



CANADIAN PREMIUM SAND INC.

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended

June 30, 2021

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 Professional Accountants for a review of unaudited interim condensed financial statements by an entity's auditor.



CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)

As at	Note	June 30 2021	September 30 2020
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		4,427,553	1,262,485
Trade and other receivables		14,302	233,574
Prepaid expenses and deposits		11,906	15,437
Total current assets		4,453,761	1,511,496
Property, plant and equipment	5	10,096	25,493
Right of use assets	5	10,197	16,752
Total assets		4,474,054	1,553,741
Liabilities and shareholders' (deficit) equity			
Current liabilities			
Accounts payable and accruals		1,569,854	2,581,854
Current portion of lease liabilities	6	29,000	25,996
Total current liabilities		1,598,854	2,607,850
Lease liabilities	6	1,890	19,024
Long-term borrowings	7	-	40,000
Convertible debentures	8	2,179,426	1,961,575
Decommissioning provision	9	76,861	92,815
Total liabilities		3,857,031	4,721,264
Shareholders' (deficit) equity			
Capital stock	10	27,616,236	22,546,331
Share-based compensation reserve		1,952,039	1,753,462
Convertible debentures - equity component	8	94,891	94,891
Deficit		(29,046,143)	(27,562,207)
Total shareholders' (deficit) equity		617,023	(3,167,523)
Total liabilities and shareholders' (deficit) equity		4,474,054	1,553,741

Nature of Operations and Going Concern (Note 1)
Commitments and Contingencies (Note 15)
Subsequent Events (Note 16)

Approved by the Board of Directors

“Rodrigo Sousa”

Director

“Richard Williams”

Director



CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited)

	Note	Three months ended June 30,		Nine months ended June 30,	
		2021	2020	2021	2020
		\$	\$	\$	\$
Sand sales revenue	12	-	-	-	1,143,918
Cost of sales		-	-	-	1,044,056
Gross profit		-	-	-	99,862
Selling, general and administrative	13	277,590	182,898	654,040	806,492
Exploration and evaluation expenditures	3	131,619	157,774	335,820	1,006,551
Development expenditures	4	72,940	-	150,454	-
Share-based compensation		147,133	13,135	198,577	220,989
Foreign exchange loss (gain)		(12,890)	(68,971)	(72,939)	67,924
Loss on disposal of assets		-	17,710	8,367	21,118
Impairment		-	35,543	-	35,543
Loss from operations		(616,392)	(338,089)	(1,274,319)	(2,058,755)
Other income		-	-	-	(1,152,025)
Net finance costs (income)		73,883	62,459	209,617	77,324
Loss before income taxes		(690,275)	(400,548)	(1,483,936)	(984,054)
Income tax (recovery) expense		-	-	-	-
Net loss and comprehensive loss		(690,275)	(400,548)	(1,483,936)	(984,054)
Loss per share – basic and diluted		(0.03)	(0.02)	(0.07)	(0.05)
Weighted average number of shares outstanding - basic and diluted		23,758,649	21,244,460	22,086,523	21,244,460

The accompanying notes are an integral part of these Unaudited Interim Condensed Financial Statements



CONDENSED INTERIM STATEMENTS OF CHANGES IN (DEFICIT) EQUITY
(Expressed in Canadian Dollars)
(Unaudited)

	Capital stock		Share-based compensation reserve	Convertible debentures	Deficit	Total
	Number of shares	Amount				
		\$	\$	\$	\$	\$
Balance at October 1, 2019	21,244,460	22,546,331	1,493,883	-	(26,446,020)	(2,405,806)
Share-based compensation	-	-	220,989	-	-	220,989
Convertible debentures- equity component	-	-	-	94,891	-	94,891
Net loss for the period	-	-	-	-	(984,054)	(984,054)
Balance at June 30, 2020	21,244,460	22,546,331	1,714,872	94,891	(27,430,074)	(3,073,980)
Balance at October 1, 2020	21,244,460	22,546,331	1,753,462	94,891	(27,562,207)	(3,167,523)
Share-based compensation	-	-	198,577	-	-	198,577
Shares issued for private placement	20,799,200	5,199,800	-	-	-	5,199,800
Share issue costs	-	(129,895)	-	-	-	(129,895)
Net loss for the period	-	-	-	-	(1,483,936)	(1,483,936)
Balance at June 30, 2021	42,043,660	27,616,236	1,952,039	94,891	(29,046,143)	617,023

The accompanying notes are an integral part of these Unaudited Interim Condensed Financial Statements



CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

	Note	Three months ended June 30,		Nine months ended June 30,	
		2021	2020	2021	2020
Operating activities		\$	\$	\$	\$
Net loss for the period		(690,275)	(400,548)	(1,483,936)	(984,054)
Adjusted for the following:					
Depreciation	3	3,627	9,641	12,585	34,112
Share-based compensation	10	147,133	13,135	198,577	220,989
Interest and accretion		78,039	63,935	221,146	90,962
Unrealized foreign exchange loss (gain)		(13,736)	(56,497)	(81,343)	78,231
Loss on disposal of assets		-	17,710	8,367	21,118
Decommissioning	9	-	16,162	(16,846)	16,162
Impairment		-	35,543	-	35,543
Other income		-	-	-	(1,152,025)
Net changes in non-cash working capital		(787,525)	(92,223)	(730,019)	(389,902)
Net cash used in operating activities		(1,262,737)	(393,142)	(1,871,470)	(2,028,864)
Investing activities					
Proceeds from disposal of assets		-	-	1,000	-
Net cash used in investing activities		-	-	1,000	-
Financing activities					
Proceeds from private placement		5,199,800	-	5,199,800	-
Private placement issue costs		(106,262)	-	(106,262)	-
Proceeds from convertible debentures, net of issuance costs		-	-	-	1,902,196
Proceeds from long-term borrowings	7	-	-	20,000	-
Payments of long-term borrowings		-	40,000	(60,000)	40,000
Payment of lease	6	(6,000)	(18,208)	(18,000)	(27,894)
		5,087,538	21,792	5,035,538	1,914,302
Increase (decrease) in cash and cash equivalents		3,824,801	(371,350)	3,165,068	(114,562)
Cash and cash equivalents at beginning of period		602,752	2,091,254	1,262,485	1,834,466
Cash and cash equivalents at end of period		4,427,553	1,719,904	4,427,553	1,719,904

The accompanying notes are an integral part of these Unaudited Interim Condensed Financial Statements



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 National Instrument 51-102 and trades under the trading symbol "CPS." The registered head office of the Company is in Calgary, Alberta.

The Company is evaluating the potential for manufacturing high clarity flat glass through a Company owned facility in the greater Winnipeg area.

The Company has 41 contiguous quarry leases located approximately 160 kilometers north of Winnipeg, Manitoba, that grant the Company the exclusive right to quarry silica sand ("Wanipigow Sand Quarry"). Laboratory testing of this quartzite sand deposit has confirmed the sand to be of very high silica content with low iron contamination. This combination of physical properties makes the sand very well suited for use as the base material to formulate low iron, high clarity glass. The Company's silica sand deposit is extensive as detailed in a National Instrument 43-101 ("NI 43-101") compliant Technical Report dated March 20, 2020.

The Company has separate economic participation agreements with Hollow Water First Nation and the Incorporated Community of Seymourville which reflect the parties' commitment and support for the Wanipigow Sand Quarry.

A Conditional Use Order has been granted to the Company by the Incorporated Community of Seymourville (the "Conditional Use Order"), approving the conditional use of lands within its jurisdictional boundaries for the Wanipigow Sand Quarry. This includes accessory uses, buildings and structures. The Company has also secured an environmental license with respect to operating the Wanipigow Sand Quarry, Environment Act License No. 3285: <https://www.gov.mb.ca/sd/eal/registries/5991wanipigow/index.html>.

(b) Going concern

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 June 30, 2021 the Company had a deficit of \$29,046,143 (September 30, 2020 of \$27,562,207), cash of \$4,427,553 (September 30, 2020 of \$1,262,485), accounts payable and accruals and current lease liabilities of \$1,598,854 (September 30, 2020 of \$2,607,850), and commitments for the acquisition of quarry leases and participation agreements for the twelve-month period to June 30, 2021 of \$158,500. For further details see Commitments and Contingencies Note 15.

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 developing the Wanipigow Sand Quarry to support a sustainable flat glass manufacturing facility and successful pursuit of additional financing to fund future operations. 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 has successfully closed two private placements in June and July 2021 for aggregate gross proceeds of \$6,450,000 to fund the Front-End Engineering and Design for a glass manufacturing facility in the greater Winnipeg area, initiate permitting applications and other key activities to progress the business plan, as well as for general working capital purposes. Once the Company has completed its evaluation of the flat glass manufacturer facility and Wanipigow



1. NATURE OF OPERATIONS AND GOING CONCERN – CONTINUED

(b) Going concern – continued

sand quarry, it will pursue funding to construct the glass manufacturing facility and quarry. 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 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 PRESENTATION

(a) Basis of preparation and presentation

These unaudited interim condensed financial statements were prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). They do not include all disclosures that would otherwise be required for full annual financial statements and should be read in conjunction with the annual audited financial statements for the year ended September 30, 2020.

These interim condensed financial statements are presented in Canadian Dollars unless otherwise noted, and 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.

These interim condensed financial statements were authorized for issuance by the Board of Directors of the Company on July 28, 2021.

(b) Significant accounting policies

The significant accounting policies adopted in the preparation of these interim condensed financial statements are the same as those set out in the annual audited financial statements for the year ended September 30, 2020, except as noted below. Unless otherwise stated, these policies have been consistently applied to all periods presented.

During the nine months ended June 30, 2021, the Company announced a shift in strategic direction and incurred expenses related to the development of a flat glass manufacturing facility. These development costs are expensed as incurred in the statement of loss and comprehensive loss.

At the Company's annual general meeting of shareholders held on March 30, 2021, shareholders approved a new restricted share unit plan ("RSU Plan"). The RSU Plan permits the Company to either redeem RSUs for cash or issue common shares of the Company from treasury to satisfy all or any portion of a vested RSU award. The fair value of restricted share units is expensed over the vesting period. At each reporting date between grant date and settlement, the fair value of the liability is re-measured with any changes in fair value recognized in the statement of loss and comprehensive loss.

2. BASIS OF PRESENTATION – CONTINUED

(b) Significant accounting policies - continued

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.

The preparation of the interim condensed financial statements in accordance with IAS 34, 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. A description of the significant accounting judgments, estimates and assumptions are set out in the annual audited financial statements for the year ended September 30, 2020.

3. EXPLORATION AND EVALUATION EXPENDITURES

The exploration and evaluation expenditures of the Company relate to the development of the Wanipigow Sand Quarry and are broken down by category as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Advance royalty payments	50,000	50,000	100,000	100,000
Acquisition and participation costs	25,866	25,708	50,760	28,358
Permitting and environmental	1,949	3,139	2,585	18,316
Logistics	-	6,944	-	24,823
Silica sand feasibility	17,607	3,712	88,432	89,637
Field office expenses	1,393	5,566	2,186	71,009
Labour	33,491	30,503	94,828	347,975
Equipment rental and site supplies	520	6,399	4,124	266,151
Quarry design	(2,834)	-	(2,834)	10,008
Depreciation	3,627	9,641	12,585	34,112
Decommissioning	-	16,162	(16,846)	16,162
Total exploration and evaluation expenditures	131,619	157,774	335,820	1,006,551

Wage and rent subsidies are netted in exploration and evaluation expenditures for the three and nine months ended June 30, 2021 of \$10,987 and \$44,269 (three and nine months ended June 30, 2020 were \$10,164 and \$10,164) received as part of the Canada Emergency Wage and Rent Subsidy ("CEWS" and "CERS") programs.

The cumulative exploration and evaluation expenditures at June 30, 2021 are \$19,712,279.

4. DEVELOPMENT EXPENDITURES

Expenses incurred for the development of the flat glass manufacturing facility are broken down as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Plant feasibility	29,890	-	88,804	-
Labour, equipment & supplies	33,750	-	33,750	-
Permitting & environmental	9,300	-	27,900	-
Total development expenses	72,940	-	150,454	-

5. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

The Company owns vehicles, classified as PP&E assets, and leases property, classified as ROU assets, as set out below:

	PP&E ASSETS	ROU ASSETS
	\$	\$
Cost		
Balance at September 30, 2020	36,702	40,083
Disposals	(13,625)	
Balance at June 30, 2021	23,077	40,083
Accumulated depreciation		
Balance at September 30, 2020	11,209	23,331
Depreciation	6,030	6,555
Disposals	(4,258)	-
Balance at June 30, 2021	12,981	29,886
	PP&E ASSETS	ROU ASSETS
	\$	\$
Carrying amounts		
Balance at September 30, 2020	25,493	16,752
Balance at June 30, 2021	10,096	10,197

6. LEASE LIABILITIES

The following table sets out the changes in lease obligations for the periods presented:

	\$
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
Interest expense	3,870
Principal and interest payments	(18,000)
Disposals	-
Balance at June 30, 2021	30,890
Current portion of lease liabilities as at June 30, 2021	29,000
Non-current portion of lease liabilities as at June 30, 2021	1,890

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%.

7. LONG-TERM BORROWINGS

The Company received a \$40,000 interest free loan through the Canada Emergency Business Account (CEBA) program in the year ended September 30, 2020 and a further \$20,000 in the three months ended December 31, 2020. In January 2021, changes to the requirements resulted in the Company no longer qualifying for the CEBA program. The Company immediately notified the bank and repaid the loan.

8. CONVERTIBLE DEBENTURES

The Company issued \$1,975,000 of secured convertible debentures ("Convertible Debentures") on February 26, 2020. The Convertible Debentures bear interest at 12% per annum, compounded quarterly from the date of issuance and is payable in arrears on maturity. The maturity date is four years from the date of issuance ("Maturity Date"). The Convertible Debentures are a secured obligation of the Company which 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.

The Convertible Debentures and accrued interest thereon are convertible into common shares, at the holder's option, at a price of \$0.75 per Common Share, 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.



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
 (Expressed in Canadian Dollars)
 (Unaudited)
 As at and for three and nine months ended June 30, 2021 and 2020

8. CONVERTIBLE DEBENTURES - CONTINUED

	Liability Component	Equity Component
	\$	\$
Allocation of proceeds on issue date, February 26, 2020	1,876,477	98,523
Transaction costs on February 26, 2020	(69,172)	(3,632)
Net proceeds on issue date February 26, 2020	1,807,305	94,891
Amortization of transaction costs 2020	5,221	-
Accrued interest and accretion (effective interest rate of 15.1%) 2020	149,049	-
Balance at September 30, 2020	1,961,575	94,891
Amortization of transaction costs	8,691	-
Accrued interest and accretion (effective interest rate of 15.1%)	209,160	-
Balance at June 30, 2021	2,179,426	94,891

9. DECOMMISSIONING PROVISION

	\$
Balance at September 30, 2019	78,399
Change in discount rate	13,457
Accretion	959
Balance at September 30, 2020	92,815
Change in discount rate	(16,846)
Accretion	892
Balance at June 30, 2021	76,861

The estimated cash flows required to settle the provision have been discounted using a rate of approximately 1.97% and an inflation rate of 1.9% at June 30, 2021 (September 30, 2020 was 1.11%; 1.9% respectively). These obligations are expected to be settled in approximately 25 years.

10. 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.



10. CAPITAL STOCK - CONTINUED

(b) Issued and outstanding common shares

	Number of Shares	Amount
		\$
Balance at September 2019 and 2020	21,244,460	22,546,331
Shares issued for private placement	20,799,200	5,199,800
Share issue costs	-	(129,895)
Balance at June 30, 2021	42,043,660	27,616,236

The Company closed a non-brokered private placement on June 16, 2021 and issued an aggregate of 20,799,200 common shares (the "Common Shares") at a price of \$0.25 per Common Share for gross proceeds of \$5,199,800. After giving effect to the Offering, the Company will have 42,043,660 common shares issued and outstanding. Finders' fees and other direct costs such as legal and TSX-V fees, totaled \$129,895.

Subsequent to the period end, the Company completed a further non-brokered private placement of 3,572,000 common shares at a price of \$0.35 per share, for gross proceeds of \$1,250,200 (note 16).

(c) Stock options

	Number of options	Weighted average exercise price
		\$
Balance at September 30, 2019	1,036,666	1.31
Granted	350,000	0.35
Forfeited	(120,000)	1.12
Balance at September 30, 2020	1,266,666	1.06
Granted	1,190,000	0.38
Expired	(420,000)	1.28
Forfeited	(10,000)	0.35
Balance at June 30, 2021	2,026,666	0.62
Exercisable at end of period	729,999	1.26

The options issued to date vest 1/3 on grant date and 1/3 on each anniversary date of the grant and expire between three to five years from the issue date. The fair value of new options granted were calculated using an expected life of five years, volatility of 153% and a risk-free interest rate of 1.0%.

(c) Restricted share units

At the Company's annual general meeting of shareholders held on March 30, 2021, shareholders approved a new restricted share unit plan ("RSU Plan"). As at June 30, 2021, there have been no restricted share units granted.

11. 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 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. At June 30, 2021, the fair value of the Convertible Debentures is \$2.5 million.

(b) Credit and interest rate risk

The Company's credit risk is primarily attributable to cash and cash equivalents and trade and other receivables included in current assets. Cash and cash equivalents consist of bank deposits, which are held by a Canadian chartered bank. At June 30, 2021 the Company holds interest-bearing cash balances of \$4,318,112 (September 30, 2020 was \$1,080,402). The Company has collected the trade and other receivables balance in full, subsequent to the period end.

(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. See Going Concern Note 1(b).

(d) 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.

For the nine months ended June 30, 2021, 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 in aggregate by approximately \$120,000. Included in accounts payable and accruals at June 30, 2021 is USD \$837,533 and EUR \$nil (September 30, 2020 was USD \$974,110 and EUR \$4,950).

12. REVENUE

In late 2019, the Company commenced selling silica sand purchased from a Wisconsin mine, into the Western Canadian market. The Company's third-party silica sand sales were negatively impacted by the COVID-19 pandemic. There have been no third-party sand sales for the Company during the three and nine months ended June 30, 2021 (three and nine months ended June 30, 2020 were \$nil and \$1,143,918).



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited)
As at and for three and nine months ended June 30, 2021 and 2020

13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended June 30,		Nine months ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Employee compensation and benefits	82,404	51,278	199,893	226,941
Professional fees	140,828	111,332	335,987	438,532
Office	32,502	18,992	56,901	105,991
Shareholder information	21,856	1,296	61,259	35,028
Total selling, general and administrative expenses	277,590	182,898	654,040	806,492

Wage and rent subsidies are netted in selling, general and administrative expenses for the three and nine months ended June 30, 2021 of \$21,944 and \$79,464 (three and nine months ended June 30, 2020 were \$20,328 and \$20,328), received as part of the CEWS and CERS programs.

14. 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.

The Company completed a private placement for an aggregate of 20,799,200 common shares (the "**Common Shares**") at a price of \$0.25 per Common Share for gross proceeds of \$5,199,800, on June 15, 2021. The Company's significant shareholder, Paramount Resources Ltd. and certain directors and officers participated in the private placement and subscribed for an aggregate of 5,050,700 Common Shares for gross proceeds of \$1,262,675.

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 in February 26, 2020, thereby making the Offering a "related party transaction" as defined under Multilateral Instrument 61-101.

During the three and nine months ended June 30, 2020, the Company sold third party sand in the amount of \$nil and \$1,043,527, to a company in which Director Todd Garman, is the President. There have been no sales of third-party sand in 2021.

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.

15. 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 June 30, 2021	Payments due by period		
	Less than 1 year	1-3 years	4 -5 years
	\$	\$	\$
Quarry lease agreements ¹	58,500	175,500	117,000
Royalty and participation agreements ²	100,000	425,000	-
Total commitments	158,500	600,500	117,000

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

² Certain of the royalty and participation agreements require payments to be made prior to the commencement of commercial production. Once commercial production commences, royalty and participation payments are based on tonnes sold as described in detail below, 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 Quarry 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 for 18 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 as noted in the table above. A portion of the payments made to date, plus applicable accrued interest, are considered advance royalty payments (\$2,272,366 at June 30, 2021 compared to \$2,034,280 at June 30, 2020) which can be offset against specified future royalty payments owing when commercial production commences.

Once commercial production commences, the royalty and participation agreements combined with the royalty due under Manitoba Provincial statutes, have varying future payments based on a number of factors including the rate, location and type of mineral extracted and the sale point end use. 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.

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. In addition, if the Company extracts construction aggregates on its quarry leases, the royalty is \$1.00 per tonne sold.

15. COMMITMENTS AND CONTINGENCIES – CONTINUED

(b) 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 if the Timmins properties achieve commercial production. The NSR payable to the Company is capped at \$5,000,000.

16. SUBSEQUENT EVENTS

Subsequent to the period ended June 30, 2021, the Company announced it has completed the following activities:

- Engaged CM Project Ing GmbH, a firm recognized in the flat glass industry as global experts, to conduct a Front End Engineering and Design study for the Company's proposed flat glass manufacturing facility.
- Entered into a contract with AECOM's Winnipeg based team to assist the Company with its environmental and regulatory applications process with respect to the flat glass manufacturing facility.
- Completed a non-brokered private placement of 3,572,000 common shares at a price of \$0.35 per share, for gross proceeds of \$1,250,200.
- Expanded the senior management team to include Alasdair Knox, Vice President, Project Engineering.