CPS
CANADIAN PREMIUM SAND INC.

Unaudited Interim Condensed Financial Statements

For the three and nine months ended
June 30, 2019 and 2018

MANAGEMENT'S RESPONSIBILITY FOR INTERIM FINANCIAL REPORTING

The accompanying unaudited interim condensed financial statements of Canadian Premium Sand Inc. (the "Company") are the responsibility of management and the Board of Directors of the Company.

The unaudited interim condensed financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim condensed financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the unaudited interim condensed financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board using accounting policies consistent with IFRS appropriate in the circumstances.

The Board of Directors is responsible for reviewing and approving the unaudited interim condensed financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim condensed financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim condensed financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Glenn Leroux"
President & Chief Executive Officer,
and acting in the capacity of Chief Financial Officer

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the unaudited interim condensed financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed financial statements of the Corporation 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 the Canadian Institute of Chartered Accountants for a review of unaudited interim condensed financial statements by an entity's auditor.

Statements of Financial Position

(Expressed in Canadian Dollars)
(Unaudited)

As at,	June 30, 2019	September 30, 2018
	$	**$**
Assets		
Current Assets		
Cash and cash equivalents *(Note 6)*	**3,256,851**	10,547,859
Receivables and other assets *(Note 7)*	**306,669**	75,443
	3,563,520	10,623,302
Non-Current Assets		
Property, plant and equipment - vehicles *(Note 8)*	**41,288**	-
	3,604,808	10,623,302
Liabilities		
Current Liabilities		
Trade and other payables *(Note 9)*	**4,697,282**	164,596
	4,697,282	164,596
Shareholders' Equity		
Capital stock *(Note 13)*	**22,546,331**	22,546,331
Share-based payments reserve	**1,265,160**	847,241
Deficit	**(24,903,965)**	(12,934,866)
	(1,092,474)	10,458,706
Total Liabilities and Shareholders' Equity	**3,604,808**	10,623,302

Nature of Operations and Going Concern (*Note 1*)
Commitments and Contingencies (*Note 14*)

Approved by the Board of Directors

"Rodrigo Sousa"
Director

"Richard Williams"
Director

CANADIAN PREMIUM SAND INC.

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

	Three months ended June 30,		**Nine months ended June 30,**	
	2019	2018	**2019**	2018
	$	$	$	$
Administrative Expenses				
Interest income	**23,704**	-	**57,636**	-
Professional fees	**(116,872)**	(71,533)	**(495,246)**	(371,709)
General and administrative	**(199,157)**	(13,043)	**(391,248)**	(70,525)
Depreciation (*Note 8*)	**(2,752)**	-	**(2,752)**	-
Share-based payments (*Notes 10 and 13*)	**(211,678)**	-	**(417,919)**	(734,180)
Shareholders' information	**(2,294)**	(2,288)	**(35,785)**	(21,590)
Investor relations and travel	**(8,429)**	(12,031)	**(22,797)**	(16,717)
Total Administrative Expenses	**(517,478)**	(98,895)	**(1,308,111)**	(1,214,721)
Exploration & evaluation expenditures *(Note 3)*	**(5,620,191)**	(81,327)	**(10,660,988)**	149,475
Change in fair value of convertible debenture	**-**	(67,694)	**-**	(221,210)
Net loss and comprehensive loss for the period	**(6,137,669)**	(247,916)	**(11,969,099)**	(1,286,456)
Loss per share – basic and diluted	**$ (0.289)**	$ (0.027)	**$ (0.563)**	$ (0.146)
Weighted average number of shares outstanding – basic and diluted	**21,244,460**	9,186,804	**21,244,460**	8,793,178

*On November 15, 2018 the Company consolidated its outstanding common shares on a 15:1 basis. Comparative periods have been adjusted to give effect to this.

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CANADIAN PREMIUM SAND INC.

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

	Capital Stock		Reserves			
	Number of shares	Amount	Share-based payments	Warrants	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
Share-based payments *(Note 10 and 13)*	-	-	365,118	-	-	365,118
Shares issued on exercise of options *(Note 13)*	30,000	61,815	(16,815)	-	-	45,000
Shares issued for private placement *(Note 13)*	8,666,667	13,000,000	-	-	-	13,000,000
Share issue costs	-	(449,255)	-	-	-	(449,255)
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 10 and 13)*	-	-	417,919	-	-	417,919
Net loss and comprehensive loss for the period	-	-	-	-	(11,969,099)	(11,969,099)
Balance at June 30, 2019	**21,244,460**	**$22,546,331**	**$1,265,160**	**$ -**	**$(24,903,965)**	**$(1,092,474)**

*On November 15, 2018 the Company consolidated its outstanding common shares on a 15:1 basis. Comparative periods have been adjusted to give effect to this.

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CANADIAN PREMIUM SAND INC.

Statements of Cashflows
(Expressed in Canadian Dollars)

Three and Nine months ended June 30, 2019 and 2018

	Three months ended June 30,		Nine months ended June 30,	
	2019	2018	**2019**	2018
	$	$	$	$
Operating activities				
Net loss for the period	**(6,137,669)**	(247,916)	**(11,969,099)**	(1,286,456)
Items not involving cash:				
Depreciation	**2,752**	-	**2,752**	-
Share-based payments *(Notes 10 and 13)*	**211,678**	-	**417,919**	734,180
Change in fair value of debenture	-	387,601	-	221,210
Shares issued on convertible debt conversion	-	(319,907)	-	-
	(5,923,239)	(180,222)	**(11,548,428)**	331,066
Change in non-cash working capital:				
Receivables and other assets	**(161,658)**	28,067	**(231,226)**	28,426
Trade and other payables	**2,958,287**	21,565	**4,532,686**	(166,999)
	(3,126,610)	(130,590)	**(7,246,968)**	(469,639)
Investing activities				
Purchase of property, plant, and equipment	-	-	**(44,040)**	-
	-	-	**(44,040)**	-
Decrease in cash and cash equivalents	**(3,126,610)**	(130,590)	**(7,291,008)**	(469,639)
Cash and cash equivalents at beginning of period	**6,383,461**	195,932	**10,547,859**	534,981
Cash and cash equivalents at end of period	**3,256,851**	65,342	**3,256,851**	65,342

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 that is in the process of seeking all necessary third-party approvals and external funding to design, construct, commission, staff and operate a completely enclosed year-round operational silica sand extraction and processing facility at its 100% owned silica sand quarry near Seymourville, Manitoba (the "Wanipigow Sand Project").

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. The Company is now in a position to finalize its resource development plan and seek funding for the Wanipigow Sand Project. As at June 30, 2019, the Company had a deficit of $24,903,965 (September 30, 2018 - $12,934,866), cash of $3,256,851 (September 30, 2018 - $10,547,859), trade and other payables of $4,697,282 (September 30, 2018 - $164,596), and commitments for office space, vehicles and other contractual obligations relating to the acquisition of property and participation agreements for the fifteen month period to September 30, 2020 of $430,535.

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 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 unaudited interim condensed financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the Financial Reporting Interpretations Committee ("IFRIC").

These unaudited interim condensed financial statements were authorized for issuance by the Board of Directors of the Company on August 27, 2019.

2. BASIS OF PREPARATION (continued)

2.2 Basis of presentation and functional and presentation currency

These unaudited interim condensed financial statements have been prepared under the historical cost basis, except for certain assets which are measured at fair value as explained in the accounting policies set out in Note 3 of the Company's annual audited financial statements for the years ended September 30, 2018 and 2017. Management advises readers of these unaudited interim condensed financial statements to review the audited financial statements and accompanying notes for the years ended September 30, 2018 and 2017 in conjunction with the review of these statements.

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 in conformity with IFRS 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.
The most significant estimates and judgments relate to, but are not limited to, the following:

- accounting for convertible debenture as a hybrid investment measured at fair value;
- accounting policy for exploration and evaluation expenditures as an expense; and
- 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.

2.4 Adoption of new and revised standards and interpretations

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 comprehensive loss.

2.5 Future accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee ("IFRSIC") that are mandatory and would 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.

2. BASIS OF PRESENTATION (continued)

2.5 Future accounting pronouncements (continued)

- IFRS 2 - Share-Based Payments. In June 2016, the IASB issued an amendment to IFRS 2 addressing (i) certain issues related to the accounting for cash-settled awards, and (ii) the accounting for equity-settled awards that include a "net settlement" feature in respect of employee withholding taxes. This amendment is effective for annual periods beginning on or after January 1, 2019. The Company is currently reviewing the amendments to assess the impact it may have upon adoption.

- IFRIC 23. Uncertainty over income tax treatments was issued in June 2017 as a clarification to requirements under IAS 12 Income taxes. IFRIC 23 clarifies the application of various recognition and measurement requirements when there is uncertainty over income tax treatments. This interpretation is effective for annual reporting periods beginning on or after January 1, 2019. The Company is currently assessing the impact IFRIC 23 may have on its consolidated financial statements.

3. EXPLORATION AND EVALUATION EXPENDITURES

The Wanipigow Sand Project is situated on, and anticipates the development of, both the Seymourville Property and the Manigotagan Property (as each are defined below).

Seymourville Property

The Company has a 100% interest in nine contiguous quarry leases within the jurisdictional boundaries of the Incorporated Community of Seymourville, Manitoba (the “Seymourville Property”). The Seymourville Property encompasses approximately 478 hectares (1,183 acres) and is substantially located in Seymourville, 160 km north-east of Winnipeg, Manitoba, Canada.

The Seymourville Property was acquired from Char Crete Ltd. and a number of third parties, for $1.5 Million and a production royalty, described in Note 14, plus an additional $1.3 million which was advanced to the vendors upon the formal transfer of title to, and control of, these leases. Upon the Company attaining commercial production, the Company is entitled to recover its additional $1.3 million payment plus interest at 9% compounded annually before the production royalty commences.

Manigotagan Property

The Company has a 100% interest in nine contiguous quarry leases within the jurisdictional boundaries of the Community of Manigotagan, located on the east shore of Lake Winnipeg near the mouth of the Manigotagan River (the "Manigotagan Property”). The Manigotagan Property encompasses 302 hectares (747 acres) and is contiguous to the Company's wholly-owned Seymourville Property.

The Company has made various financial commitments including a production royalty under the terms of the agreement with respect to the Manigotagan Property. These are disclosed in Note 14. The Company can reacquire 50% of the production royalty for $1,500,000 any time.

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, proceeds net (excluding any buy out payments) to the Company. No finder's fees were payable in connection with the transaction.

(Expressed in Canadian Dollars)

3. EXPLORATION AND EVALUATION EXPENDITURES (continued)

Economic Participation Agreements

The Company has entered into economic participation agreements with respect to the Wanipigow Sand Project with the Hollow Water First Nation and with 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 aggregate financial impact of the Economic Participation Agreements, combined with other contractual arrangements, are disclosed in the Note 14 in the financial statements.

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

	Three months ended June 30, 2019	Three months ended June 30, 2018	Nine months ended June 30, 2019	Nine months ended June 30, 2018	Cumulative to date
	$	$	**$**	$	**$**
Wanipigow Sand Project	**5,620,191**	81,327	**10,660,988**	196,404	**17,416,655**
Timmins Area Project Claims	**-**	-	**-**	(345,879)	**3,876,929**
Exploration and evaluation costs	**5,620,191**	81,327	**10,660,988**	(149,475)	**21,293,584**

	Three months ended June 30, 2019	Three months ended June 30, 2018	Nine months ended June 30, 2019	Nine months ended June 30, 2018
Acquisition and Participation costs	**$ 323,245**	$ 50,000	**$ 623,245**	$ 100,000
Sale of Timmins property	**-**	-	**-**	(350,000)
Consulting (*Note 11*)	**391,984**	18,000	**1,385,498**	54,000
Environmental consulting	**678,692**	-	**1,289,810**	-
Field offices	**88,486**	-	**261,271**	2,000
Preconstruction labour	**79,959**	-	**256,966**	-
Accommodation	**64,549**	-	**186,401**	-
Quarry leases	**31,431**	-	**43,370**	-
Plant Design, Drilling, Feasibility	**1,854,701**	-	**3,986,818**	-
Site preparation	**1,985,235**	-	**1,985,235**	-
Supplies and equipment	**79,421**	-	**440,044**	-
Electrical and Internet Upgrade	**42,488**	-	**189,242**	-
Other exploration and evaluation	**-**	13,327	**13,088**	44,525
	$ 5,620,191	$ 81,327	**$ 10,660,988**	$ (149,475)

4. CAPITAL MANAGEMENT

The Company includes shareholders 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

4. CAPITAL MANAGEMENT (continued)

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 reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

5. FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL 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.

Cash and cash equivalents are classified as level 1.

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

The Company's maximum exposure to credit risk as at June 30, 2019 is the carrying value of accounts receivable.

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 June 30,

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

ii) Liquidity risk (continued)

2019, the Company had a cash balance of $3,256,851 (September 30, 2018 - $10,547,859) to settle current liabilities of $4,697,282 (September 30, 2018 - $164,596) and commitments for the 15-month period from July 1, 2019 to the year ended September 30, 2020 of $430,535. All of the Company's financial trade liabilities have contractual maturities of less than one year and are subject to normal trade terms. For further details see Note 1.2.

iii) Interest rate risk

The Company's interest rate risk related to interest-bearing obligations and deposits is as follows:

The interest incurred in the prior period on the convertible debentures is at a fixed interest rate and therefore not exposed to changes in market interest rates. The fair value of fixed-rate debt fluctuates with changes in the market interest-rate, but the related future cash flows do not change.

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 June 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 $450,000.

6. CASH AND CASH EQUIVALENTS

The cash balance at June 30, 2019, consists of $3,256,851 (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.

7. RECEIVABLES AND OTHER ASSETS

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

As at		**June 30, 2019**		September 30, 2018
Prepaid expenses	**$**	**39,251**	$	27,179
Other receivable		**124,150**		32,223
HST receivable		**143,268**		16,041
Total receivables and other assets	**$**	**306,669**	$	75,443

(Expressed in Canadian Dollars)

8. PROPERTY, PLANT AND EQUIPMENT ("PPE")

		Vehicles
Cost		
Opening balance, October 1, 2018	$	-
Addition for the period		44,040
Balance at June 30, 2019	**$**	**44,040**
Accumulated depreciation		
Opening balance, October 1, 2018	$	-
Expense for the year		2,752
Balance at June 30, 2019	**$**	**2,752**
Net book value		
At June 30, 2019	**$**	**41,288**
At September 30, 2018	$	-

9. TRADE AND OTHER PAYABLES

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to the silica sand project activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade and other payables:

As at		June 30, 2019		September 30, 2018
Less than 1 month	**$**	**2,798,428**	$	132,758
Over 3 months		**1,898,854**		31,838
Total trade and other payables	**$**	**4,697,282**	$	164,596

10. KEY MANAGEMENT COMPENSATION

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

	Three months ended June 30,				Nine months ended June 30,			
		2019		2018		**2019**		2018
Salaries, consulting fees and short-term benefits	**$**	**139,741**	$	-	**$**	**276,649**	$	63,000
Share-based compensation[1]		**193,302**		-		**399,543**		-

[1]Share based compensation represents a non-cash expense relating to stock options granted to key management personnel.

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.

11. 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 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 June 30, 2019, the trade and other payables balance includes unpaid related party amounts relating to travel and other expense reimbursements of $6,634 (September 30, 2018 - $32,232).

The Company incurred $nil in the nine months ended June 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 nine months ended June 30, 2019 total CDN $1,104,136 (September 30, 2018 - $268,000).

The Company also incurred $16,403 in the nine months ended June 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.

12. 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 holders of the Debentures had the option at any time prior to the earlier of the Maturity Date, a "change of control" of the Company or the business day immediately preceding the date specified by the Company for redemption of the Debentures, to convert the principal amount of some or all of the Debentures and accrued interest thereon into Common Shares at a conversion price of $0.825 per Common Share. Prior to the Maturity Date, the Company could at any time following the completion of a separate financing of at least $2 million for the purpose of developing the Company's Wanipigow Sand Project at its option redeem all, or any portion of the principal and accrued interest on the Debentures at a cash price equal to all outstanding principal and accrued interest under each Debenture plus a redemption premium equal to either: (i) an additional 5% of the principal sum if the redemption occurs within three months from the date of issuance of the Debentures;

(Expressed in Canadian Dollars)

12. CONVERTIBLE DEBENTURES (continued)

or (ii) an additional 3% of the principal sum if the redemption occurred after three months from the date of issuance of the Debentures.

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 13).

13. CAPITAL STOCK

(a) Authorized

As at June 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 June 30, 2019	**21,244,460**	**$22,546,331**

On January 10, 2018, the Company converted an aggregated amount of $266,244 representing $252,000 of the outstanding Debentures plus $14,244 in accrued interest and issued 322,720 common shares at a price of $0.825 per share.

On March 9, 2018, the Company converted an aggregated amount of $53,663 representing $50,000 of the outstanding Debentures plus $3,663 in accrued interest and issued 65,046 common shares at a price of $0.825 per share.

On June 21, 2018, the Company converted an aggregated amount of $3,080,907 representing $2,791,000 of the remaining outstanding Debentures plus $289,907 in accrued interest and issued 3,734,434 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.

(Expressed in Canadian Dollars)

13. CAPITAL STOCK (continued)

(b) Issued (continued)

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 and now holds approximately 13.0% of the issued and outstanding common shares of the Company.

As part of the Offering, Mr. David Wilson, President and CEO of Kelt Exploration Ltd. and parties related to him, acquired 1,333,333 common shares of the Company and now holds 9.2% 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 purpose of the Stock Option Plan is to attract and align the interests of bona fide officers, directors, employees and consultants of the Company in the growth and development of the Company by providing them with the opportunity through stock options to acquire an increased ownership interest in the Company.

All outstanding options have been expensed as share-based payments in the period in which they vested. At June 30, 2019, 1,081,111 (September 30, 2018 – 586,666) options were outstanding and have a weighted average exercise price of $1.307 (September 30, 2018 – $1.275) per option.

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.

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

As at	**June 30, 2019**		September 30, 2018	
	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options
Outstanding at beginning of period/year	**$ 1.275**	586,666	$ 1.500	236,666
Transactions during the period/year:				
Granted	**1.343**	516,667	1.275	586,666
Exercised	**-**	-	1.500	(30,000)
Expired	**-**	**-**	1.500	(206,666)
Forfeited	**1.275**	(22,222)	**-**	**-**
Outstanding at end of period/year	**1.307**	1,081,111	1.275	586,666
Exercisable at end of period/year	**$ 1.296**	563,333	$ 1.275	195,555

(Expressed in Canadian Dollars)

13. CAPITAL STOCK (continued)

(c) Stock Options (continued)

The weighted average remaining contractual life of the options outstanding at June 30, 2019 is 2.17 years (September 30, 2018 – 2.33 years).

(d) Share-based payments

On January 24, 2018, the Company granted options to acquire an aggregate of 520,000 common shares of the Company at an exercise price of $1.275 per share until January 24, 2021. 120,000 options were granted to the Company's Executive Chairman and 100,000 options were granted to each of the other four directors at the time. The options are exercisable over a 3-year period ending January 24, 2021, with one-third of the options vesting immediately, one-third vesting on the first anniversary date of the grant, and one-third on the second anniversary date of the grant.

On February 12, 2018, the Company granted the Company's Chief Operating Officer options to acquire 66,666 common shares in the capital of the Company at an exercise price of $1.275 per Share until February 12, 2021. The options are exercisable over a 3-year period ending February 12, 2021, with one-third of the options vesting immediately, one-third vesting on the first anniversary date of the grant, and one-third on the second anniversary date of the grant.

On October 5, 2018, the Company granted options to acquire an aggregate of 116,667 common shares of the Company at an exercise price of $2.175 per share until October 5, 2021. 100,000 options were granted to a director of the Company and 16,667 options were granted to a consultant. The options are exercisable over a 3-year period ending October 5, 2021, with one-third of the options vesting immediately, one-third vesting on the first anniversary date of the grant, and one-third on the second anniversary date of the grant.

On June 20, 2019, the Company granted options to acquire an aggregate of 400,000 common shares of the Company at an exercise price of $1.10 per share until June 20, 2022. 300,000 options were granted to the Company's Chief Executive Officer and 100,000 options were granted to the Vice-President, Business Development. The options are exercisable over a 3-year period ending June 20, 2022, with one-third of the options vesting immediately, one-third vesting on the first anniversary date of the grant, and one-third on the second anniversary date of the grant.

Subsequent to June 30, 2019, 44,444 vested stock options were forfeited.

The following table summarizes the assumptions used with the Black-Scholes valuation model for stock options issued and outstanding as at June 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	0.00%	0.00%	0.00%	0.00%
Grant date share price	$1.10	$2.17	$1.35	$1.35
Remaining contractual life	2.98	2.27	1.62	1.57
Fair value of options granted	$415,552	$237,472	$81,066	$596,463

(Expressed in Canadian Dollars)

13. CAPITAL STOCK (continued)

(d) Share-based payments (continued)

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Volatility is based on the historical volatility of the Company. Changes in the underlying assumptions can materially affect the fair value estimates.

14. 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.

The Company is committed to monthly payments under the terms of operating agreements for the office space and vehicle leases. The aggregate remaining payments per fiscal year are as follows:

July 1, 2019 to September 30, 2019	$	23,145
October 1, 2019 to September 30, 2020	$	82,390
October 1, 2020 to September 30, 2021	$	25,403
October 1, 2021 to September 30, 2022	$	24,702
October 1, 2022 to September 30, 2023	$	4,692

Under various contractual agreements relating to the acquisition of property and participation agreements, the Company has committed to certain payments as follows:

October 1, 2019 to September 30, 2020	$	325,000

These agreements also commit the Company to quarterly payments once production commences, totaling $3.80 per tonne silica sand sold as fracture proppant, $3.30 per tonne of silica sand sold and $1.00 per tonne of construction aggregates sold.

There is a further royalty payment to be made under an agreement relating to the acquisition of property, once production commences, based on the proportion of area to be mined on certain leases compared to the total area to be mined per the NI 43-101 Technical Report and pre-feasibility study. The maximum royalty to be paid would be $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.