

CANADIAN PREMIUM SAND INC.

FINANCIAL STATEMENTS

Years Ended

September 30, 2020 and 2019



Independent auditor's report

To the Shareholders of Canadian Premium Sand Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Canadian Premium Sand Inc. (the Company) as at September 30, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at September 30, 2020;
- the statement of loss and comprehensive loss for the year then ended;
- the statement of changes in (deficit) equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which describes events or conditions that 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.

PricewaterhouseCoopers LLP
111-5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Comparative information

The financial statements of the Company for the year ended September 30, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on December 12, 2019.

Other information

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

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

In connection with our audit of the 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 a 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 the financial statements in accordance with IFRS, 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 Jason Grodziski.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
December 3, 2020

As at September 30,	Note	2020	2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	5	1,262,485	1,834,466
Trade and other receivables	14(b)	233,574	347,481
Prepaid expenses and deposits		15,437	23,977
Total current assets		1,511,496	2,205,924
Property, plant and equipment	6	25,493	38,535
Right of use assets	7	16,752	-
Total assets		1,553,741	2,244,459
Liabilities and shareholders' (deficit) equity			
Current liabilities			
Accounts payable and accruals	14(c)	2,581,854	4,571,866
Current portion of lease liabilities	8	25,996	-
Total current liabilities		2,607,850	4,571,866
Lease liabilities	8	19,024	-
Long-term borrowings	9	40,000	-
Convertible debentures	10	1,961,575	-
Decommissioning provision	11	92,815	78,399
Total liabilities		4,721,264	4,650,265
Shareholders' (deficit) equity			
Capital stock	12	22,546,331	22,546,331
Share-based compensation reserve		1,753,462	1,493,883
Convertible debentures - equity component	10	94,891	-
Deficit		(27,562,207)	(26,446,020)
Total shareholders' (deficit) equity		(3,167,523)	(2,405,806)
Total liabilities and shareholders' (deficit) equity		1,553,741	2,244,459

Nature of Operations and Going Concern (Note 1)

Commitments and Contingencies (Note 23)

Approved by the Board of Directors

“Rodrigo Sousa”

Director

“Richard Williams”

Director

Years ended September 30,	Note	2020	2019
		\$	\$
Sand sales revenue	15	1,352,725	-
Cost of sales	16	1,272,077	-
Gross profit		80,648	-
Selling, general and administrative	16	971,134	1,546,261
Exploration and evaluation expenditures	4	1,151,099	11,469,693
Share-based compensation	12	259,579	646,642
Foreign exchange loss (gain)		35,693	(83,496)
Loss on disposal of assets	6,7	21,118	-
Impairment	17	81,674	-
Loss from operations		(2,439,649)	(13,579,100)
Other income	18	(1,469,253)	-
Net finance costs (income)	19	145,791	(67,946)
Loss before income taxes		(1,116,187)	(13,511,154)
Income tax (recovery) expense	20	-	-
Net loss and comprehensive loss		(1,116,187)	(13,511,154)
Loss per share – basic and diluted		(0.05)	(0.64)
Weighted average number of shares outstanding - basic and diluted	12	21,244,460	21,244,460

	Note	Capital stock		Share-based compensation reserve	Convertible debentures	Deficit	Total
		Number of shares	Amount				
				\$	\$	\$	\$
Balance at October 1, 2018		21,244,460	22,546,331	847,241	-	(12,934,866)	10,458,706
Share-based compensation	12	-	-	646,642	-	-	646,642
Net 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)
Balance at October 1, 2019		21,244,460	22,546,331	1,493,883	-	(26,446,020)	(2,405,806)
Share-based compensation	12	-	-	259,579	-	-	259,579
Convertible debentures - equity component	10	-	-	-	94,891	-	94,891
Net loss for the year		-	-	-	-	(1,116,187)	(1,116,187)
Balance at September 30, 2020		21,244,460	22,546,331	1,753,462	94,891	(27,562,207)	(3,167,523)

Years ended September 30,	Note	2020	2019
Operating activities		\$	\$
Net loss for the year		(1,116,187)	(13,511,154)
Adjusted for the following:			
Depreciation	6,7	41,243	5,505
Share-based compensation	12	259,579	646,642
Interest and accretion		166,801	-
Unrealized foreign exchange loss (gain)		49,478	(78,309)
Loss on disposal of assets	6,7	21,118	-
Decommissioning	11	13,457	78,399
Impairment	17	81,674	-
Other income	18	(1,469,253)	-
Net changes in non-cash working capital		(532,193)	4,189,564
Net cash used in operating activities		(2,484,283)	(8,669,353)
Investing activities			
Purchase of property, plant and equipment	6	-	(44,040)
Net cash used in investing activities		-	(44,040)
Financing activities			
Proceeds from convertible debentures, net of issuance costs	10	1,902,196	-
Proceeds from long-term borrowings	9	40,000	-
Payment of lease	8	(29,894)	-
Net cash from financing activities		1,912,302	-
Decrease in cash and cash equivalents		(571,981)	(8,713,393)
Cash and cash equivalents at beginning of year		1,834,466	10,547,859
Cash and cash equivalents at end of year		1,262,485	1,834,466
Supplemental disclosure of cash flow information:			
		\$	\$
Cash interest received		15,157	67,946
Cash interest (paid)		(1,922)	-

1. NATURE OF OPERATIONS AND GOING CONCERN**(a) General**

The Company was formed under the Business Corporations Act (Ontario) on September 21, 2005 by articles of incorporation and continued under the Canada Business Corporations Act in 2019. The Company is presently a "Venture Issuer" as defined in NI51-102 and trades under the trading symbol "CPS."

The Company's head and principal office is located at Suite 400, 522 – 11th Avenue S.W., Calgary, Alberta T2R 0C8.

The Company is an exploration stage company that is currently evaluating a high-grade silica sand deposit located approximately 160 kilometers northeast of Winnipeg, Manitoba, to commercially develop a silica sand quarry and related processing facilities.

(b) Going concern

The Company is in the exploration and evaluation phase of its Wanipigow Sand Project (the "Project") and remains dependent on external financing to fund its activities. The COVID-19 pandemic has resulted in a slowdown of the global economy and significant volatility in the financial markets which could have an adverse impact on the Company's ability to secure additional financing to continue to develop the Wanipigow Sand Project.

These financial statements have been prepared in accordance with 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.

As at September 30, 2020, the Company had a deficit of \$27,562,207 (September 30, 2019 - \$26,446,020), cash of \$1,262,485 (September 30, 2019 - \$1,834,466), accounts payable and accruals and current lease liabilities of \$2,607,850 (September 30, 2019 - \$4,571,866), and commitments for the acquisition of quarry leases and participation agreements for the twelve-month period to September 30, 2021 of \$158,280. For further details see Commitments and Contingencies (Note 23).

To date, the Company's efforts have been devoted to the financing, exploration and evaluation of the Company's Wanipigow Sand Project, and securing the necessary permits and regulatory approvals to make a final investment decision. The Company is currently focused on refining the logistics, design and associated operational elements of a producing silica sand quarry. The Company is also performing additional laboratory testing of the silica sand as part of a process to explore broader industrial uses and markets for its silica sand.

The Company's continued existence is dependent upon the preservation of its interest in the Company's quarry leases, continued enhancement of the economic feasibility of the Project and successful pursuit of additional financing to fund future operations of the Wanipigow Sand Project. These material uncertainties lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company intends to actively pursue funding in the next year to complete the evaluation and permitting activities required for the Company to be positioned to make a final investment decision to develop the Wanipigow Sand Project. There is no assurance that these initiatives will be successful. Significant challenges in raising new capital through the equity and debt markets exist, compounded by the unprecedented business climate created by the COVID-19 pandemic. It is uncertain how long these events will continue to impact the economy and the Company's ability to secure financing. 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. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be

1. NATURE OF OPERATIONS AND GOING CONCERN - CONTINUED

(b) Going concern (continued)

necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. BASIS OF PREPARATION

(a) Basis of presentation

These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations by the International Financial Reporting Interpretations Committee (IFRIC).

These financial statements are presented in Canadian Dollars, which is the functional and presentation currency of the Company. The financial statements have been prepared on a historical cost basis, except for certain financial instruments and share-based compensation transactions that have been measured at fair value.

The accounting policies described in *Note 3* have been applied consistently to all years presented in these financial statements, except as noted herein. Certain figures have been reclassified to conform to the current presentation of these financial statements.

These financial statements were approved by the Board of Directors of the Company on December 3, 2020.

(b) Significant accounting estimates and judgments

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the reported assets, liabilities, revenues, expenses and the disclosure of contingencies. Actual results may differ significantly from these estimates.

The COVID-19 pandemic could have a significant impact on estimates and their underlying assumptions as the course of the COVID-19 pandemic remains highly uncertain. The extent to which COVID-19 impacts the Company's accounting estimates and judgments will depend on future developments which are currently unknown, including, but not limited to; the duration and severity of the pandemic, the impact of the pandemic on economic growth, commodity prices, financial and capital markets and government responses and restrictions. The adverse impacts of the COVID-19 pandemic may be more significant in upcoming financial periods as compared with the year ended September 30, 2020. Even after the COVID-19 pandemic has subsided, the Company may continue to experience materially adverse effects as a result of the pandemic's global economic impact.

Estimates and assumptions are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the year in which the estimates are revised.

The following is a description of the accounting judgments, estimates and assumptions that are considered significant:

2. BASIS OF PREPARATION - CONTINUED**(b) Significant accounting estimates and judgments (continued)*****Impairment of Inventory***

Inventory is evaluated to ensure it is carried at the lower of cost and net realizable value based on the sales price for similar quality silica sand in the existing market. Significant or unanticipated changes in business conditions affecting demand and silica sand prices could impact the magnitude and timing of impairment recognized.

Exploration and evaluation expenditures

Exploration and evaluation expenditures are recognized as an expense until the determination of technical feasibility and commercial viability which is subject to judgment. Once commercial viability is reached the Company will move out of the exploration and evaluation phase and into the Project development phase.

Right-of-use assets and lease liabilities

Right-of-use assets lease terms consider the non-cancellable period along with facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Lease liabilities incremental borrowing rate is based on judgements about the economic environment in which the Company operates. Actual results could differ significantly as a result of these estimates and judgments.

Convertible debentures

The fair value of the liability component of the convertible debentures utilizes observable market data, including interest rates. As a result of changes in key assumptions, actual amounts may vary significantly from estimated amounts.

Decommissioning liabilities

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.

Share-based compensation

The fair value of share-based compensation is estimated at the grant date using the Black-Scholes option pricing model, which includes underlying assumptions related to volatility, interest rates, dividend yields, and expected life of the options. By their nature, these inputs are subject to measurement uncertainty and require management to exercise judgment.

Income taxes

The amounts recorded for deferred income taxes are based on estimates as to the timing of the reversal of temporary differences and tax rates substantively enacted. Tax regulations and legislation are subject to change and differing interpretations require management judgment. Income tax filings are subject to audits, reassessments and changes in facts, circumstances and interpretations of the standards may result in a material change in the Company's provision for income taxes.

3. SIGNIFICANT ACCOUNTING POLICIES**(a) 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 commercially viable reserves, that there are no significant evaluation activities remaining and final investment decision to proceed with the project has occurred, no further costs will be expensed into exploration and evaluation. Any costs incurred after this date relating to the development of the Project will be capitalized into property, plant and equipment. 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.

(b) 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.

(c) 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.

(d) 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

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**(d) Impairment of non-financial assets (continued)**

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.

(e) 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 compensation 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 compensation 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 compensation 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 compensation 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. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**(e) 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 compensation 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.

(f) Income taxes

The Company follows the liability method of accounting for income taxes whereby deferred income taxes are recognized in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax losses and unused tax credits, to the extent future recovery is probable. Income tax is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized in equity.

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.

The carrying amount of deferred income tax assets is reviewed at each reporting date 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 reporting date 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 deferred income tax liabilities are offset if a legally enforceable right exists to offset 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.

Deferred income tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination when, at the time of the transaction, such deferred income tax does not affect either accounting profit or taxable profit or loss. Deferred income tax is not recognized on investments in subsidiaries, associates and interest in joint ventures when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(g) 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 and the issuance of convertible debentures.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**(g) Loss per share (continued)**

During the years ended September 30, 2020 and 2019, shares issuable on exercise of all the outstanding stock options and convertible debentures were not included in the computation of diluted loss per share as the effect would have been anti-dilutive.

(h) 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 statement of loss and comprehensive loss.

(i) Financial instruments***Classification***

The Company classifies its financial assets and liabilities in the following categories: at fair value through profit or loss (“FVTPL”) or at amortized cost. The Company determines the classification of financial assets and liabilities at initial recognition. The Company’s financial assets consist of cash and cash equivalents and trade and other receivables which are classified as amortized cost. The Company’s financial liabilities consist of accounts payable and accruals, lease liabilities, long-term borrowings, and convertible debentures which are classified as amortized cost.

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 the issue of a convertible borrowing, the Company determines whether the financial instrument is a compound instrument or a hybrid instrument. In a compound instrument, the fair value of 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 fair value of 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 a financial liability at FVTPL, in which case, the entire convertible financial instrument is measured at fair value.

Subsequent to initial recognition, the Company measures the debt component of both a compound and a hybrid financial instrument 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 net loss.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**(i) 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.

(j) 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.

(k) Interest income

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

(l) Royalties

The Company makes advance royalty payments in accordance with certain agreements it has entered into. The Company currently expenses these advance royalty payments when incurred on the basis that they can only be utilized against future production royalties and the Company has not yet achieved commercial production.

The Company received the right to future net smelter royalty income when it disposed of its Timmins property as disclosed in note (23). No asset has been recorded in respect of this future royalty stream on the basis that the property has not yet achieved commercial production.

(m) New accounting policies

- i) The Company adopted IFRS 16, Leases (“IFRS 16” or the “New Standard”) effective October 1, 2019 which replaced IAS 17, Leases (“IAS 17”). The New Standard introduces a single lessee accounting model and requires a lessee to

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(m) New accounting policies (continued)

recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Company elected the modified retrospective transition approach, which provides lessees a method for recording existing leases at adoption with no restatement of prior period financial information. Under this approach, a lease liability was recognized at October 1, 2019 in respect of leases previously classified as operating leases, measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate where the implicit rate in the lease is not readily determinable at transition. The right-of-use assets were measured at amounts equal to the respective lease liabilities, subject to certain adjustments allowed under

IFRS 16. The Company elected to utilize practical expedients permitted under the New Standard for low-value asset leases and short-term leases which are expensed as incurred.

Adoption of the new standard at October 1, 2019 resulted in the recording of right-of-use assets and lease liabilities of \$101,684 related to property and vehicles. The implicit and incremental borrowing rate used to determine the lease obligation at adoption is approximately 8%. The right-of-use assets recognized were measured at amounts equal to the lease obligation. The new standard did not materially impact net loss or cashflows for the year ended September 30, 2020.

The new lease accounting standard IFRS 16 resulted in the following new accounting policies:

Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Company.

Lease liabilities are initially measured at the present value of unpaid lease payments, less any lease incentives. Lease payments include fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. Lease payments are discounted using the Company's incremental borrowing rate where the rate implicit in the lease is not readily determinable. Payments are applied against the lease obligation and interest expense is recognized on the lease obligations using the effective interest method.

Right-of-use assets are initially measured at the amount of the lease liability, plus any lease payments made at or before the commencement date, any initial direct costs, and estimated cost for dismantling or restoring the asset. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and impairment losses and adjusted for certain measurements of the lease liability.

Lease payments on short-term leases or leases on which the underlying asset is of low value are accounted for as expenses on a straight-line basis in net loss.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(m) New accounting policies (continued)

- ii) During the year ended September 30, 2020, the Company commenced selling silica sand into the Western Canadian market, resulting in inventory, revenue, and cost of goods sold. The following policies were adopted during the year ended September 30, 2020 in relation to this new sales activity:

Inventory

Sand inventory is stated at the lower of cost or net realizable value using the average cost method. The net realizable value of inventory is the estimated selling price in the ordinary course of business less estimated costs of completion and costs to sell. Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. The key assumptions require the use of management judgment regarding reliability of evidence available and are reviewed on a quarterly basis. Write-downs of inventory resulting from net realizable value impairments are reported as a component of operating expenses.

Revenue recognition

Sand sales revenue consists of the selling of silica sand into the Western Canadian market. The Company's performance obligations relate primarily to the delivery of these products to our customers, with each separate shipment representing a separate performance obligation. Revenue is recognized at the point in time when the customer obtains control of the product. Control is achieved when the shipment reaches the destination transload facility, the Company has a present right to payment for the product, significant risks and rewards of ownership have transferred to the customer according to contract terms and there is no unfulfilled obligation that could affect the customer's acceptance of the product.

- iii) During the year ended September 30, 2020, the Company adopted the following accounting policy as a result of qualifying for the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Business Account ("CEBA") programs:

Government assistance

Government grants are recognized when there is reasonable assurance that the relevant conditions of the grant are met and that the grant will be received. The Company records the grant in net loss as a reduction of the cost of related expenditures in the period in which eligible costs are incurred. Where government grants are provided in the form of a forgivable loan, proceeds are recorded as a financial liability and not recognized as a reduction of the cost of the related expenditures incurred until reasonable assurance of forgiveness has been obtained.

(n) Future accounting pronouncements

There are standards and interpretations that are issued, but not yet effective, however the Company does not expect them to have any significant impact on the Company's financial statements in future periods.

4. EXPLORATION AND EVALUATION EXPENDITURES

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” or “Project”). A small portion of the site area of the Wanipigow Sand Project is within the Community of Manigotagan.

The Wanipigow Sand Project consists of 41 contiguous quarry leases covering 2,148 hectares of land that grant the Company exclusive right to mine quarry minerals on the Project.

The exploration and evaluation expenditures of the Company during the years presented, relate solely to the Wanipigow Sand Project and are broken down by category as follows:

Years ended September 30,	2020	2019
	\$	\$
Advance royalty payments	100,000	100,000
Acquisition and participation costs	36,257	575,002
Environmental & logistics consulting	61,575	2,723,375
Field office expenses	80,877	921,617
Labour ¹	367,749	346,861
Plant design, drilling, feasibility	161,867	6,517,829
Equipment rental and site supplies	275,271	49,584
Electrical and internet upgrade	12,803	151,521
Depreciation	41,243	5,505
Decommissioning	13,457	78,399
Total Wanipigow Sand Project expenditures	1,151,099	11,469,693

¹Netted in labour costs are wage subsidies of \$25,000 received as part of the Canada Emergency Wage Subsidy (“CEWS”) program.

The cumulative exploration and evaluation expenditures for the Wanipigow Sand Project are \$19,376,459.

5. CASH AND CASH EQUIVALENTS

The cash and cash equivalents balance at September 30, 2020 consists of \$1,262,485 (September 30, 2019 - \$1,834,466) on deposit with a major Canadian bank.

6. PROPERTY, PLANT AND EQUIPMENT

	Vehicles
	\$
Cost	
Balance at October 1, 2018	-
Additions	44,040
Balance at September 30, 2019	44,040
Additions	13,625¹
Disposals	(20,963)
Balance at September 30, 2020	36,702
Accumulated depreciation	
Balance at October 1, 2018	-
Additions	5,505
Balance at September 30, 2019	5,505
Depreciation	9,634
Disposals	(3,930)
Balance at September 30, 2020	11,209
Carrying amounts	
At September 30, 2019	38,535
At September 30, 2020	25,493

¹During the year ended September 30, 2020, the Company completed a non-cash transaction and swapped a utility vehicle for a used truck resulting in a loss on disposal of \$3,408. The transaction was recorded at fair value.

7. RIGHT OF USE ASSETS

	Property	Vehicles	Total
	\$	\$	\$
Cost			
Balance at October 1, 2019	55,480	46,204	101,684
Disposals	(15,397)	(46,204)	(61,601)
Balance at September 30, 2020	40,083	-	40,083
Accumulated depreciation			
Balance at October 1, 2019	-	-	-
Depreciation	23,331	8,278	31,609
Disposals	-	(8,278)	(8,278)
Balance at September 30, 2020	23,331	-	23,331

7. RIGHT OF USE ASSETS - CONTINUED

Carrying Amounts

At October 1, 2019	55,480	46,204	101,684
At September 30, 2020	16,752	-	16,752

During the year ended September 30, 2020, the Company recorded a decrease in property due to a reduction in rent consideration and reassessment of estimation of lease term and terminated two vehicle leases resulting in a loss on disposal, net of the gain on settlement of the lease liability of \$17,710.

8. LEASE LIABILITIES

As at	September 30, 2020
	\$
Balance at October 1, 2019	101,684
Interest expense	8,226
Principal and interest payments	(29,894)
Disposals	(34,996)
Balance at September 30, 2020	45,020
Current portion of lease liabilities	25,996
Non-current portion of lease liabilities	19,024

The Company incurs lease payments related to property and vehicles. Leases are entered into and exited in coordination with specific business requirements which includes the assessment of the appropriate duration for the related leased assets. The Company has recognized lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments at an implicit and incremental borrowing rate of approximately 14%.

9. LONG-TERM BORROWINGS

In May 2020, the Company secured a \$40,000 interest-free loan through the Canada Emergency Business Account (CEBA) program to support the business during the COVID-19 pandemic. No principal payments are required until December 2022. Repayment of the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 25 percent or \$10,000 of the loan. After 2022, any unpaid balances will be converted to a three-year term at a 5% interest rate.

10. CONVERTIBLE DEBENTURES

On February 26, 2020, the Company closed a non-brokered private placement (the "**Offering**") of secured convertible debentures (the "**Convertible Debentures**") for total gross proceeds of \$1,975,000 at a price of \$1,000 and integral multiples thereof per Convertible Debenture. The Convertible Debentures 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 Convertible Debentures will mature on the date that is four years from the date of issuance (the "**Maturity Date**"). The Convertible Debentures and accrued interest thereon are convertible into common shares ("**Common**").

10. CONVERTIBLE DEBENTURES - CONTINUED

"Shares"), at the holder's option, at a price of \$0.75 per Common Share (the "**Conversion Price**"), subject to adjustment in certain events, at any time prior to the Maturity Date.

On or after February 26, 2022 and prior to their Maturity date, the Convertible Debentures may be redeemed by the Company, in whole or in part, at any time the daily volume weighted average trading price is \$1.20 per Common Share or more over a 30 consecutive trading day period. The Convertible Debentures may be redeemed for either a cash payment or by issuing Common Shares at a deemed price of \$0.75 per Common Share that is equal to all outstanding principal and accrued interest up to the redemption date or any combination thereof, on not less than 30 days' notice to the Convertible Debenture holders.

The Convertible Debentures are a secured obligation of the Company which will rank senior to all present and future indebtedness that is not senior indebtedness which will involve the grant by the Company of a fixed and floating charge over all of its present and after acquired property. If a change of control of the Company occurs prior to the Maturity Date, unless the holder elects in writing to convert the Convertible Debentures into Common Shares, the Company will repay in cash upon the closing of such change of control all outstanding principal and accrued interest under each Convertible Debenture plus a change of control premium equal to an additional 3% of the outstanding principal sum under such Convertible Debenture.

The Convertible Debentures represent a compound financial instrument that contains a host debt contract and equity component. The net proceeds received from the issue of the Convertible Debentures have been split between the financial liability and equity components as follows:

	\$
Proceeds from issue of convertible debentures	1,975,000
Transaction costs	(72,804)
Net proceeds from issue of convertible debentures	1,902,196
Equity component	98,523
Transaction costs relating to equity component	(3,632)
Amount classified as equity at September 30, 2020	94,891
Liability component	1,876,477
Transaction costs relating to liability component	(69,172)
Accrued interest and accretion (effective interest rate of 15.1%)	149,049
Amortization of transaction costs	5,221
Carrying amount of liability component at September 30, 2020	1,961,575

The initial fair value of the liability portion of the Convertible Debentures was determined using the prevailing market interest rate of 14% for similar non-convertible instruments at the issue date. The liability is subsequently recognized on an amortized cost basis using the effective interest rate method until extinguished upon conversion, redemption, or maturity of the Convertible Debentures. The remainder of the proceeds is allocated to the equity component recognized in shareholder's equity, and not subsequently remeasured.

11. DECOMMISSIONING PROVISION

Years ended September 30,	2020	2019
	\$	\$
Balance, beginning of year	78,399	-
Liabilities incurred	-	78,399
Change in discount rate	13,457	-
Accretion	959	-
Balance, end of year	92,815	78,399

The estimated cash flows required to settle the provision have been discounted using a rate of approximately 1.11% and an inflation rate of 1.9% at September 30, 2020 (September 30, 2019 – 1.75%; 1.9% respectively). These obligations are expected to be settled in approximately 25 years.

12. CAPITAL STOCK

(a) Authorized

The Company is authorized to issue an unlimited number of common shares. The shares have no par value. All issued shares are fully paid.

(b) Issued and outstanding common shares

	Number of Shares	Amount
Balance at September 30, 2018, 2019 and 2020	21,244,460	\$22,546,331

(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.

The options issued to date vest 1/3 on grant date and 1/3 on the anniversary date of the grant over a two-year period and expire three to five years from the issue date.

The compensation expense that has been recognized in net loss for the year ended September 30, 2020 is \$259,579 (year ended September 30, 2019 - \$646,642). The corresponding amounts have been recognized in share-based compensation reserve.

12. CAPITAL STOCK – CONTINUED

(c) Stock options (continued)

A summary of the stock options issued and outstanding and changes during the years ended September 30:

As at September 30,	2020		2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding at beginning of year	1,036,666	1.31	586,666	1.28
Granted	350,000	0.35	516,667	1.34
Forfeited	(120,000)	1.12	(66,667)	1.28
Outstanding at end of year	1,266,666	1.06	1,036,666	1.31
Exercisable at end of year	874,444	1.19	518,889	1.30

In March 2020, 350,000 options were granted under the existing stock option plan of which 260,000 of these options were granted to key management personnel defined as directors and executive officers. On March 30, 2020, a director resigned and forfeited 120,000 options.

The weighted average grant date fair value of options granted during the year ended September 30, 2020 is \$0.34 per option (year ended September 30, 2019 – \$1.92) using the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility. The Company applied the following assumptions in determining the fair value of options for grants during the years ended:

Years ended September 30,	2020	2019
Expected life (years)	5	3
Expected volatility	193%	215%
Risk-free interest rate	1.1%	1.4%
Dividend yield	0.0%	0.0%

The following table summarizes information about stock options outstanding at September 30, 2020:

Options outstanding				Options exercisable	
Exercise price	Number outstanding	Weighted average remaining life	Weighted average exercise price	Number exercisable	Weighted average exercisable price
\$			\$		\$
0.35	330,000	4.42	0.35	110,000	0.35
1.10	400,000	1.72	1.10	266,667	1.1
1.28	420,000	0.32	1.28	420,000	1.28
2.18	116,666	1.01	2.18	77,777	2.18
0.35 - 2.18	1,266,666	1.89	1.06	874,444	1.19

13. 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 exploration and development of the Wanipigow Sand Project 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 the properties in which the Company currently has an interest are in the exploration stage with no operating revenues. In February 2020, the Company closed the Offering of Convertible Debentures whereby the net proceeds of \$1,902,196 will be used for the continued development of the Company's Wanipigow Sand Project and for general working capital purposes.

Although the Company was successful in securing debt and equity financing in recent periods, there are significant challenges in raising new capital through the equity and debt markets, especially in the unprecedented business climate created by the COVID-19 pandemic. It is uncertain how long this pandemic driven recession will continue. As such, there is no way for management to accurately predict the pace of economic recovery with any degree of confidence nor when the Company will be able to raise additional funds to support further development of the Wanipigow Sand Project.

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.

14. FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL AND OTHER RISK

(a) Fair value

The fair values of cash and cash equivalents, trade and other receivables, and accounts payable and accruals included in the statement of financial position approximate their carrying amount due to the short-term maturity of these instruments.

The fair value of the capital lease obligations, long-term borrowings and the liability component of the convertible debentures is determined based on discounted cash flows, including interest at current rates for similar instruments.

The Company analyzes financial instruments carried at fair value by valuation method. The different levels have been defined 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.

14. FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL AND OTHER RISK – CONTINUED

(a) Fair value (continued)

As at September 30, 2020	Carrying amount	Fair Value		
		Level 1	Level 2	Level 3
	\$	\$	\$	\$
Financial liabilities at amortized cost ¹ :				
Long-term borrowings	40,000	-	35,838	-
Convertible debentures	1,961,575	-	1,706,892	-

¹ Comparatives are \$nil as at September 30, 2019.

(b) Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and trade and other receivables included in current assets. For the year ended September 30, 2020, the Company had sales to two customers which exceeded ten percent of revenue. Sales to such customers totaled \$1,048,371 and \$201,754 respectively (\$nil revenue for the year ended September 30, 2019).

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 considers its accounts receivable to be aged as follows:

As at September 30,	2020	2019
	\$	\$
Less than 30 days	223,413	89,154
31 to 60 days	10,161	-
61 to 90 days	-	-
Greater than 90 days	-	258,327
Total trade and other receivables¹	233,574	347,481

¹ Subsequent to the respective year ends, the Company collected the total trade and other receivables in full.

(c) 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, 2020, the Company had a cash balance of \$1,262,485 (September 30, 2019 - \$1,834,466) to settle current liabilities of \$2,607,850 (September 30, 2019 - \$4,571,866) and commitments for the 12-month period to September 30, 2021 of \$158,280. All the Company's accounts payable and accruals have contractual maturities of less than one year and are subject to normal trade terms. See Going Concern Note 1(b).

14. FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL AND OTHER RISK – CONTINUED

(c) Liquidity risk (continued)

The timing of undiscounted cash outflows relating to financial liabilities, including estimated interest payments, are outlined in the table below:

As at September 30, 2020	Total	1 year	2- 3 years	4–5 years
	\$	\$	\$	\$
Accounts payable and accruals	2,581,854	2,581,854	-	-
Lease liabilities ¹	51,292	24,500	26,792	-
Long-term borrowings	40,000	-	40,000	-
Convertible debentures ¹	3,169,295	-	-	3,169,295
Total	5,842,441	2,606,354	66,792	3,169,295

¹ Principal and interest payments.

(d) Interest rate risk

The Company's interest rate risk relates to interest-bearing cash deposits. At September 30, 2020 the Company holds interest-bearing cash balances of \$1,080,402 (September 30, 2019 - \$1,785,800).

(e) Foreign currency risk

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

As at September 30, 2020, with other variables unchanged, a 10% strengthening (weakening) of the Canadian dollar against the US dollar, Australian dollar and Euro would have decreased (increased) net loss by approximately \$130,000.

Included in accounts payable and accruals at September 30, 2020 is USD \$974,110 (September 30, 2019 - USD \$1,673,044) and EUR \$4,950 (September 30, 2019 – EUR \$nil).

15. REVENUE

During the year ended September 30, 2020, the Company commenced selling silica sand purchased from a mine in Wisconsin, to customers in Western Canada, resulting in \$1,352,725 revenue compared to \$nil in the prior year.

The ability to generate profitable sales since March 2020 has been impacted by the significant decline in oil prices combined with the COVID-19 pandemic.

16. COST OF SALES AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Cost of sales for the year ended September 30, 2020 is \$1,272,077 (for the year ended September 30, 2019 - \$nil) and is comprised of sand purchases including transportation and custom fees as well as third party transload fees.

16. COST OF SALES AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES - CONTINUED

The following table disaggregates the selling, general and administrative expenses for the years ended September 30:

Years ended September 30,	2020	2019
	\$	\$
Employee compensation and benefits ¹	267,902	386,284
Professional fees	539,665	864,283
Office	127,278	246,338
Shareholder information	36,289	49,356
Total selling, general and administrative expenses	971,134	1,546,261

¹ Netted in employee compensation and benefits are wage subsidies of \$49,000 received as part of the CEWS program.

17. IMPAIRMENT OF INVENTORY

The significant decline in oil prices combined with the COVID-19 pandemic, decreased drilling and completions in Western Canada which reduced demand and therefore the price of silica sand. As a result, an impairment charge of \$81,674 was recognized to write-down inventory to net realizable value for the year ended September 30, 2020 (\$nil for the year ended September 30, 2019).

18. OTHER INCOME

Other income of \$1,469,253 (\$nil for year ended September 30, 2019), is comprised of \$1,152,025 relating to a negotiated reduction of a trade payable with a major supplier and \$317,228 relating to changes in expected outcomes for certain accrued liabilities based on the information available as at September 30, 2020.

19. NET FINANCE COSTS (INCOME)

Years ended September 30,	2020	2019
	\$	\$
Interest and accretion on convertible debentures	149,049	-
Interest on lease	8,226	-
Interest income	(15,157)	(67,946)
Other finance costs	3,673	-
Total net finance costs (income)	145,791	(67,946)

20. INCOME TAXES

(a) Provision for income taxes

The income tax (recovery) expense differs from that expected by applying the combined federal and provincial income tax rate of 25% (2019 – 26.5%) to loss before income taxes for the following reasons:

Years ended September 30,	2020	2019
	\$	\$
Loss before income taxes	(1,116,187)	(13,511,154)
Expected tax recovery at statutory rates	(279,047)	(3,580,456)
Increase (decrease) from:		
Share-based compensation	64,895	171,360
Non-deductible expenses	835	896
Changes to deferred income tax rates	393,162	-
Share issue costs	112,314	-
Deferred income taxes not recognized	(292,159)	3,407,006
Other	-	1,194
Deferred income tax recovery	-	-

(b) Deferred tax balances

As at September 30,	2020	2019
	\$	\$
Exploration and evaluation expenditures	4,300,584	4,673,461
Property, plant and equipment and other assets	10,781	3,982
Non-capital loss carry forwards	2,247,804	2,206,022
Convertible debentures	37,262	-
Share and debt issue costs	34,064	62,393
Decommissioning provision	23,204	-
Deferred income taxes not recognized	(6,653,699)	(6,945,858)
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, 2020, the Company had \$26,615,000 (2019 - \$26,211,000) of deductible temporary differences where no deferred tax asset was recognized. These deductible temporary differences include non-capital loss carry forwards of \$8,991,000 which expire between 2026 and 2040 and tax pools of \$17,624,000 that are available to reduce future taxable income.

21. KEY MANAGEMENT COMPENSATION

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

Years ended September 30,	2020	2019
	\$	\$
Salaries, consulting fees and benefits	309,121	391,161
Share-based compensation	239,055	618,604
Total key management compensation	548,176	1,009,765

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.

22. 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.

Certain directors of the Company, being Lowell Jackson, John Assman, and Glenn Leroux, and its two largest shareholders being Paramount Resources Ltd. and David Wilson, directly or indirectly participated in the Offering of Convertible Debentures in the aggregate amount of \$1,975,000, thereby making the Offering a “related party transaction” as defined under Multilateral Instrument 61-101.

The Company commenced purchasing frac sand from a third party and selling to a company in which Director Todd Garman, is the President. For the year ended September 30, 2020, revenue recorded is \$1,048,371 (\$nil for the year ended September 30, 2019). There is \$nil balance receivable in relation to this sand sales revenue as at September 30, 2020.

On April 4, 2018, the Company subleased office space based on market value of \$48,000 per year at that date, to Central Timmins Exploration Corp., now P2 Gold Inc. Charles Gryba, the Company’s former President, was a director of Central Timmins Exploration Corp. at that time. The sublease term expired July 31, 2020 which coincided with the date the head lease expired.

In 2018, 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. These arrangements were terminated effective June 12, 2019. Fees paid to these entities for the year ended September 30, 2020 total \$nil (\$1,104,136 for the year ended September 30, 2019).

In 2019, the Company paid legal fees based on normal market rates of \$23,989 to Blaney McMurtry LLP where Nadim Wakeam, former Assistant Corporate Secretary, is a partner. There were no fees paid to Blaney McMurtry in the year ended September 30, 2020.

23. COMMITMENTS AND CONTINGENCIES

The Company is committed to payments under the terms of quarry leases, royalty and participation agreements and provincial statutes as follows:

As at September 30, 2020	Total	1 year	2- 3 years	4-5 years
	\$	\$	\$	\$
Quarry lease agreements ¹	291,400	58,280	116,560	116,560
Royalty and participation agreements ²	425,000	100,000	325,000	-
Total commitments	716,400	158,280	441,560	116,560

¹ Beyond five years, the Company is committed to annual quarry lease payments of \$27 per hectare under lease.

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

(a) Royalty and economic participation agreement commitments

The Company has 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 Company has also entered into various contractual agreements relating to the acquisition of title of eighteen of its quarry leases. Certain of the royalty and participation agreements entered into required payments to be made prior to the commencement of commercial production. These upfront payments are disclosed in the table above.

The royalty and participation agreements combined with the royalty due under Manitoba Provincial statutes, have varying future payments once commercial production commences based on a number of factors including the quarterly extraction rate of the quarried mineral, the location of the extraction, the type of mineral extracted and the sale point end use of the mineral extracted. Due to the variability in the royalty and participation obligations, the Company's future commitment ranges from a maximum of \$4.80 per tonne sold to a minimum of \$3.80 per tonne sold. In addition, if the Company extracts construction aggregates on its quarry leases the royalty is \$1.00 per tonne sold.

The Company has an option to acquire 50% of the production royalty under one agreement for \$1,500,000 within the first three years of achieving initial production. This option can be extended a further two years by increasing the payment to \$2,000,000. This would reduce the maximum royalty per tonne sold to \$4.30 and the minimum royalty per tonne sold to \$3.55.

(b) Reduction of future cash royalty payments

The Company is required to make semi-annual advance royalty payments of \$50,000 under one of its royalty agreements and under another agreement, prepaid a lump sum of \$1.3 million which accrues interest at 9% per annum. The total accrued interest plus cash payments is \$2,066,619 as at September 30, 2020, (\$1,837,265 as at September 30, 2019). These prepaid royalties will reduce future cash payments required under the royalty agreements, once production commences, and will continue to reduce cash payments for a number of years, depending on the annual mineral extraction rate.

23. COMMITMENTS AND CONTINGENCIES - CONTINUED

(c) Future royalty income

The Company received a Net Smelter Royalty (the "NSR") when it sold its Timmins mineral exploration properties that vary from 1% to a maximum of 2%, depending upon the claims and the pre-existing NSR burden once the Timmins properties achieve commercial production. The NSR payable to the Company is capped at \$5,000,000.