a corporate credit card facility, up to a maximum of \$20,000 (June 30, 2021: \$20,000). The Corporation has secured its corporate credit card facility with a guaranteed investment certificate of \$20,000 (See Note 8).

### Account Performance Service Guarantee

In July 2021 the Corporation entered into an Account Performance Service Guarantee (APSG) arrangement with Export Development Canada for a maximum aggregate liability of \$1,000,000. The fee rate under the APSG is 0.2225% for financial types of obligations and 0.1692% for non-financial types of obligations. The APSG allowed the Corporation to free up \$956,595 that was previously held as restricted cash, supporting the letters of credit held by the Government of Alberta and issued by CWB.

### Railcar Sublease Bond

As part of the Wisconsin assets acquisition closing on March 3, 2022, AMI Silica LLC arranged a US\$5,000,000 bonding facility through Trisura Guarantee Insurance Company (“Trisura”) to be held with Schlumberger (“Seller”). The \$5,000,000 bond with Trisura carries a 2.5% annual interest rate and is to secure the obligations of AMI Silica LLC in connection with the terms and conditions of the Railcar Sublease.

## Note 13 – Lease Obligations

	Interest Rate	Monthly / Quarterly * Instalments	As at	
			June 30, 2022	December 31, 2021
<b>Finance Leases</b>				
EDF Trading LLC Calgary office lease, due December 31, 2022	3.680%	Variable	45,144	70,603
Xerox Photocopier Lease, due May 19, 2024	3.680%	816 *	6,420	7,914
			\$ 51,564	78,517
Current portion - principal due within one year			(47,436)	(73,618)
			\$ 4,128	\$ 4,899

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

July 1, 2022 to June 30, 2023	\$ 48,024
July 1, 2023 to June 30, 2024	3,265
July 1, 2024 to June 30, 2025	980
July 1, 2025 to June 30, 2026	-
July 1, 2026 to June 30, 2027	-
	52,269
Less: interest included in payments above	(705)
<b>Lease obligations principal outstanding June 30, 2022</b>	<b>\$ 51,564</b>

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

	Total
<b>Lease obligations as at December 31, 2020</b>	<b>\$ 238,161</b>
Total principal repayments	(159,644)
<b>Lease obligations as at December 31, 2021</b>	<b>\$ 78,517</b>
Total principal repayments	(26,953)
<b>Lease obligations as at June 30, 2022</b>	<b>\$ 51,564</b>

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

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

		As at	
		June 30, 2022	December 31, 2021
Opening balance, ERO	\$	2,795,712	\$ 2,644,503
Assumption of Environmental Rehabilitation Obligations	4	4,215,383	-
Change in estimate recognized in ERO asset	10	-	6,004
Change in estimate recognized in other operating expenses	19	-	(599)
Change in discount rate recognized in ERO asset	10	(92,548)	16,478
Change in discount rate recognized in other operating expenses	19	(35,693)	54,815
Accretion expense	19	39,407	74,511
Closing Balance, ERO		6,922,261	2,795,712
Less: Current portion, EROs to be funded within one year		(133,295)	(133,295)
<b>Closing Balance, ERO</b>	<b>\$</b>	<b>6,788,966</b>	<b>\$ 2,662,417</b>

Provisions for EROs are recognized for mining activities at the Corporate owned pits and managed public pits. The Corporation assesses its provision for EROs on an annual basis or when new material information becomes available. The estimated undiscounted ERO as at June 30, 2022 is \$7,191,504 (June 30, 2021: \$2,927,238).

Total reclamation funded during the three months ended June 30, 2022 was \$nil (year ended December 31, 2021: \$nil).



## Note 14 – 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 2.31% to 2.82% as at June 30, 2022 (December 31, 2021: 0.49% to 1.97%) depending on the expected timing of reclamation activities. Discount rates and inflation rates both increased in 2022 as compared to 2021. It is expected that reclamation activities for the owned and managed pits and stockpile sites, as well as Susan Lake, will occur between 2022 and 2036 considering the projected production schedules, the timing of reclamation activities included in the respective Conservation and Reclamation Business Plans, as well as the timing of expiration of the related surface materials lease for each property.

Accretion expense is the expense calculated when updating the present value of the ERO provision. This expense increases the liability based on estimated timing of reclamation activities and the discount rate used in the ERO calculations. The accretion expense amounts are included in other operating expenses on the statement of loss and comprehensive loss and are summarized in the respective table in Note 20.

## Note 15 – Share Capital

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

Notes	Three months ended June 30, 2022		Year ended December 31, 2021	
	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>76,964,088</b>	<b>\$ 22,971,793</b>	59,110,153	\$ 18,955,877
Shares issued in acquisition of control of related entities	-	-	6,000,000	1,500,000
Shares issued in payment of royalties	-	-	600,003	150,001
Shares issued and held in escrow	-	-	2,200,001	550,000
Issuance of common share units in private placement	<b>100,000</b>	<b>32,990</b>	7,375,000	1,475,500
Shares issued to contractors/consultants/employees	-	-	1,421,931	268,812
Common share issuance costs	-	-	-	(11,145)
Stock options exercised	<b>1,005,300</b>	<b>331,019</b>	257,000	82,748
<b>Issued and outstanding, end of period</b>	<b>78,069,388</b>	<b>\$ 23,335,802</b>	76,964,088	\$ 22,971,793

On February 5, 2021, the Corporation announced the acquisition of control of the numbered Alberta corporations that respectively own the Montney In-Basin Project and the Prosvita Sand Project (Note 14) by securing 100% ownership of each company (i.e., Privco1 & Privco2). These transactions were combined and concluded for \$1 of cash consideration and 8,000,000 common shares at a contract stated value of \$0.25 per common share for a total purchase price of \$2,000,001.

Of the 8,000,000 common shares, 2,000,000 common shares held in escrow have been released on June 30, 2022 to the founding partners.

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

### Stock options

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

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

## Note 15 – Share Capital - continued

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

Grant Date	# of Options	Exercise Price	Dividend Yield	Expected Volatility	Risk Free Rate of Return	Expected Life	Weighted Average Fair Value on Grant Date	Forfeiture Rate
June 21, 2022	225,000	\$ 0.39	Nil	95.9%	3.37%	5 years	\$ 0.29	16.6%
April 26, 2022	725,300	\$ 0.32	Nil	82.5%	2.58%	5 years	\$ 0.21	16.9%
May 25, 2022	474,000	\$ 0.35	Nil	93.2%	2.58%	5 years	\$ 0.25	16.9%
December 14, 2021	300,000	\$ 0.28	Nil	92.9%	1.29%	5 years	\$ 0.20	17.9%
November 23, 2021	1,506,000	\$ 0.21	Nil	92.7%	1.57%	5 years	\$ 0.15	18.1%
April 21, 2021	632,400	\$ 0.24	Nil	83.4%	0.94%	5 years	\$ 0.16	18.8%
November 25, 2020	664,800	\$ 0.14	Nil	83.0%	0.45%	5 years	\$ 0.09	19.7%

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

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

	Six months ended June 30, 2022		Year ended December 31, 2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
<b>Options outstanding, beginning of period:</b>	5,822,200	\$ 0.24	3,691,800	\$ 0.25
Issued	1,424,300	0.35	2,438,400	0.22
Exercised	(1,005,300)	0.20	(257,000)	0.20
Expired or cancelled	(894,000)	0.24	(51,000)	0.14
<b>Options outstanding, end of period:</b>	<b>5,347,200</b>	<b>\$ 0.25</b>	<b>5,822,200</b>	<b>\$ 0.24</b>

Of the 5,347,200 (December 31, 2021: 5,822,200) outstanding stock options, 3,177,100 (December 31, 2021: 3,390,000) options have vested and therefore, were exercisable as at June 30, 2022 at a weighted average exercise price of \$0.26 per share (December 31, 2021: \$0.24 per share).

During the three months ended June 30, 2022, 1,005,300 options were exercised at an average exercise price of \$0.20 per share for total proceeds of \$202,437. The average share price on the days they were exercised was \$0.39 per share. For the year ended December 31, 2021, 257,000 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 \$0.26 per share.

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

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.

## Note 15 – Share Capital – continued

The Corporation's outstanding stock options are as follows:

Expiry Date	Exercise Price	As at	
		June 30, 2022	December 31, 2021
January 13, 2022	0.24	-	75,000
June 4, 2023	0.17	150,000	300,000
September 13, 2023	0.30	-	100,000
November 23, 2023	0.26	280,000	350,000
January 9, 2024	0.28	140,000	140,000
May 22, 2024	0.57	210,000	270,000
June 24, 2024	0.65	120,000	120,000
August 20, 2024	0.64	30,000	30,000
December 6, 2024	0.33	389,000	470,000
December 19, 2024	0.28	-	15,000
April 16, 2025	0.17	646,500	907,000
November 25, 2025	0.14	332,400	606,800
April 21, 2026	0.24	487,000	632,400
November 23, 2026	0.21	1,193,000	1,506,000
December 14, 2026	0.28	300,000	300,000
April 26, 2027	0.35	475,300	-
May 25, 2027	0.32	369,000	-
June 21, 2022	0.39	225,000	-
		5,347,200	5,822,200

The weighted average remaining contractual life of the options outstanding is 3.45 years (December 31, 2021: 3.53 years).

### 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.

	Six months ended June 30, 2022				Year ended December 31, 2021			
	Number of DSUs	Weighted Average Fair Value	Number of RSUs	Weighted Average Fair Value	Number of DSUs	Weighted Average Fair Value	Number of RSUs	Weighted Average Fair Value
Outstanding, beginning of period:	1,227,000	\$ 0.22	-	\$ -	1,227,000	\$ 0.15	-	\$ -
Issued	100,000	0.35	-	-	-	-	-	-
Expired or cancelled	(597,000)	0.44	-	-	-	-	-	-
Outstanding, end of period:	730,000	\$ 0.23	-	\$ -	1,227,000	\$ 0.22	-	\$ -

During the three months ended June 30, 2022, 100,000 DSUs were granted to Directors, Officers, and employees of the Corporation (December 31, 2021: nil). DSUs vest one-third on the first, second, and third (annual) anniversary of the date of grant based on continued tenure of the participant.

Of the 730,000 (December 31, 2021: 1,227,000) outstanding DSUs, 379,000 (December 31, 2021: 737,000) DSUs have vested.

The fair value of the DSU liability of \$147,451 (December 31, 2021: \$266,179), which is based on the closing price of the Corporation's shares on the TSX Venture Exchange as of June 30, 2022 and an expected forfeiture rate of 19.04%, is included in accounts payable and accrued liabilities in the consolidated statements of financial position. Any change to the fair value of the liability is included in share-based compensation expense in the consolidated statements of loss and comprehensive loss.

The 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.

## Note 15 – Share Capital – continued

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

Share-based compensation expense is comprised of the following:

	Three months ended June 31,		Six months ended June 30,	
	2022	2021	2022	2021
Stock options	\$ 138,031	\$ 44,321	\$ 190,171	\$ 85,988
Deferred share units	(132,102)	21,339	(118,727)	47,194
<b>Share-based compensation expense</b>	<b>\$ 5,929</b>	<b>\$ 65,660</b>	<b>\$ 71,444</b>	<b>\$ 133,182</b>

Share-based compensation expense in the consolidated statements of loss and comprehensive loss for the three and six months ended June 30, 2021 includes \$20,298 and \$30,641 respectively to Directors (three and six months ended June 30, 2021: \$10,130 and \$23,022 respectively), \$29,891 and \$46,663 respectively to Officers (three and six months ended June 30, 2021: \$33,118 and \$76,875 respectively), and \$87,842 and \$112,867 respectively to Employees (three and six months ended June 30, 2020: \$22,412 and \$33,285 respectively).

## Net Income (Loss) and Diluted Income (Loss) Per Common Share

The treasury stock method is used to calculate diluted income (loss) per share, and under this method options that are anti-dilutive are excluded from the calculation of diluted income (loss) per share. The following tables shows the total income and comprehensive income per common share, diluted for the three months ended June 30, 2022 and June 30, 2021.

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
<b>Basic loss per share</b>				
Total comprehensive income (loss)	\$ (4,770,632)	\$ (579,726)	\$ 17,515,390	\$ (1,181,638)
Weighted average number of common shares outstanding	77,695,603	67,964,924	77,410,491	65,681,034
<b>Total comprehensive income (loss) per common share, basic</b>	<b>\$ (0.061)</b>	<b>\$ (0.009)</b>	<b>\$ 0.226</b>	<b>\$ (0.018)</b>
<b>Diluted income (loss) per share</b>				
Total comprehensive income (loss)	\$ (4,770,632)	\$ (579,726)	\$ 17,515,390	\$ (1,181,638)
Weighted average number of common shares outstanding	77,695,603	67,964,924	77,410,491	65,681,034
Effect of dilutive stock options	-	-	1,213,688	-
Weighted average number of common shares outstanding after dilution	77,695,603	67,964,924	78,624,179	65,681,034
<b>Total comprehensive income (loss) per common share, diluted</b>	<b>\$ (0.061)</b>	<b>\$ (0.009)</b>	<b>\$ 0.223</b>	<b>\$ (0.018)</b>

## Note 16 – Related Party Transactions

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

## Note 16 – Related Party Transactions - continued

The remuneration earned by the Directors was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
<b>Directors:</b>				
Directors fees	\$ 42,000	\$ 37,800	\$ 84,000	\$ 75,600
Travel and miscellaneous expenses	-	1,007	-	1,007
Share-based compensation	63,124	9,590	80,580	23,022
	\$ 105,124	\$ 48,397	\$ 164,580	\$ 99,629

The Directors fees are paid on a quarterly basis. 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.

On May 2, 2022 the Corporation entered into shareholder loan agreements for funds of \$1,955,266. The loan has a period of 1 year and bears interest of 12%.

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

## Note 17 – Compensation of Key Management

The remuneration paid to named Officers were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Salaries and other benefits	\$ 320,754	\$ 140,388	\$ 484,001	\$ 280,886
Severance	638,985	-	638,985	-
Share-based compensation	1,933	33,118	61,983	76,875
	\$ 961,672	\$ 173,506	\$ 1,184,969	\$ 357,761

## Note 18 – Financial Instruments

### Classification

The Corporation's financial instruments consist of the following:

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

### Fair Value

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

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

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

## Note 18 – Financial Instruments – continued

The deferred share unit liability is the only financial instrument measured at fair value on a recurring basis. The deferred share unit liability is a Level 2 fair value hierarchy measurement. There were no transfers between Level 1, 2, or 3 of the fair value hierarchy for the three months ended June 30, 2021 (December 31, 2021: none).

### 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 December 31, 2021 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 June 30, 2022</b>	\$ 3,542,894	\$ 83,436	\$ 13,993	\$ 3,640,323
<b>As at December 31, 2021</b>	\$ 1,159,442	\$ 129,044	\$ 3,158	\$ 1,291,644

Three customers owing greater than 10% of the accounts receivable total balance accounted for 60% of the Corporation's accounts receivable as at June 30, 2022 (2021: one customer accounted for 80%).

### 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 June 30, 2022, the Corporation has enough working capital to fund ongoing operations and meet its liabilities when they come due. Accordingly, the Corporation is not exposed to significant liquidity risk. The Corporation's financial liabilities include accounts payable and accrued liabilities, income taxes payable, and the bank loans and lease obligations, including interest.

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

	As at June 30, 2022			
	0 - 1 year	2 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	\$ 5,145,327	\$ -	\$ -	\$ 5,145,327
Income taxes payable	64,408	-	-	64,408
Bank loans, including interest	790,019	-	-	790,019
Lease obligations, including interest	48,024	4,245	-	52,269
<b>Total</b>	<b>\$ 6,047,778</b>	<b>\$ 4,245</b>	<b>\$ -</b>	<b>\$ 6,052,023</b>

## Note 19 – Capital Disclosures

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

	Notes	As at	
		June 30, 2022	December 31, 2021
Total equity attributable to shareholders		\$ 33,092,265	\$ 15,151,277
Total borrowings			
Shareholder loans	16	1,955,266	-
Bank loans	12	778,053	1,055,051
Lease obligations	13	51,564	78,517
Cash		(1,210,688)	(2,517,433)
<b>Total managed capital</b>		<b>\$ 34,666,460</b>	<b>\$ 13,767,412</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.

## Note 20 – Supplemental Statement of Income (Loss) and Comprehensive Income (Loss) Disclosures

A large portion of the Corporation's aggregate sales and aggregate management services revenue typically come from a small group of major customers. Any customer who represents more than 10% of the Corporation's revenue for the respective period is considered a major customer. During the three months ended June 30, 2022, 77% of sales were made to 4 major customers (2021: 62% to two customers).

Finance costs are comprised of the following:

	Notes	Three months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021
Interest on bank loans	11	(7,688)	(14,978)	(17,133)	(31,536)
Interest on lease obligations	12	(47,791)	(1,343)	(47,892)	(5,026)
		\$ (55,479)	\$ (16,321)	\$ (65,025)	\$ (36,562)

Total lease payments, including principal and interest, for the three and six months ended June 30, 2022 was \$18,429 and \$27,429 respectively (June 30, 2021: \$36,623 and \$87,848). See Note 13 for additional information.

Total payments on the CWB loan, including interest, for the three and six months ended June 30, 2022 was \$147,066 and \$294,132 respectively (June 30, 2021: \$147,066 and \$294,132). See Note 12 for additional information.

## Note 20 – Supplemental Statement of Income (Loss) and Comprehensive Income (Loss) Disclosures – continued

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

	Notes	Three months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021
Amortization of contract costs	9	(6,749)	(2,102)	(14,838)	(9,936)
Impairment of property and equipment	10	-	-	-	-
Amortization of ERO assets	10	(3,439)	(2,487)	(12,059)	(5,032)
Amortization of resource property lease costs	10	(1,430)	(2,778)	(4,210)	(5,559)
Change in estimate for ERO recognized in other operating expenses	13	-	9,295	-	23,978
Change in discount rate recognized in other operating expenses	13	22,805	(110,160)	35,693	(78,006)
Accretion of ERO liability	13	(22,275)	(1,082)	(39,407)	(15,287)
		\$ (11,088)	\$ (109,314)	\$ (34,821)	\$ (89,842)

Other non-operating income is comprised of the following:

	Notes	Three months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021
Gain on disposal of property and equipment		-	-	-	50,000
Camp rental income		19,705	15,000	34,705	45,297
Covid 19 rent subsidy and other		17,102	-	17,959	-
Rental income		-	13,212	-	34,359
Foreign exchange loss		23,162	(199)	23,162	51
		\$ 59,969	\$ 28,013	\$ 75,826	\$ 129,707

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Employee benefit expenses	\$ 1,404,730	\$ 531,810	\$ 2,365,053	\$ 1,148,944

Employee benefit expenses include wages, salaries, bonuses, and group benefit premiums, as well as Canada Pension Plan, Employment Insurance and Workers' Compensation Board contributions. Employee benefit expenses are included in both operating costs and general and administrative expenses in the consolidated statements of loss and comprehensive loss.



## Note 21 – Segmented Reporting

Reportable segments are determined based on the corporate structure and operations in accordance with the Corporation's accounting policies. Specifically, an operating segment should have separate financial information available, with management review of financial information. The operating segment should engage in business activities where it earns revenue and incurs expenses. While a reporting segment should have revenue which is 10% or more of combined revenue; assets which are 10% or more of combined assets; and an absolute amount of reporting profit or loss that is 10% or more or reported profit of all operating segments. Using this guidance, the Corporation has reported the TerraShift operations as a separate segment.

Gross loss includes adjustments for general and administrative expenses, share based compensation, other operating expenses, finance costs, non-operating income, interest income, and income taxes in order to arrive at total loss and comprehensive loss, of which most of these expenses are incurred by the AMI Aggregates or Corporate segments. Gross loss is therefore a better basis for measuring the performance of the Corporation.

The "Corporate & Eliminations" segment represents services provided by RockChain and TerraShift to other segments and is disclosed for reconciliation purposes only. The numbered Alberta corporations that respectively own the Montney In-Basin Project and the Prosvita Sand Project are included in the AMI Silica segment.

The summary of key financial information by reportable segment for the year ended June 30, 2022 (along with comparative information for 2021) is as follows:

	AMI Aggregates		AMI RockChain		AMI Silica		TerraShift		Corporate & Eliminations		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
For the three months ended June 30,												
Revenue:												
Product sales revenue	\$ 444,525	\$ -	\$ 2,471	\$ 2,354,882	\$ 5,510,754	\$ (2)	\$ -	\$ -	\$ 9,759	\$ -	\$ 5,967,509	\$ 2,354,880
Services revenue	721,503	233,190	681,631	4,406	-	444,451	209,932	367,464	123,877	122,455	1,489,189	927,056
<b>Gross revenue, including royalties</b>	<b>1,166,028</b>	<b>233,190</b>	<b>684,102</b>	<b>2,359,288</b>	<b>5,510,754</b>	<b>444,449</b>	<b>209,932</b>	<b>367,464</b>	<b>(114,118)</b>	<b>(122,455)</b>	<b>7,456,698</b>	<b>3,281,936</b>
Revenue, net of royalties	1,043,799	192,487	684,102	2,359,288	5,510,754	444,449	209,932	367,464	114,118	122,455	7,334,469	3,241,233
<b>Gross profit (loss)</b>	<b>\$ 244,279</b>	<b>\$ 8,364</b>	<b>\$ 30,783</b>	<b>\$ 165,877</b>	<b>\$ (905,486)</b>	<b>12,149</b>	<b>\$ 232,797</b>	<b>\$ 315,548</b>	<b>\$ (3,471)</b>	<b>\$ (34,824)</b>	<b>\$ (401,098)</b>	<b>\$ 467,114</b>
For the six months ended June 30,												
Revenue:												
Product sales revenue	\$ 3,922,311	\$ -	\$ 1,976,934	\$ 2,782,204	\$ 8,573,217	\$ (2)	\$ -	\$ -	\$ (2,599,193)	\$ -	\$ 11,873,269	\$ 2,782,202
Services revenue	1,625,067	968,324	820,079	4,406	-	444,451	493,707	575,761	(310,817)	(267,956)	2,628,036	1,724,986
<b>Gross revenue, including royalties</b>	<b>5,547,378</b>	<b>968,324</b>	<b>2,797,013</b>	<b>2,786,610</b>	<b>8,573,217</b>	<b>444,449</b>	<b>493,707</b>	<b>575,761</b>	<b>(2,910,010)</b>	<b>(267,956)</b>	<b>14,501,305</b>	<b>4,507,188</b>
Revenue, net of royalties	5,364,988	799,026	2,797,013	2,786,610	8,573,217	444,449	493,707	575,761	(2,910,010)	(267,956)	14,318,915	4,337,890
<b>Gross profit (loss)</b>	<b>\$ 785,887</b>	<b>\$ 275,560</b>	<b>\$ 102,634</b>	<b>\$ 198,751</b>	<b>\$ (517,252)</b>	<b>(274,297)</b>	<b>\$ 417,201</b>	<b>\$ 509,556</b>	<b>\$ (6,943)</b>	<b>\$ (41,777)</b>	<b>\$ 781,527</b>	<b>\$ 667,793</b>
As at												
Segment assets	\$ 54,076,527	\$ 9,705,916	\$ (1,610,053)	\$ 446,181	\$ 44,009,187	\$ 13,589,565	\$ 419,953	\$ 282,420	\$ (35,871,416)	\$ (3,087,216)	\$ 61,024,198	\$ 20,936,866
Segment liabilities	\$ 5,891,153	\$ 4,551,286	\$ 728,648	\$ 421,641	\$ 22,353,297	\$ 324,537	\$ 178,547	\$ 60,000	\$ (1,219,712)	\$ 428,125	\$ 27,931,933	\$ 5,785,589

Product sales revenue includes the sale of tangible items such as gravel and sand. Services revenue includes such items as the Coffey Lake pit management contract, transportation services provided in delivering gravel and sand to customers, the confidential pit management contract, fees for engineering services, and subscription revenues.

## Note 22 – 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 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.

## Note 23 – 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.

The Corporation issued 158,898 common shares as part of the \$75,000 of consideration for the final trailing payment for the acquisition of TerraShift to its two shareholders.

On August 24, 2022, the Corporation began to phase out the operations of its engineering division, TerraShift.

### **Note 24 – Reclassification of Prior Year Presentation**

The previously reported information has been reclassified to reflect current presentation. Prior to Q1-2021, the Corporation reported Aggregate sales revenue and Management services revenue, net of royalties, it presently reports Product sales revenue, Service revenue, and provincial royalties separately. The impact to the financial statements is nil.

As discussed in Note 21 – Segmented Reported the Corporation has reclassified its segmented reporting information to better reflect the revenue categorization discussed above as well as to better reflect the reporting segmentation.