

CANADIAN PREMIUM SAND INC.

(Formerly Claim Post Resources Inc.)

FINANCIAL STATEMENTS

**Years Ended
September 30, 2019 and 2018**



RSM Alberta LLP

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Independent Auditor's Report

To the Shareholders of Canadian Premium Sand Inc.

Opinion

We have audited the financial statements of Canadian Premium Sand Inc. (the "Company"), which comprise the statement of financial position as at September 30, 2019 and the statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to note 1.2 to the financial statements which indicates that the Company incurred a net loss during the year ended September 30, 2019, and as of that date, the Company's current liabilities exceeded its current assets. As stated in note 1.2, these events or conditions, along with other matters as set forth in note 1.2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended September 30, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on January 28, 2019.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

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In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Christin Giebelhaus.

RSM Alberta LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Calgary, Canada
December 12, 2019

CANADIAN PREMIUM SAND INC.

(Formerly Claim Post Resources Inc.)

Statements of Financial Position (Expressed in Canadian Dollars)

As at September 30,	2019	2018
	\$	\$
Assets		
Current Assets		
Cash and cash equivalents (Note 7)	1,834,466	10,547,859
Receivables and other assets (Note 8)	371,458	75,443
	2,205,924	10,623,302
Non-Current Assets		
Property, plant and equipment (Note 9)	38,535	-
Total Assets	2,244,459	10,623,302
Liabilities		
Current Liabilities		
Trade and other payables (Note 10)	4,571,866	164,596
	4,571,866	164,596
Non-Current Liabilities		
Decommissioning provision (Note 11)	78,399	-
	4,650,265	164,596
Shareholders' (Deficit) Equity		
Capital stock (Note 15)	22,546,331	22,546,331
Share-based payments reserve	1,493,883	847,241
Deficit	(26,446,020)	(12,934,866)
	(2,405,806)	10,458,706
Total Liabilities and Shareholders' (Deficit) Equity	2,244,459	10,623,302

Nature of Operations and Going Concern (Note 1.2)
Commitments and Contingencies (Note 17)
Subsequent Events (Note 18)

Approved by the Board of Directors

"Rodrigo Sousa"
Director

"Richard Williams"
Director

The accompanying notes are an integral part of these Financial Statements.

CANADIAN PREMIUM SAND INC.

(Formerly Claim Post Resources Inc.)

Statements of Loss and Comprehensive Loss (Expressed in Canadian Dollars)

Years ended September 30	2019	2018
	\$	\$
Administrative Expenses		
Professional fees	864,283	463,899
General and administrative	586,767	107,677
Share-based payments (Note 15)	646,642	365,118
Shareholders' information	49,356	31,899
Investor relations and travel	45,855	29,984
Total Administrative Expenses	(2,192,903)	(998,577)
Exploration and evaluation expenditures (Note 4)	(11,464,188)	(1,871,578)
Depreciation (Note 9)	(5,505)	-
Foreign exchange gain	83,496	-
Interest income	67,946	-
Change in fair value of convertible debenture (Note 14)	-	(221,210)
Net loss and comprehensive loss for the year	(13,511,154)	(3,091,365)
Loss per share - basic and diluted*	\$ (0.636)	\$ (0.278)
Weighted average number of shares outstanding – basic and diluted*	21,244,460	11,111,773

*On November 15, 2018 the Company consolidated its outstanding common shares on a 15:1 basis.

The accompanying notes are an integral part of these Financial Statements.

CANADIAN PREMIUM SAND INC.

(Formerly Claim Post Resources Inc.)

Statements of Changes in (Deficit) Equity (Expressed in Canadian Dollars)

	Capital Stock		Reserves		
	Number of shares*	Amount	Share-based payments	Deficit	Total
Balance at October 1, 2017	8,425,593	\$ 6,532,957	\$ 498,938	\$(9,843,501)	\$(2,811,606)
Shares issued on convertible debt conversion (Note 13)	4,122,200	3,400,814	-	-	3,400,814
Shares issued on exercise of options (Note 15)	30,000	61,815	(16,815)	-	45,000
Shares issued for private placement (Note 15)	8,666,667	13,000,000	-	-	13,000,000
Share issue costs	-	(449,255)	-	-	(449,255)
Share-based payments (Note 15)	-	-	365,118	-	365,118
Net loss and comprehensive loss for the year	-	-	-	(3,091,365)	(3,091,365)
Balance at September 30, 2018	21,244,460	\$22,546,331	\$ 847,241	\$(12,934,866)	\$10,458,706
Share-based payments (Note 15)	-	-	646,642	-	646,642
Net loss and comprehensive loss for the year	-	-	-	(13,511,154)	(13,511,154)
Balance at September 30, 2019	21,244,460	\$22,546,331	\$1,493,883	\$(26,446,020)	\$(2,405,806)

*On November 15, 2018 the Company consolidated its outstanding common shares on a 15:1 basis.

The accompanying notes are an integral part of these Financial Statements.

CANADIAN PREMIUM SAND INC.

(Formerly Claim Post Resources Inc.)

Statements of Cash Flows (Expressed in Canadian Dollars)

<i>Years ended September 30,</i>	2019	2018
Operating activities	\$	\$
Net loss for the year	(13,511,154)	(3,091,365)
Items not involving cash:		
Decommissioning (<i>Note 11</i>)	78,399	-
Depreciation (<i>Note 9</i>)	5,505	-
Share-based payments (<i>Note 15</i>)	646,642	365,118
Foreign exchange gain	(78,309)	-
Change in fair value of debenture	-	221,210
	(12,858,917)	(2,505,037)
Change in non-cash working capital:		
Receivables and other assets	(296,015)	(5,565)
Trade and other payables	4,485,579	(72,265)
Net cash used in operating activities	(8,669,353)	(2,582,867)
Investing activities		
Purchase of property, plant, and equipment (<i>Note 9</i>)	(44,040)	-
Net cash used in investing activities	(44,040)	-
Financing activities		
Proceeds from private placement, net of costs	-	12,550,745
Proceeds from exercise of options	-	45,000
Net cash from financing activities	-	12,595,745
(Decrease) increase in cash and cash equivalents	(8,713,393)	10,012,878
Cash and cash equivalents at beginning of year	10,547,859	534,981
Cash and cash equivalents at end of year	1,834,466	10,547,859
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	\$	\$
Cash interest received	67,946	-
Common shares issued on convertible debt conversion (<i>Note 14</i>)	-	3,400,814

The accompanying notes are an integral part of these Financial Statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

1.1 General

Canadian Premium Sand Inc. (the "Company") was incorporated under the *Business Corporations Act* (Ontario) as Claim Post Resources Inc. on September 21, 2005. On November 15, 2018, the Company changed its name to Canadian Premium Sand Inc. and consolidated its outstanding common shares on a 15:1 basis. On February 25, 2019 the Company was continued under the *Canada Business Corporations Act*.

The Company's common shares trade on the TSX-V under the trading symbol "CPS". The Company is a reporting issuer in the provinces of Ontario, Alberta and British Columbia.

The Company's head office is located at Suite 400, 522 – 11th Avenue S.W., Calgary, Alberta T2R 0C8 and its registered office is located at Suite 2400, 525 – 8th Avenue S.W., Calgary, Alberta T2P 1G1.

The Company is an exploration stage company in the process of determining the most operationally and capital efficient way to commercially develop its silica sand deposit near Seymourville, Manitoba (the "Wanipigow Sand Project"). Once determined, the Company will seek all necessary third-party approvals and external funding to design, construct, commission, staff and operate a silica sand extraction and processing facility.

1.2 Going concern

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on the basis of accounting principles applicable to a going concern, which assume the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those presented in these financial statements.

Substantially all of the Company's efforts have been devoted to the financing, exploration and evaluation of the Company's resource properties, and securing regulatory authority to carry out the Wanipigow Sand Project. The Company released the NI 43-101 Technical Report and pre-feasibility study in June 2019. Management is currently engaged in a thorough review of the plant design and logistics with a view to refining the operational effectiveness of the plant design and optimizing the capital required to bring the Wanipigow Sand Project into operation. Upon completion of this review process the Company will seek funding. As at September 30, 2019, the Company had a deficit of \$26,446,020 (September 30, 2018 - \$12,934,866), cash of \$1,834,466 (September 30, 2018 - \$10,547,859), trade and other payables of \$4,571,866 (September 30, 2018 - \$164,596), and commitments for office space, vehicles and other contractual obligations relating to the acquisition of quarry leases and participation agreements for the twelve month period to September 30, 2020 of \$240,670 (*Note 17*).

The Company's continued existence is dependent upon the preservation of its interest in the Company's properties, the refinement of the economic feasibility of those properties and the successful pursuit of additional financing to fund future operations of the Wanipigow Sand Project. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. Management's intention is to pursue additional financing in the future to fund the further development of the Wanipigow Sand Project. If the Company is unsuccessful in obtaining additional sources of financing when needed and on acceptable terms, the going concern assumption may not be appropriate and adjustments would be necessary to the carrying value of assets and liabilities and reported expenses. Such adjustments could be material.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issuance by the Board of Directors of the Company on December 12, 2019.

2.2 Basis of presentation and functional and presentation currency

These financial statements have been prepared on a going concern basis, under the historical cost convention, except fair value through profit and loss assets which are carried at fair value and have been prepared using the accrual basis of accounting except for cash flow information, as explained in the accounting policies set out in *Note 3*.

The Financial Statements are presented in Canadian Dollars, which is also the functional currency of the Company.

2.3 Significant accounting judgments and estimates

The preparation of financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

The most significant estimates and judgments relate to, but are not limited to, the following:

- The accounting policy for exploration and evaluation expenditures as an expense and the determination of technical feasibility and commercial viability which results in the transfer of assets from exploration and evaluation ("E&E") to PP&E, is subject to judgment (*Note 4*);
- The calculation of the fair value of share-based payments requires the use of estimates of inputs in the Black-Scholes option pricing valuation model (*Note 15*);
- Amounts used to estimate deferred income tax assets or liabilities and deferred income tax expense or recovery is subject to management's best estimate of the timing of the reversal of temporary differences and the ability to generate sufficient future taxable income to utilize income tax loss carry forward amounts (*Note 16*);
- The amounts recorded for decommissioning liabilities are based on the Company's exploration and evaluation activities and management's assessment as to when a legal or constructive obligation has occurred as well as the estimated costs to reclaim the land, the estimated time period in which these costs will be incurred in the future and the discount and inflation rates. Any changes to these estimates could change the amount of the decommissioning liability and associated exploration and evaluation expenditures (*Note 11*); and
- The accounting for convertible debenture as a hybrid investment measured at fair value (*Note 14*).

Further details of the assumptions and factors specific to these estimates and judgements can be found in the related notes.

2.4 Adoption of new and revised standards and interpretations

The Company adopted IFRS 9, Financial instruments in the year as follows:

IFRS 9 – Financial instruments. The Company adopted the new accounting standard IFRS 9, Financial instruments, which sets out requirements for recognition and measurement, impairment, derecognition, and general hedge accounting, as well as a new impairment model for financial assets. On initial application of the new standard, the Company reclassified its financial assets, including cash as amortized cost from fair value through profit and loss ("FVTPL"), and receivables as amortized cost from loans and receivables. The adoption of IFRS 9 did not have any impact on the carrying value of the Company's financial instruments or the valuation of the Company's financial assets under the new expected credit loss model. Accordingly, comparative information for prior periods has not been restated.

2. BASIS OF PREPARATION (continued)

2.5 Future accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee (“IFRSIC”) that are mandatory and will be applicable to the Company for annual periods on or after October 1, 2019. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

- IFRS 16 – Leases. The standard was issued by the IASB on January 13, 2016, and will replace IAS 17, “Leases”. IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied. The transition to IFRS 16 will result in increases to assets and liabilities recognized in the statement of financial position as well as increases in depreciation and finance costs and reductions in operating costs in the statement of loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Exploration and evaluation expenditures

All exploration and evaluation costs directly attributable to evaluating the Wanipigow Sand Project, determining technical feasibility and commercial viability net of incidental revenues, are charged to the Statement of Loss and Comprehensive Loss under the heading “Exploration and evaluation expenditures” in the period incurred. This includes initial acquisition and annual lease payments relating to quarry leases, participation and advance royalty payments, site labour costs and supplies, feasibility studies, environmental studies, core hole drilling for the sand testing studies, decommissioning and other exploration and evaluation activities. When it has been determined that a property has economically recoverable reserves, that there are no significant evaluation activities remaining and final investment decision to proceed with the project has occurred, the costs incurred to develop the property are first tested for impairment and then capitalized into PPE. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated reserves and resources as the depletion base.

3.2 Decommissioning provision

The Company recognizes the present value of decommissioning obligations in the period incurred. Decommissioning provisions are recorded as a liability on a discounted basis using the pre-tax rate specific to the liability, with a corresponding increase to exploration and evaluation expenditures. The liability and associated exploration and evaluation expenditures are increased over time for accretion expense, representing the unwinding of the discount applied to the provision, and adjusted for changes to the current market-based discount rate, and the amount or timing of the underlying cash flows needed to settle the obligation.

3.3 Property, plant and equipment (“PPE”)

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the straight-line method over the following expected useful lives:

- Vehicles 4 years

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of loss and comprehensive loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed for indicators of impairment at each reporting period. If indicators of impairment exist, the recoverable amount of the assets is estimated. For purposes of assessing impairment, property, plant and equipment are grouped into cash-generating units ("CGUs"), defined as the lowest levels for which there are separately identifiable independent cash inflows.

The recoverable amount of a CGU is the greater of its fair value less costs to dispose and its value in use. Fair value is determined to be the amount for which the asset would be sold in an arm's length transaction between knowledgeable and willing parties. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the cash-generating unit in its present form. These cash flows are discounted at a rate based on the time value of money and risks specific to the CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. An impairment loss recognized in respect of a CGU is allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis. Impairment losses are recognized in the statements of loss.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

3.5 Equity

Share capital represents the amount received on the issue of shares, less issuance costs. If shares are issued when options and conversion options are exercised, the share capital account also comprises the costs previously recorded as share-based payments reserve. In addition, if shares were issued as consideration for the acquisition of a mineral property or some other form of non-monetary assets, they were measured at their fair value according to the quoted price on the day immediately preceding the conclusion of the agreement.

Share-based payment transactions

Employees or individuals who provide services similar to those performed by a legally defined employee, including Directors of the Company, receive a portion of their remuneration in the form of share-based payment transactions, whereby they receive equity instruments as consideration for services rendered ("equity-settled transactions").

The costs of equity-settled transactions with employees are measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value of each option granted is estimated using the Black-Scholes option pricing model that takes into account, on the date of grant, the exercise price and expected life of the option, the price of the underlying security, the expected volatility and dividends on the underlying security and the risk-free interest rate.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees or Directors become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date and reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share-based payment reserve. The Company has estimated a forfeiture rate based on a history of forfeitures to account for actual forfeitures.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Equity (continued)

Where the terms of an equity-settled award are modified, an additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

Options issued to non-employees are valued using the fair value of the equity instrument granted in the absence of a reliable estimate of the fair value of the goods or services received.

3.6 Income taxes

Deferred income tax is calculated using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share amounts are calculated by dividing net loss attributable to common shareholders by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares, which comprise stock options granted. During the years ended September 30, 2019 and 2018, shares issuable on exercise of all the outstanding stock options were not included in the computation of diluted loss per share as the effect would have been anti-dilutive.

3.8 Translation of foreign currencies

Transactions and non-monetary balances denominated in foreign currencies are translated into Canadian dollars using the exchange rates at the date of the transactions. Monetary balances are translated using the rate of exchange at the date of the statement of financial position.

Foreign currency gains and losses arising from transactions denominated in foreign currencies are reported on a net basis as either foreign exchange gains or losses on the statements of loss.

3.9 Financial instruments

Classification

The Company classifies its financial assets in the following categories: at FVTPL or at amortized cost. The Company determines the classification of financial assets at initial recognition. The Company's financial assets consist of cash and cash equivalents and receivables which are classified as amortized cost.

Financial liabilities are classified and measured at amortized cost or for certain items such as convertible debentures, at FVTPL. The Company's financial liabilities consist of trade and other payables which are classified as amortized cost and Convertible Debentures, which are classified as FVTPL.

Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Financial liabilities at FVTPL are measured at fair value on the statements of financial position and any changes in fair value are recognized in net loss on the statement of loss and comprehensive loss.

Convertible debentures

On issue of a convertible borrowing, the fair value of the liability component is determined based on whether the financial instrument is a compound instrument or a hybrid instrument. In a compound instrument, the liability component is determined by discounting the contractual future cash flows using a market rate for a non-convertible instrument with similar terms. In a hybrid instrument, the liability component is the residual value of the proceeds after the equity conversion option derivative fair value is determined unless the entire convertible financial instrument is designated as financial liability at fair value through profit or loss, in which case, the entire convertible financial instrument is measured at fair value.

Subsequent to initial recognition, the debt component of both a compound and a hybrid financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. The equity conversion option of a hybrid financial instrument is marked to market at the reporting date and changes to fair value are charged or credited in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments (continued)

Impairment of financial assets

The Company uses the “expected credit loss” model for calculating impairment and recognizes expected credit losses as a loss allowance for assets measured at amortized cost. The Company directly reduces the carrying amount of financial assets when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company recognizes loss allowances for expected credit losses that reflects probability-weighted amounts that is determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions, and forecasts of future economic conditions.

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of loss and comprehensive loss.

3.10 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

3.11 Interest income

Interest income relates to demand deposits with financial institutions and is recognized in net loss on the statement of loss on an accrual basis.

3.12 Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases within property, plant and equipment. All of the Company's current leases including quarry leases are treated as operating leases and are recognized in net income on a straight-line basis.

4. EXPLORATION AND EVALUATION EXPENDITURES

Wanipigow Sand Project

The Company is an exploration stage company that is seeking to commercially develop a high-grade silica sand deposit located approximately 160 kilometers northeast of Winnipeg, Manitoba primarily within the jurisdictional boundaries of the Incorporated Community of Seymourville and is adjacent to Hollow Water First Nation reserve lands (the “Wanipigow Sand Project”). A small portion of the site area of the Wanipigow Sand Project subsists within the Community of Manigotagan.

4. EXPLORATION AND EVALUATION EXPENDITURES (continued)

The Wanipigow Sand Project consists of 41 contiguous quarry leases covering 2,159 hectares of land that grant the Company exclusive right to mine quarry minerals on the Property.

Timmins Area Project Claims Sale

On January 8, 2018, the Company completed the sale of its Timmins mineral exploration properties to Central Timmins Exploration Corp. ("CTEC"), for a cash consideration payable at closing of \$350,000 and a Net Smelter Royalty (the "NSR") payable to the Company that varies from 1% to a maximum of 2%, depending upon the claims and the pre-existing NSR burden. The NSR provides CTEC the option to buy the Company's NSR for cash consideration of \$1,500,000 within 24 months of closing, and if the buyout is not fully exercised, the NSR payable to the Company is capped at \$5,000,000, excluding any buy out payments. No finder's fees were payable in connection with the transaction.

The exploration and evaluation expenditures of the Company are detailed as follows:

	Year ended		Cumulative to date
	September 30, 2019	September 30, 2018	
	\$	\$	\$
Wanipigow Sand Project	11,464,188	2,217,458	18,219,855
Timmins Area Project Claims	-	(345,880)	3,876,929
Exploration and evaluation costs	11,464,188	1,871,578	22,096,784

The exploration and evaluation expenditures of the Company are broken down by category as follows:

For the year ended September 30,

	2019	2018
Advance royalty payments (Note 17)	\$ 100,000	\$ 1,400,000
Acquisition and Participation costs (Note 17)	574,364	-
Sale of Timmins property	-	(350,000)
Consulting (Note 12)	1,428,734	522,789
Environmental consulting	1,294,642	16,207
Field offices	273,948	9,090
Labour	346,861	-
Accommodation	208,372	6,500
Plant Design, Drilling, Feasibility	4,114,455	167,861
Site preparation	2,403,374	-
Site supplies	471,604	51,933
Electrical and Internet Upgrade	151,521	-
Decommissioning	78,399	-
Other exploration and evaluation	17,914	47,198
	\$11,464,188	\$ 1,871,578

5. CAPITAL MANAGEMENT

The Company includes shareholders' (deficit) equity in the definition of capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties and to ensure it continues as a going concern. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

All of the properties in which the Company currently has an interest are in the exploration stage with no operating revenues; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Company has historically relied on equity financing to raise capital and will continue its attempts to do so. Although the Company was successful in securing debt and equity financing in recent periods, there is no guarantee that future fund-raising attempts will be equally successful.

Management controls its capital structure through detailed forecasting and budgeting, as well as established policies and processes over monitoring expenditures. The Company has no financial covenants. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes in the capital management policy from the prior year.

6. FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL AND OTHER RISK

Fair value

The Company classifies financial instrument fair values in a hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

- Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The fair value of cash and cash equivalents are based on level 1 measurements and approximate it's carrying amount.

As at September 30, 2019, the carrying value approximates the fair value amounts of the Company's receivables and trade and other payables due to the short-term nature of the items.

Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price if one exists.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

i) Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and receivables and other assets included in current assets. The Company has no material concentration of credit risk arising from operations. Cash and cash equivalents consist of bank deposits, which are held by a Canadian chartered bank, and management believes the risk of loss is remote. The Company's receivables and other assets are normally collected within a 60 – 90 day period. The Company has not experienced any significant collection issues to September 30, 2019.

6. FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL AND OTHER RISK (continued)

The Company's maximum exposure to credit risk as at September 30, 2019 is the carrying value of cash and cash equivalents and receivables of \$2,181,947 (2018 - \$10,596,123).

ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due and ensuring an adequate supply of funds to enable the Company to carry out its intended programs. As at September 30, 2019, the Company had a cash balance of \$1,834,466 (2018 - \$10,547,859) to settle current liabilities of \$4,571,866 (2018 - \$164,596) and commitments for the 12-month period from October 1, 2019 to the year ended September 30, 2020 of \$240,670. All of the Company's financial trade liabilities have contractual maturities of less than one year and are subject to normal trade terms. See Going Concern *Note 1.2*.

iii) Interest rate risk

The Company's interest rate risk relates to interest-bearing cash deposits. At September 30, 2019 the Company holds interest-bearing cash balances of \$1,785,800 (2018 - \$10,003,226).

iv) Foreign currency risk

The Company is exposed to foreign currency exchange risk as the Company undertakes certain transactions in US dollars. The Company has not entered into any derivative financial instruments to manage exposures to currency fluctuation.

As at September 30, 2019, with other variables unchanged, a 10% strengthening (weakening) of Canadian dollars against U.S dollars would have decreased (increased) net loss by approximately \$220,000.

Included in trade and other payables at September 30, 2019 is USD \$1,673,044 (2018 - USD \$20,901).

7. CASH AND CASH EQUIVALENTS

The cash balance at September 30, 2019, consists of \$1,834,466 (September 30, 2018 - \$10,547,859) on deposit with a major Canadian bank. Cash and cash equivalents consist of cash on hand, demand deposits with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

8. RECEIVABLES AND OTHER ASSETS

The Company's receivables and other assets arise from three main sources: 1) prepaid expenses; 2) other receivables, and 3) goods and services tax ("GST") and harmonized sales tax ("HST") receivable from government taxation authorities. These are broken down as follows:

As at	September 30, 2019	September 30, 2018
Prepaid expenses	\$ 23,977	\$ 27,179
Other receivable ¹	189,150	32,223
GST and HST receivable	158,331	16,041
Total receivables and other assets	\$ 371,458	\$ 75,443

¹ Subsequent to year end, the Company received \$124,150 of the other receivable.

9. PROPERTY, PLANT AND EQUIPMENT (“PPE”)

		Vehicles
Cost		
Opening balance, October 1, 2018	\$	-
Addition for the year		44,040
Balance at September 30, 2019	\$	44,040
Accumulated depreciation		
Opening balance, October 1, 2018	\$	-
Expense for the year		5,505
Balance at September 30, 2019	\$	5,505
Net book value		
At September 30, 2018	\$	-
At September 30, 2019	\$	38,535

10. TRADE AND OTHER PAYABLES

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to the Wanipigow Sand Project activities. The following is an aged analysis of the trade and other payables:

As at	September 30, 2019	September 30, 2018
Less than 1 month	\$ 573,008	\$ 132,758
Over 3 months	3,998,858	31,838
Total trade and other payables	\$ 4,571,866	\$ 164,596

11. DECOMMISSIONING PROVISION

The Company has estimated the net present value of its decommissioning liability to be \$78,399 compared to nil in the prior year based on the total future estimate of undiscounted cash flows of \$121,000 (2018 – nil). The estimated cash flows required to settle the provision have been discounted using a rate of approximately 1.75% and an inflation rate of 1.9% at September 30, 2019 (2018 – nil). These obligations are expected to be settled in approximately 25 years.

As at	September 30, 2019	September 30, 2018
Liabilities incurred	\$ 78,399	\$ -
Total decommissioning provision	\$ 78,399	\$ -

12. KEY MANAGEMENT COMPENSATION

The remuneration of Directors, President and Chief Executive Officer, former Chief Operating Officer, Chief Financial Officer, and Vice-President, Business Development (collectively, the key management personnel) during the years ended September 30, 2019 and 2018 were as follows:

Year ended	September 30, 2019	September 30, 2018
Salaries, consulting fees and short-term benefits	\$ 391,161	\$ 117,513
Share-based compensation ¹	618,604	365,118

¹Share based compensation represents a non-cash expense relating to stock options granted to related parties, see Note 15 (c).

Under the terms of the key management agreements, the Company has committed to an aggregate pay-out of \$175,000 related to a change of control or termination of the officers.

13. DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The related parties are directors and officers of the Company and entities over which executive management and directors have control or significant influence. The amounts are for services rendered during the year and arose as a result of transactions entered into with the related parties in the ordinary course of business.

On January 8, 2018 Company completed the sale of its Timmins mineral exploration properties to Central Timmins Exploration Corp. ("CTEC"), for a cash consideration payable at closing of \$350,000 and a Net Smelter Royalty (the "NSR") payable to the Company. The Company determined that the transaction was considered to be a related party transaction as defined by Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101") as the Company's former President and a director, Charles Gryba, at the time informed Claim Post Resources Inc. that he had a business relationship with certain of the principal shareholders of CTEC and was to become a director and a shareholder of CTEC on completion of the transaction.

On April 4, 2018, the Company also subleased office space based on market value at that date, to Central Timmins Exploration Corp. of which the former President, Charles Gryba, is now director. The sublease term is until July 31, 2020 which coincides with the date the head lease expires and the payments to be received by the Company are \$48,000 per year.

On August 2, 2018 the Company completed a non-brokered private placement of 8,666,667 common shares priced at \$1.50 per share for total proceeds of \$13 million (the "Offering"). Certain directors of the Company, being Lowell Jackson, Thomas MacInnis and Rodrigo Sousa, participated in the Offering in the aggregate amount of \$350,000.

As at September 30, 2019, the trade and other payables balance includes unpaid related party amounts relating to travel and other expense reimbursements of \$1,708 (September 30, 2018 - \$32,232).

The Company incurred \$nil in the years ended September 30, 2019 (September 30, 2018 - \$33,000) in management consulting fees to an individual who is related to Charles Gryba, the former President and CEO of the Company.

The Company entered into consulting arrangements with a one-year term, to provide specific services related to progressing the Wanipigow Sand Project, with entities that are wholly owned by Robert Archibald, former Chief Operating Officer of the Company, for fees based on market value, totalling USD \$1.2 million. These arrangements were terminated effective June 12, 2019. Fees paid to these entities in the years ended September 30, 2019 total CDN \$1,104,136 (September 30, 2018 – CDN \$268,000).

13. DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

The Company also incurred \$23,989 in the years ended September 30, 2019 (September 30, 2018– \$38,920) in legal fees related to quarterly filings to Blaney McMurtry LLP where Nadim Wakeam, former Assistant Corporate Secretary, is a partner. The fees are based on normal market rates.

14. CONVERTIBLE DEBENTURES

On June 21, 2017 the Company closed a non-brokered private placement of unsecured convertible debentures (the “Debentures”) for total gross proceeds of up to \$3,093,000 at a price of \$1,000 and integral multiples thereof per Debenture (the “Debenture Offering”). The Debentures had an interest rate of 10% per annum, compounded quarterly from their date of issuance and payable in arrears on maturity. The Debentures had a maturity date that was one (1) year from the date of issuance on June 21, 2018 (“Maturity Date”). In lieu of a cash repayment on the Maturity Date, the Company had the option to pay all or any portion of the principal and/or accrued interest by issuing common shares to the holders of the Debentures at a deemed price of \$0.825 per common share.

The net proceeds of the Debenture Offering were used for the early repayment of existing related party loans owed by the Company in the aggregate amount of \$779,345, the final payment to a third party on a quarry lease on the Company's Wanipigow Sand Project and for general working capital purposes.

Directors of the Company at the time; Charles Gryba, Lowell Jackson, John Assman, Richard Williams and Thomas MacInnis participated in the Offering in the aggregate amount of \$1,055,000.

The Company paid a finder's fee in the amount of \$180,000 and \$41,729 in legal fees in connection with the issuance of the Debentures under the Debenture Offering. The Debentures and the common shares issuable upon conversion of the Debentures were subject to a statutory hold period expiring on the date that was four months and one day after closing.

The Debentures represent a hybrid instrument that contains a host debt contract and an embedded derivative liability. The Company has designated the entire hybrid instrument as a financial liability at fair value through profit or loss. The hybrid instrument was valued upon the initial measurement date and at each subsequent financial position reporting date. On the date of issuance, June 21, 2017, the fair value on initial recognition of the convertible instrument was equal to the transaction price of \$3,093,000 in cash consideration.

On June 21, 2018, the Company exercised its option to convert all outstanding Debentures for an aggregate amount of \$3,400,814 representing \$3,093,000 of the outstanding Debentures plus \$307,814 in accrued remaining interest and issued 4,122,200 common shares at a price of \$0.825 per common share (see *Note 15*).

During the year ended September 30, 2018, the convertible instrument resulted in the recognition of \$221,210 in accrued interest and \$3,400,814 for the debt conversion. As at September 30, 2018, the fair value of the convertible instrument was \$nil.

15. CAPITAL STOCK

(a) Authorized

As at September 30, 2019 and September 30, 2018 the Company's authorized number of common shares was unlimited and without par value.

(b) Issued

	Number of Shares	Amount
Balance at October 1, 2017	8,425,593	\$ 6,532,957
Shares issued on convertible debt conversion	4,122,200	3,400,814
Shares issued on exercise of options	30,000	61,815
Shares issued for private placement	8,666,667	13,000,000
Share issue costs	-	(449,255)
Balance at September 30, 2018 and September 30, 2019	21,244,460	\$22,546,331

In 2018, the Company converted an aggregated amount of \$3,400,814 representing \$3,093,000 of the outstanding convertible debentures plus \$307,814 in accrued interest and issued 4,122,200 common shares at a price of \$0.825 per share.

On July 19, 2018, 30,000 stock options were exercised at \$1.50 per share and the Company issued 30,000 common shares for net proceeds of \$45,000. The share price on the date of exercise was \$1.80.

On August 2, 2018, the Company completed a non-brokered private placement of 8,666,667 common shares priced at \$1.50 per share for total proceeds of \$13,000,000 (the "Offering"). As part of the Offering, Paramount Resources Ltd. acquired 2,759,394 common shares of the Company, approximately 13.1% of the issued and outstanding common shares of the Company. Mr. David Wilson, President and CEO of Kelt Exploration Ltd. and parties related to him, acquired 1,333,333 common shares of the Company, approximately 13.1% of the issued and outstanding common shares of the Company. Certain directors of the Company, being Lowell Jackson, Thomas MacInnis and Rodrigo Sousa, participated in the Offering in the aggregate amount of \$350,000. The common shares issued in connection with the Offering were subject to a statutory hold period which expired on December 1, 2018. Finder's fees were payable on a portion of the Offering in accordance with the policies of the TSX Venture Exchange.

(c) Stock Options

The Company maintains a stock option plan (the "Stock Option Plan") which was approved by the shareholders of the Company. The Stock Option Plan is a "rolling" plan under which up to 10% of the issued and outstanding common shares of the Company from time to time, subject to adjustment in certain circumstances, may be issued.

In the event that no specific determination is made by the Board with respect to any of the following matters, the period during which an option shall be exercisable shall be three to five years from the date of grant, except those options issued to persons or consultants employed in Investor Relation activities shall vest in stages over 12 months with no more than one quarter of the options vesting in any three-month period. The options vest over a three to five-year period with one-third to one-fifth of the options vesting immediately, one-third to one-fifth of the options vesting on the first, second, third, and fourth anniversary date of the grant.

During the year the Company granted 516,667 (2018 – 586,666) stock options to directors and management. The compensation expense that has been recognized in net loss for the year ended September 30, 2019 is \$646,642 (September 30, 2018 – \$365,118). The corresponding amount has been recognized in share-based payments reserve.

15. CAPITAL STOCK (continued)
(c) Stock Options (continued)

A summary of stock options issued and outstanding is as follows:

As at	September 30, 2019		September 30, 2018	
	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options
Outstanding at beginning of year	\$ 1.275	586,666	\$ 1.500	236,666
Transactions during the year:				
Granted	1.343	516,667	1.275	586,666
Exercised	-	-	1.500	(30,000)
Forfeited / Expired	1.275	(66,667)	1.500	(206,666)
Outstanding at end of year	1.309	1,036,666	1.275	586,666
Exercisable at end of year	\$ 1.297	518,889	\$ 1.275	195,555

The weighted average remaining contractual life of the options outstanding at year end is 1.94 years (2018 – 2.33 years).

The following table summarizes the assumptions used with the Black-Scholes valuation model for stock options issued and outstanding as at September 30, 2019.

Grant date	June 20, 2019	October 5, 2018	February 12, 2018	January 24, 2018
No. of options	400,000	116,667	66,666	520,000
Exercise price	\$1.10	\$2.18	\$1.28	\$1.28
Expected life in years	3	3	3	3
Volatility	220%	214%	233%	233%
Risk-free interest rate	1.80%	1.40%	1.91%	1.87%
Dividend yield	-	-	-	-
Forfeiture rate	-	-	-	-
Fair value	\$1.04	\$2.04	\$1.22	\$1.15
Grant date share price	\$1.10	\$2.17	\$1.35	\$1.35
Remaining contractual life	2.72	2.02	1.37	1.32

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Expected volatility is estimated by considering historic average share price volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

16. INCOME TAXES

(a) Provision for Income Taxes

The major factors that cause variations from the Company's combined federal and provincial statutory Canadian income tax rates of 26.50% (2018– 26.50%) were the following:

For the year ended September 30,	2019	2018
Loss before income taxes	\$ (13,511,154)	\$ (3,091,365)
Expected tax recovery at statutory rates	(3,580,456)	(819,212)
Increase (decrease) from:		
Stock-based compensation	171,360	96,756
Non-deductible expenses	896	58,731
Share issue costs and other	1,194	(366,544)
Deferred tax assets not recognized	3,407,006	1,030,269
Deferred income tax recovery	\$ -	\$ -

(b) Deferred Tax Balances

The deferred tax asset is compromised of the following temporary differences:

As at September 30,	2019	2018
Exploration expenditures	\$ 4,673,461	\$ 1,635,451
Capital assets	3,982	2,523
Non-capital losses	2,206,022	1,813,480
Share issue costs	62,393	87,398
Deferred tax assets not recognized	(6,945,858)	(3,538,852)
Net deferred tax assets	\$ -	\$ -

(c) Unrecognized deferred tax assets

Deferred tax assets are recognized only to the extent that it is probable that those assets will be recoverable. At September 30, 2019, the Company had \$26,211,000 (2018 - \$13,354,000) of deductible temporary differences where no deferred tax asset was recognized. These deductible temporary differences include non-capital losses of \$8,325,000 which expire between 2026 and 2039 and tax pools of \$17,886,000 that are available to reduce future taxable income.

17. COMMITMENTS AND CONTINGENCIES

The Company's exploration activities are subject to various federal, provincial, municipal and international laws and statutory instruments governing the use of lands and protection of the environment, which may be modified from time to time. The Company believes its operations are materially in compliance with all applicable laws and statutory instruments. The Company has made, and expects to make in the future, expenditures to comply with such laws and statutory instruments.

17. COMMITMENTS AND CONTINGENCIES (continued)

The Company is committed to payments under the terms of lease, royalty and participation agreements. The aggregate committed payments per fiscal year are as follows:

	Lease agreements¹	Royalty and participation agreements²	Total commitments
	\$	\$	\$
October 1, 2019 to September 30, 2020	140,670	100,000	240,670
October 1, 2020 to September 30, 2021	83,683	325,000	408,683
October 1, 2021 to September 30, 2022	82,982	-	82,982
October 1, 2022 to September 30, 2023	62,972	-	62,972
October 1, 2023 to September 30, 2024	58,280	-	58,280

¹ Beyond five years, the Company is committed to annual quarry lease payments of \$27 per hectare. The Company currently has 2,159 hectares under lease.

² Once commercial production commences, quarterly royalty and participation payments commence less any reductions related to advanced royalty payments already made.

Lease agreements

Operating lease agreements are comprised of office space, vehicle and quarry leases.

Royalty and economic participation agreement commitments

During the year ended September 30, 2019, the Company also entered into economic participation agreements with respect to the Wanipigow Sand Project with Hollow Water First Nation and the Incorporated Community of Seymourville (together, the "Economic Participation Agreements"). The Economic Participation Agreements are for the life of the Wanipigow Sand Project and reflect the parties' non-financial commitment and support for the Wanipigow Sand Project. The Company has agreed to certain participation payments over the life of the project. In prior periods, the Company entered into various contractual agreements relating to the acquisition of title of quarry leases that included advance and future royalty payments. Participation and advance royalty payments made during the year are recorded in exploration and evaluation expenditures (*Note 4*).

The commitments that the Company has made in respect of the participation and quarry lease agreements include advance royalty and participation payments totaling \$100,000 in fiscal year ending September 30, 2020 and \$325,000 in the fiscal year in which commercial production commences which is currently projected for fiscal year 2021.

These royalty and participation agreements also commit the Company to quarterly payments once production commences, totaling \$3.30 per tonne silica sand sold as fracture proppant, \$2.80 per tonne of silica sand sold and \$0.50 per tonne of construction aggregates sold as well as a further royalty payment of \$1.00 per tonne of silica sand sold as fracture proppant, \$0.50 per tonne of silica sand sold and \$0.50 per tonne for construction aggregates sold relating to tonnes mined and sold on the nine quarry leases acquired from Gossan Resources Limited.

17. COMMITMENTS & CONTINGENCIES (continued)

Reduction in future royalty commitments

The Company entered an agreement with Char Crete Ltd. and a number of third parties in the prior year to purchase title to nine quarry leases for \$1.5 million plus a production royalty. An additional \$1.3 million was paid upon the legal transfer of title to the Company. Upon the Company attaining commercial production, the Company is entitled to recover the additional \$1.3 million payment plus interest at 9% compounded annually before the production royalty owing to Char Crete Ltd. commences.

The Company entered agreements with Gossan Resources Limited in prior years to purchase title to nine quarry leases for cash, shares and a production royalty. It was further agreed that the Company would pay Gossan a semi-annual advance royalty payment of \$50,000 prior to initial production starting December 18, 2015. This advance royalty payment can be deducted from future production royalties owing once commercial production commences. The Company can re-acquire 50% of the production royalty for \$1,500,000 any time.

Future royalty income

On January 8, 2018, the Company completed the sale of its Timmins mineral exploration properties to Central Timmins Exploration Corp. ("CTEC"), for a cash consideration payable at closing of \$350,000 and a Net Smelter Royalty (the "NSR") payable to the Company that varies from 1% to a maximum of 2%, depending upon the claims and the pre-existing NSR burden. The NSR provides CTEC the option to buy the Company's NSR for cash consideration of \$1,500,000 by January 7, 2020, and if the buyout is not fully exercised, the NSR payable to the Company is capped at \$5,000,000, excluding any buy out payments.

18. SUBSEQUENT EVENTS

On December 12, 2019, the Board approved the issuance of 350,000 options under the existing stock option plan. 260,000 of these options will be granted to key management personnel defined as directors and named executive officers.

On December 5, 2019, the Company announced that it intends to conduct a non-brokered private placement (the "**Offering**") of secured convertible debentures (the "**Convertible Debentures**") for total gross proceeds of up to \$10 million at a price of \$1,000 and integral multiples thereof per Convertible Debenture. The Convertible Debentures will bear interest at 12% per annum, compounded quarterly from their date of issuance and payable in arrears on maturity. No interest payments will be made until such date. The Debentures will mature on the date that is four (4) years from the date of issuance (the "**Maturity Date**"). The Convertible Debentures and accrued Interest thereon are convertible into common shares ("**Common Shares**"), at the holder's option, at a price of \$1.25 per Common Share (the "**Conversion Price**"), subject to adjustment in certain events, at any time prior to the Maturity Date. Closing of the Offering remains subject to the acceptance of the TSX Venture Exchange. The Company may pay finder's fees in connection with the issuance of the Debentures under the Offering. The Debentures and the Common Shares issuable upon conversion of the Debentures will be subject to a statutory hold period expiring on the date that is four months and one day after closing.