Athabasca MINERALS INC.

THREE AND SIX MONTHS ENDED JUNE 30, 2021

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Interim Condensed Consolidated Statements of Financial Position (Unaudited)

	Notes	As at June 30, 2021	As at December 31, 2020
ASSETS			
Current			
Cash		$ 674,595	$ 1,954,371
Trade and other receivables	5, 18	3,003,420	490,918
Amounts due from related entities	16	-	88,876
Inventory	6	846,599	846,599
Prepaid expenses and deposits		199,998	32,414
Current Assets		4,724,612	3,413,178
Long-term deposits	7	769,078	769,078
Restricted cash	8	1,079,965	1,076,595
Contract costs	9	2,424,364	2,434,300
Property and equipment		653,839	739,100
Right-of-use assets		163,051	250,967
Intangible assets		43,146	84,923
Resource properties	10	11,927,504	6,250,770
Investments in associates	11	-	3,524,291
Total Assets		$ 21,785,559	$ 18,543,202
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	18	$ 3,204,039	$ 1,003,696
Income taxes payable		30,648	45,084
Current portion of bank loans	12	1,024,328	1,286,924
Current portion of lease obligations	13	110,334	159,640
Current Liabilities		4,369,349	2,495,344
Bank loans	12	180,000	140,000
Lease obligations	13	45,005	78,521
Environmental rehabilitation obligations	14	2,805,585	2,644,503
Total Liabilities		7,399,939	5,358,368
Shareholders' Equity			
Share capital	15	21,272,209	18,955,877
Contributed surplus		5,252,644	5,186,552
Deficit		(12,139,233)	(10,957,595)
Total Shareholders' Equity		14,385,620	13,184,834
Total Liabilities and Shareholders' Equity		$ 21,785,559	$ 18,543,202

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

Approved by the Board of Directors

" Don Paulencu "	"Terrance Kutryk"
Director	Director

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

	Notes	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Aggregate sales revenue	21	$ 2,354,880	$ 59,071	$ 2,782,202	$ 548,089
Management services revenue	21	927,056	227,133	1,724,986	553,400
Gross revenue, including royalties		3,281,936	286,204	4,507,188	1,101,489
Less: provincial royalties		(40,703)	(40,492)	(169,298)	(96,187)
Revenue, net of royalties		3,241,233	245,712	4,337,890	1,005,302
Operating costs		(2,649,849)	(173,855)	(3,455,143)	(791,171)
Depreciation, depletion, and amortization expense		(124,270)	(102,850)	(214,954)	(203,695)
Cost of sales		(2,774,119)	(276,705)	(3,670,097)	(994,866)
Gross profit (loss)		467,114	(30,993)	667,793	10,436
General and administrative expenses		(883,938)	(709,939)	(1,726,113)	(1,448,821)
Share of loss from associates	11	-	(8,213)	-	(27,597)
Share-based compensation expense	15	(65,660)	(76,144)	(133,182)	(178,707)
Other operating expenses	20	(109,314)	(32,712)	(89,842)	(111,203)
Operating loss		(591,798)	(858,001)	(1,281,344)	(1,755,892)
Finance costs	20	(16,321)	(2,907)	(36,562)	(5,587)
Other non-operating income	20	28,013	183,805	129,707	261,424
Interest income		385	3,145	6,672	10,417
Loss before income taxes		(579,721)	(673,958)	(1,181,527)	(1,489,638)
Income tax expense		(5)	-	(111)	-
Total loss and comprehensive loss		$ (579,726)	$ (673,958)	$ (1,181,638)	$ (1,489,638)
Loss per common share - basic	15	$ (0.009)	$ (0.014)	$ (0.018)	$ (0.032)
Loss per common share - diluted	15	$ (0.009)	$ (0.014)	$ (0.018)	$ (0.032)
Weighted average number of shares outstanding	15	67,964,924	47,563,231	65,681,034	46,938,207

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

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

	Notes	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance as at December 31, 2019		**45,326,440**	**$ 16,734,732**	**$ 4,964,152**	**$ (7,427,070)**	**$ 14,271,814**
Shares issued	15	2,937,318	$ 619,444	$ -	$ -	$ 619,444
Share-based compensation	15	-	-	125,830	-	125,830
Stock options exercised	15	50,000	13,655	(5,155)	-	8,500
Total loss and comprehensive loss for the period		-	-	-	(1,489,638)	(1,489,638)
Balance as at June 30, 2020		**48,313,758**	**$ 17,367,831**	**$ 5,084,827**	**$ (8,916,708)**	**$ 13,535,950**
Shares issued	15	10,796,395	$ 1,608,197	$ -	$ -	$ 1,608,197
Share-based compensation	15	-	-	101,725	-	101,725
Stock options exercised	15	-	-	-	-	-
Share issuance costs, net of tax of $nil	15	-	(20,151)	-	-	(20,151)
Total loss and comprehensive loss for the period		-	-	-	(2,040,887)	(2,040,887)
Balance as at December 31, 2020		**59,110,153**	**$ 18,955,877**	**$ 5,186,552**	**$ (10,957,595)**	**$ 13,184,834**
Shares issued	11, 15	9,143,800	$ 2,275,001	$ -	$ -	$ 2,275,001
Share-based compensation	15	-	-	85,988	-	85,988
Stock options exercised	15	147,000	52,476	(19,896)	-	32,580
Share issuance costs, net of tax of $nil	15	-	(11,145)	-	-	(11,145)
Total loss and comprehensive loss for the period		-	-	-	(1,181,638)	(1,181,638)
Balance as at June 30, 2021		**68,400,953**	**$ 21,272,209**	**$ 5,252,644**	**$ (12,139,233)**	**$ 14,385,620**

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

Interim Condensed Consolidated Statements of Cash Flows (Unaudited)

	Notes	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
OPERATING ACTIVITIES					
Total loss and comprehensive loss		$ (579,726)	$ (673,958)	$ (1,181,638)	$ (1,489,638)
Adjustments for non-cash items					
Depreciation, depletion, and amortization expense		124,270	102,850	214,954	203,695
Amortization of resource property lease costs	10	2,779	2,779	5,559	5,559
Amortization of environmental rehabilitation obligations asset	10	2,487	4,362	5,032	7,651
Amortization of contract costs	9	2,102	1,510	9,936	4,851
Change in estimate for environmental rehabilitation obligations	14	(9,296)	-	(23,978)	-
Change in discount rate for environmental rehabilitation obligations	14	110,160	12,831	78,006	71,415
Accretion of environmental rehabilitation obligations	14	1,082	11,230	15,287	21,727
Gain on acquisition of TerraShift		-	(143,056)	-	(143,056)
Share-based compensation	15	65,660	76,144	133,182	178,707
Shares issued in payment of royalties	15	-	-	200,001	-
Share of loss from associates	11	-	8,213	-	27,597
Changes in non-cash working capital balances					
Trade and other receivables		(2,575,889)	1,048,369	(2,130,967)	927,365
Amounts due from related entities		-	-	88,876	-
Prepaid expenses and deposits		88,926	36,530	(142,384)	73,961
Accounts payable and accrued liabilities		2,066,095	(1,113,907)	1,739,876	(865,047)
Income taxes payable		-	16,908	(14,436)	16,908
Net cash used in operating activities		(701,350)	(609,195)	(1,002,694)	(958,305)
INVESTING ACTIVITIES					
Withdrawal of long-term deposits	7	-	23,710	-	46,036
Restricted cash	8	-	(32)	(3,370)	(73,690)
Spending on contract costs	9	-	(233,909)	-	(1,564,666)
Cash acquired in Terrashift acquisition		-	151,832	-	151,832
Cash consideration paid for acquistion of TerraShift		-	(25,000)	-	(25,000)
Spending on resource properties	10	(114,824)	-	(184,883)	(826)
Cash consideration paid for interest in associates	11	-	-	(1)	-
Cash acquired in acquisition of associates	11	-	-	120,155	-
Net cash used in investing activities		(114,824)	(83,399)	(68,099)	(1,466,314)
FINANCING ACTIVITIES					
Proceeds from issuance of common share units	15	75,000	-	75,000	-
Common share issuance costs		(11,145)	-	(11,145)	-
New financing from bank loans	12	-	80,000	40,000	1,580,000
Repayment of bank loans	12	(132,088)	-	(262,596)	-
Repayment of lease obligations	13	(33,772)	(33,716)	(82,822)	(69,661)
Net proceeds from exercise of stock options	15	32,580		32,580	8,500
Net cash (used in) from financing activities		(69,425)	46,284	(208,983)	1,518,839
Net change in cash		(885,599)	(646,310)	(1,279,776)	(905,780)
Cash, beginning of period		1,560,194	1,735,810	1,954,371	1,995,280
Cash, end of period		$ 674,595	$ 1,089,500	$ 674,595	$ 1,089,500

Note 1 - Nature of Business

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

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

- **AMI Aggregates** division produces and sells aggregates out of its corporate pits, manages the Coffey Lake Public Pit on behalf of the Government of Alberta, and on June 1, 2021, secured an additional pit management contract which is expected to extend into Q4 2021.
- **AMI Silica** division (www.amisilica.com) is positioning to become a leading supplier of premium domestic silica sand with regional deposits located in Alberta and North-East BC and holds a 5-year purchase agreement with Shell Canada for the supply of proppant.
  - **Privco1 & Privco2** are private Alberta corporations acquired by AMI with premium domestic sand holdings strategically located with respect to the Montney and Duvernay sedimentary basins. Privco2 supports the 'Prosvita Sand Project' (formerly called the Duvernay Sand Project) and AMI's development application for regulatory approval. The Prosvita Sand Project has engaged the business interest of an international corporation offering industrial synergies (power, utilities, industrial water, rail, environmental green benefits) and with whom negotiations are ongoing.
- **AMI RockChain** division (www.amirockchain.com) is a midstream, technology-enabled business that deploys its proprietary RockChain™ digital platform, associated industry econometrics, supply-chain algorithms, quality-assurance & safety programs to bring customers integrated supply-delivery solutions of industrial minerals to industry, infrastructure and construction sectors.
  - **TerraShift Engineering** (www.terrashift.ca) was acquired by AMI RockChain in June 2020. TerraShift conducts resource exploration & development programs, regulatory engineering, mine planning, environmental reclamation and remediation, and compliance reporting for a growing customer base across Western Canada and Ontario. TerraShift is also the developer of its proprietary TerraMaps™ software.

The unaudited interim condensed consolidated financial statements for the three months ended and six months ended June 30, 2021 were approved and authorized for issue by the Board of Directors on August 24, 2021.

Note 2 - Basis of Presentation

a) Statement of Compliance

The unaudited interim condensed consolidated financial statements for the three month and six months ended June 30, 2021, including comparatives, were prepared in accordance with IAS 34 International Accounting Standard – "Interim Financial Reporting" (IAS 34) as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") have been condensed or omitted.

The significant judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the Corporation's consolidated financial statements for the year ended December 31, 2020 and should be read in conjunction with those consolidated financial statements. Actual results may differ from estimated results due to differences between estimated or anticipated events and actual events and results.

Note 2 - Basis of Presentation – continued

b) Basis of Presentation

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

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". They do not contain all the necessary annual disclosures and as a result, they should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2020.

These unaudited interim condensed consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries AMI RockChain Inc. ("AMI RockChain"), which was incorporated on March 19, 2018 and AMI Silica Inc. ("AMI Silica"), which was incorporated on May 30, 2018 (collectively the "subsidiaries"). Additionally, as of June 30, 2020, AMI RockChain acquired 100% of the shares in TerraShift, and on February 5, 2021, the Corporation acquired control of the numbered Alberta corporations that respectively own the Montney In-Basin Project and the Prosvita Sand Project by securing 100% ownership of each company.

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

c) Functional and Presentation Currency

These unaudited interim condensed consolidated financial statements are presented in Canadian dollars which is the functional currency of the Corporation and its subsidiaries.

Note 3 – Significant Accounting Policies

The accounting policies applied in these unaudited interim condensed consolidated financial statements are the same as those applied in the December 31, 2020, consolidated financial statements. As of January 1, 2021, the Corporation has changed the presentation of the net cash used in operating activities in the Consolidated Statement of Cash Flows from the direct method to the indirect method.

Note 4 – Acquisition of TerraShift

On June 30, 2020, the Corporation announced that it had acquired the shares and assets of TerraShift; a privately-owned company based in Edmonton, Alberta with proprietary technology (TerraMaps) that focuses on resource data, search intelligence and geospatial software that will further strengthen the functionality and capabilities of the Corporation's proprietary RockChain™ digital platform. The TerraShift team also brings technical services with highly efficient methods and streamlined approaches for resource exploration and development, environmental and regulatory planning, resource management, compliance reporting, and reclamation that benefits a customer base across Western Canada and Ontario.

AMI RockChain acquired 100% of the common shares of TerraShift from its two shareholders. Payment to the shareholders for the acquisition of TerraShift is comprised of three types of payments:

Initial payment:	\$25,000 cash and \$75,013 in AMI common shares paid on June 30, 2020
Trailing payments:	Additional payments of \$75,000 in AMI common shares on each of June 30, 2021, and June 30, 2022
Performance payout:	Additional payments of 50% of TerraShift earnings before interest, taxes, depreciation, and amortization ("EBITDA") higher than an agreed upon amount for each of the first and second year of operations post-closing. If the EBITDA targets are exceeded, these performance payments can be paid by the Corporation in cash or AMI common shares.

Note 4 – Acquisition of TerraShift – continued

The trailing payments and performance payout are both contingent on the two former TerraShift shareholders remaining employed by the Corporation, and as such, under IFRS 3, they are considered part of employee remuneration. As a result of the trailing payments and performance payout being excluded from the TerraShift purchase price, AMI RockChain recorded a gain on acquisition. AMI RockChain accrues an estimate for each of these employee bonuses on a quarterly basis and expenses the amounts in the consolidated statement of loss and comprehensive loss.

Management's estimate of the fair value of the purchase price for the acquired assets and liabilities assumed is as follows:

	Notes		Total
Purchase price consideration			
AMI common shares (542,002 common shares @ $0.1384 per share)	**15**	$	75,013
Cash			25,000
Total purchase price		**$**	**100,013**

The purchase price allocation to the following identifiable assets and liabilities is based on their estimated fair values as of June 30, 2020:

		Total
Purchase price allocation		
Cash	$	151,832
Trade and other receivables		30,178
Property and equipment		7,741
Intangible assets - customer relationships and software		143,447
Accounts payable and accrued liabilities		(35,693)
Income taxes payable		(14,436)
Bank loan ("CEBA" loan)		(40,000)
Total net assets acquired	**$**	**243,069**
Total purchase price		100,013
Gain on acquisition of TerraShift	**$**	**143,056**

Note 5 – Trade and Other Receivables

Trade and other receivables are non-interest bearing and are carried at amortized cost, and impaired using the simplified approach which provides for potential losses using a matrix based on historical observed default rates. These provisions are known as lifetime expected credit losses.

During the three and six months ended June 30, 2021 respectively, the estimated credit loss amounted to $262 (three and six months ended June, 2020: $262 and $262 respectively, December 31, 2020 - $262).

Note 6 – Inventory

Inventory with a production cost of approximately $2,172,597 and $2,552,228 was sold and is included in operating costs for the three and six months ended June 30, 2021 (three and six months ended June 30, 2020: $54,093 and $511,592 respectively). These were networked sales with third parties via AMI RockChain.

The inventory balance of $846,599 is unchanged from December 31, 2020, as all sales in the six months ended June 30, 2021, were networked third-party sales. As of June 30, 2021, inventory consists of $264,180 of unprocessed gravel and $582,419 of crushed gravel.

Note 7 – Long-term Deposits

	As at			
	June 30, 2021		December 31, 2020	
Security deposits on gravel leases	$	**629,188**	$	629,188
Security deposits on miscellaneous leases		**106,520**		106,520
Security deposits on exploration leases		**33,370**		33,370
	$	**769,078**	$	769,078

Note 8 – Restricted Cash

	As at			
	June 30, 2021		December 31, 2020	
Guaranteed investment certificates for letters of credit				
Susan Lake pit	$	**233,256**	$	230,705
Poplar Creek Site, storage yard		**180,000**		180,000
Emerson pit		**75,240**		75,240
Coffey Lake reclamation		**296,520**		296,520
Coffey Lake indusrial miscellaneous lease		**74,949**		74,130
Coffey Lake performance bond		**100,000**		100,000
Coffey Lake right of way		**100,000**		100,000
Credit card facility		**20,000**		20,000
	$	**1,079,965**	$	1,076,595

The Corporation has secured its letters of credit to the benefit of Imperial Oil and the Government of Alberta with guaranteed investment certificates as of June 30, 2021, in the amount of $1,059,965 (December 31, 2020: $1,056,595). See Note 12 for outstanding letters of credit and Note 14 for the reclamation liability for the Coffey Lake public pit as of June 30, 2021.

Note 9 – Contract Costs

	As at			
	June 30, 2021		December 31, 2020	
	Costs to obtain contract		Costs to obtain contract	
Coffey Lake public pit	$	**1,423,629**	$	1,433,565
Prosvita Sand Project off-take agreement		**1,000,735**		1,000,735
	$	**2,424,364**	$	2,434,300

Coffey Lake

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

Note 9 – Contract Costs – continued

The contract asset will be amortized based on actual volume sales as a proportion of the estimated economically recoverable resource (units of production method). For the three and six months ended June 30, 2021, the Corporation recorded amortization of $2,102 and $9,936 on the Coffey Lake contract asset (December 31, 2020: $4,947).

Prosvita Sand Project Off-take Agreement

The Corporation signed an off-take agreement with Shell Canada Energy for silica sand from the Prosvita site in the first quarter of 2020. The off-take agreement, which includes certain take-or-pay provisions, carries a five-year term with two mutually acceptable and separate one-year extensions beginning on the later of mid-2021 or 30 days after the Prosvita facility has been commissioned. The off-take agreement allows Shell to procure a minimum volume over five years or up to an annual maximum of silica sand that represents the majority of the Prosvita site's stated capacity.

The Corporation incurred costs of $1,000,735 in the year ended December 31, 2020 to secure the Prosvita off-take agreement. These costs include $500,000 in AMI's common shares issued to the Corporation's advisors as well as cash payments of $500,735.

The contract costs will be amortized over the life of the Prosvita Sand Project based on actual volume sales as a proportion of the estimated economically recoverable resources (units of production method).

Note 10 – Resource Properties

	As at June 30, 2021	As at December 31, 2020
Exploration costs	**$ 2,472,333**	$ 1,282,072
Pit development costs	**7,505,545**	3,100,249
Environmental rehabilitation obligation assets	**1,685,270**	1,598,535
Other costs	**264,356**	269,914
	$ 11,927,504	$ 6,250,770

Exploration and Pit Development Costs

The exploration and pit development costs have been incurred across the Corporation's various operations and development projects which are primarily located in the Fort McMurray area of Northern Alberta. In addition, in the six months ended June 30, 2021, management acquired control of exploration and pit development costs in the Montney and Prosvita sedimentary basins, respectively.

The following table summarizes the exploration costs:

	Notes	Richardson	Hargwen	Steepbank	Montney in-basin	All Other Projects	Total
Cumulative Exploration Costs at December 31, 2019		$ 1,130,421	$ 111,890	$ 105,476	$ -	$ 38,130	$ 1,385,917
Spending		-	-	350	-	1,631	1,981
Write down of exploration costs		-	-	(105,826)	-	-	(105,826)
Cumulative Exploration Costs at December 31, 2020		**$ 1,130,421**	**$ 111,890**	**$ -**	**$ -**	**$ 39,761**	**$ 1,282,072**
Spending		-	70,059	-	-	-	70,059
Acquisition of exploration costs	11	-	-	-	1,120,202	-	1,120,202
Cumulative Exploration Costs at June 30, 2021		**$ 1,130,421**	**$ 181,949**	**$ -**	**$1,120,202**	**$ 39,761**	**$ 2,472,333**

During the six months ended June 30, 2021, the Corporation acquired control of the Montney in-basin exploration costs, which were previously controlled by an associated private corporation.

In the year ended December 31, 2020, the Steepbank project was canceled, and management wrote down the carrying value of the associated cumulative exploration costs to $nil, resulting in the recognition of an impairment loss of $105,826 included in other operating expenses.

Note 10 – Resource Properties – continued

The following table summarizes the pit development costs:

	Notes	Firebag	Kearl	Logan	House River	Pelican Hill	Prosvita	Emerson	Lynton	Total
Cumulative Pit Development Costs at December 31, 2019		$ 1,141,355	$ 1,042,534	$ 490,055	$ 175,266	$ 249,678	$ -	$ 491	$ 44	$3,099,423
Additions		-	-	266	-	560	-	-	-	826
Cumulative Pit Development Costs at December 31, 2020		**$ 1,141,355**	**$ 1,042,534**	**$ 490,321**	**$ 175,266**	**$ 250,238**	**$ -**	**$ 491**	**$ 44**	**$ 3,100,249**
Additions			-	-	-	-	114,824	-	-	114,824
Acquisition of pit development costs	11	-	-	-	-	-	4,290,472	-	-	4,290,472
Cumulative Pit Development Costs at June 30, 2021		**$ 1,141,355**	**$ 1,042,534**	**$ 490,321**	**$ 175,266**	**$ 250,238**	**$4,405,296**	**$ 491**	**$ 44**	**$ 7,505,545**

During the six months ended June 30, 2021, the Corporation acquired control of the Prosvita pit development costs, which were previously controlled by an associated private corporation.

Environmental Rehabilitation Obligation ("ERO") Asset

The following summarizes the ERO asset:

	As at	
	June 30, 2021	**December 31, 2020**
Opening Balance, ERO asset	**1,598,535**	$ 1,522,064
Change in estimate recognized in ERO asset	**(33,396)**	(84,884)
Amortization of ERO asset	**(5,032)**	(25,557)
Change in discount rate affecting ERO asset	**125,163**	186,912
Closing Balance, ERO Asset	**$ 1,685,270**	$ 1,598,535

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

Other Costs

As of June 30, 2021, other costs within resource properties include $264,356 for miscellaneous lease costs and deposits on land (December 31, 2020: $269,914). Amortization of the lease costs in the three and six months ended June 30, 2021 was $2,779 and $5,559 respectively (June 30, 2020: $2,779 and $5,559 respectively).

Note 11 – Investments in Associates

Prosvita Sand Project

On January 25, 2019, the Corporation purchased a 16.2% ownership interest in a private Alberta corporation that owned the Prosvita Sand Project in Alberta in exchange for $280,000 cash consideration and 420,000 common shares of the Corporation at a value of $0.25 per common share for a total purchase price of $385,000.

On April 30, 2019, the Corporation exercised its option ("Option #1") to purchase an additional 33.4% of the shares in a private Alberta corporation that holds the Prosvita Sand Project for $742,000 of cash consideration and the issuance of 1,680,000 common shares of the Corporation at a value of $0.61 per common share for a total purchase price of $1,766,800. This increased the Corporation's ownership interest to 49.6%. This interest was accounted for using the equity method.

Note 11 – Investments in Associates – continued

On February 5, 2021, the Corporation acquired the remaining 50.4% ownership interest. Payment to the shareholders for the acquisition of 100% interest is comprised of two types of share-based payments:

Initial payment: 4,000,000 common shares at a contract stated value of $0.25 per common share

Contingent payments: 4,000,000 common shares were held in escrow at a contract stated value of $0.25 per common share. Of the 4,000,000 common shares, the Corporation elected to release 2,000,000 shares from escrow on June 30, 2021, as per the scheduled contingent payments, and the remaining 2,000,000 are held in escrow to be released by June 30, 2022, based on the Corporation's discretion. If the Corporation elects not to release the remaining common shares from escrow, then the founding partners will be returned an equivalent pro rata interest in the corporation that owns the Prosvita Sand Project in exchange, at 12.5% interest for the 2,000,000 shares.

The acquisition of 100% interest is accounted for as an asset purchase.

Montney In-Basin Project

On December 14, 2018, the Corporation purchased a 49.2% ownership interest in a private Alberta corporation that owns the Montney In-Basin silica sand project located in the vicinity of Dawson Creek and Fort St. John in exchange for $1,498,000 cash consideration and 1,186,956 common shares of the Corporation at a value of $0.23 per common share for a total purchase price of $1,771,000. This interest was accounted for using the equity method.

On February 5, 2021, the Corporation acquired the remaining 50.8% ownership interest for $1 of cash consideration. The acquisition of 100% interest is accounted for as an asset purchase.

The following summarizes the investments in associates:

	As at					
	June 30, 2021			December 31, 2020		
	Montney in-basin project	Duvernay project	**Total**	Montney in-basin project	Duvernay project	**Total**
Investment in associate, beginning of period	$ 1,568,757	$ 1,955,534	**$ 3,524,291**	$ 1,585,337	$ 2,048,090	**$ 3,633,427**
Additions:						
Cash consideration for acquisition of 100% interest	1	-	**1**	-	-	-
Share consideration for acquisition of 100% interest	-	2,000,000	**2,000,000**	-	-	-
	1,568,758	3,955,534	**5,524,292**	1,585,337	2,048,090	**3,633,427**
Assumption of accounts payable and accrued liabilities	-	413,273	**413,273**			
Cash acquired	(41,820)	(78,335)	**(120,155)**	-	-	-
Trade and other receivables acquired	(381,536)	-	**(381,536)**	-	-	-
Prepaid expenses and deposits acquired	(25,200)	-	**(25,200)**	-	-	-
Resource properties acquired	(1,120,202)	(4,290,472)	**(5,410,674)**	-	-	-
	$ -	$ -	**$ -**	$ 1,585,337	$ 2,048,090	**$ 3,633,427.00**
Corporation's ownership interest	100.0%	100.0%		49.2%	49.6%	
Corporation's share of associate's net loss for the period	-	-	**-**	(16,580)	(92,556)	**(109,136)**
Investments in associates, end of period	$ -	$ -	**$ -**	$ 1,568,757	$ 1,955,534	**$ 3,524,291**

Note 12 – Bank loan and credit facility

On July 4, 2018, the Corporation entered into a credit facility with Canadian Western Bank ("CWB") which included a letter of credit facility for up to $1,351,760 and a credit card facility for up to $50,000. Each letter of credit costs the Corporation an annual fee of 1.50%. On December 9, 2019, the letter of credit facility was increased to a maximum available amount of $1,458,240.

Security under the CWB facility is a general security agreement providing a first security interest in all present and after acquired property to be registered in all appropriate jurisdictions with specific registrations against guaranteed investment certificate instruments pledged as collateral.

As of June 30, 2021, the Corporation is not subject to any covenants as part of the current credit facility.

CWB Bank Loan

On January 28, 2020, the Corporation amended the credit facility with CWB to add a bank loan for $1,500,000 to help fund the development of the Coffey Lake public pit, repayable upon demand. Provided full repayment of the bank loan is not demanded by CWB, the term of the loan is thirty-nine months with thirty-three monthly loan payments of $49,022 starting in August 2020, after six months of interest only payments. The bank loan was originally for 3 years, but CWB added three months of interest only payments from May 2020 to July 2020 and extended the term of the loan by three months due to the economic uncertainty in Alberta and around the world due to the COVID-19 pandemic. The interest rate on the bank loan is 5.4%. Interest paid in the six months ended June 30, 2021, has been expensed as finance costs (See Note 23). Blended loan payments started in August 2020 and the Corporation has paid down principal of $262,596 on the bank loan in the six months ended June 30, 2021 (year ended December 31, 2020: $213,076).

The security for the bank loan is part of the same general security agreement that was put in place when the credit facility with CWB was established in July 2018. The bank loan is also guaranteed by the Corporation's subsidiaries, AMI RockChain and AMI Silica. There are no new financial covenants added to the credit facility because of this new bank loan.

Canada Emergency Business Account ("CEBA") Loans

In April 2020, the Corporation received two $40,000 loans from the Government of Canada through the Canadian Western Bank. These loans were made available to companies that have been negatively impacted by the COVID-19 pandemic and met certain other criteria. AMI RockChain and AMI Silica each received a CEBA loan. In December 2020, the Corporation applied for loan increases to $60,000, one of which was received by December 31, 2020, and the other was received on January 5, 2021.

Additionally, TerraShift received a CEBA loan via the Alberta Treasury Branch ("ATB"), which is now part of the Corporation's liabilities because of the acquisition on June 30, 2020. In December 2020, the Corporation applied for a loan increase to $60,000, which was received on March 9, 2021.

On August 3, 2021, the Corporation received $120,000 from two CEBA loans $60,000 each for Privco1 and Privco2.

The CEBA loans are interest free and are to be repaid before December 31, 2022. For each of the CEBA loans, the Government of Canada will forgive $20,000 of the $60,000 if the remaining $40,000 is repaid on time.

Note 12 – Bank loan and credit facility – continued

	Interest Rate	Monthly Payments	As at June 30, 2021	As at December 31, 2020
Canada Emergency Business Account (AMI RockChain)	0.00%	$ -	**$ 60,000**	$ 40,000
Canada Emergency Business Account (AMI Silica)	0.00%	$ -	**60,000**	60,000
Canada Emergency Business Account (TerraShift)	0.00%	$ -	**60,000**	40,000
CWB Bank Loan Facility, due April 30, 2023	5.40%	$ 49,022	**1,024,328**	1,286,924
			1,204,328	1,426,924
Current portion - principal due within one year			**(546,276)**	(531,873)
Demand portion - principal callable within one year			**(478,052)**	(755,051)
			$ 180,000	$ 140,000

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

July 1, 2021 - June 30, 2022	$ 588,262
July 1, 2022 - June 30, 2023	670,019
July 1, 2023 - June 30, 2024	-
July 1, 2024 - June 30, 2025	-
July 1, 2025 - June 30, 2026	-
	1,258,281
Less: interest included in payments above	(53,953)
Bank loan principal outstanding, June 30, 2021	**$ 1,204,328**

Letter of Credit/Guarantee Facility

As of June 30, 2021, the Corporation has outstanding letters of credit in the amounts of $959,965 (December 31, 2020: $956,595) in favor of the Government of Alberta. The Corporation also has outstanding a letter of credit to Imperial Oil for $100,000 for a right of way at the Coffey Lake site (December 31, 2020: $100,000). These letters of credit are secured by guaranteed investment certificates (See Note 8).

In the third quarter of 2020, the Corporation secured a $500,000 bonding facility through Trisura Guarantee Insurance Company ("Trisura") to be held with the Government of Alberta in place of the $500,000 that AMI held as restricted cash previously for the Coffey Lake Performance Bond. The $500,000 bond with Trisura carries a 2% annual interest rate. Security for the bond is based on the appraised value of private lands included in exploration costs and a $100,000 letter of credit to be held as security for Trisura. This resulted in a reclassification of $400,000 from restricted to unrestricted cash.

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

	As at June 30, 2021	As at December 31, 2020
Susan Lake pit	$ 233,256	$ 230,705
Poplar Creek Site, storage yard	180,000	180,000
Emerson pit	75,240	75,240
Coffey Lake reclamation	296,520	296,520
Coffey Lake industrial miscellaneous lease	74,949	74,130
Coffey Lake performance bond	100,000	100,000
	$ 959,965	$ 956,595

Note 12 – Bank loan and credit facility – continued

Credit Card Facility

The Corporation has access to a corporate credit card facility, up to a maximum of $20,000 (December 31, 2020: $20,000). The Corporation has secured its corporate credit card facility with a guaranteed investment certificate of $20,000 (See Note 8).

Note 13 – Lease Obligations

Finance Leases	Interest Rate	Monthly / Quarterly * Instalments	As at June 30, 2021	As at December 31, 2020
EDF Trading LLC Calgary office lease, due December 31, 2022	3.680%	Variable	**$ 107,778**	$ 138,645
VETS Group Ltd. Edmonton Office Lease, due Jan 31, 2022	3.680%	Variable	**38,180**	75,384
Xerox Photocopier Lease, due May 19, 2024	3.680%	816 *	**9,381**	10,821
Jim Peplinski Leasing, currently due	3.680%	1,230	**-**	13,311
			155,339	238,161
Current portion - principal due within one year			**(110,334)**	(159,640)
			$ 45,005	$ 78,521

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

July 1, 2021 - June 30, 2022	$ 113,854
July 1, 2022 - June 30, 2023	42,260
July 1, 2023 - June 30, 2024	3,429
July 1, 2024 - June 30, 2025	1
April 1, 2025 - March 31, 2026	-
	159,544
Less: interest included in payments above	(4,205)
Lease loan principal outstanding, June 30, 2021	**$ 155,339**

In the six months ended June 30, 2021, the Corporation extinguished the lease obligation for a leased truck asset and acquired the vehicle. In the year ended December 31, 2020, the Corporation agreed to lease obligations of $204,854 for the new Calgary office location.

Note 13 – Lease Obligations - continued

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

		Total
Lease obligations as at December 31, 2019	$	179,890
Addition of lease obligations		204,854
Total principal repayments		(69,661)
Lease obligations as at June 30, 2020	**$**	**315,083**
Addition of lease obligations		-
Total principal repayments		(76,922)
Lease obligations as at December 31, 2020	**$**	**238,161**
Addition of lease obligations		-
Total principal repayments		(82,822)
Lease obligations as at June 30, 2021	**$**	**155,339**

Note 14 – Environmental Rehabilitation Obligations ("ERO")

The following is a reconciliation of the EROs of the Corporation:

	As at			
		June 30, 2021		December 31, 2020
Opening balance, ERO	$	**2,644,503**	$	2,472,206
Change in estimate recognized in ERO asset		**(33,396)**		(84,884)
Change in estimate recognized in other operating expenses		**(23,978)**		(30,860)
Change in discount rate		**125,163**		186,912
Change in discount rate recognized in other operating expenses		**78,006**		57,088
Accretion expense		**15,287**		44,041
Ending balance, ERO		**2,805,585**		2,644,503
Less: Current portion, EROs to be funded within one year		**-**		-
	$	**2,805,585**	$	2,644,503

Provisions for EROs are recognized for mining activities at the Corporate owned pits and managed public pits. The Corporation assesses its provision for EROs on an annual basis or when new material information becomes available. The estimated undiscounted ERO as of June 30, 2021, is $3,263,539 (December 31, 2020: $2,992,522).

During the year ended December 31, 2020, the Corporation recorded new ERO liabilities for the Coffey Lake public pit site and the True North Staging Hub stockpile site of $221,673 and $57,884, respectively.

Total reclamation expense during the six months ended June 30, 2021, was $nil (year ended December 31, 2020: $nil).

Note 14 – Environmental Rehabilitation Obligations ("ERO") - continued

The discount rates used by the Corporation are based on the Government of Canada bond yields for periods comparable to the expected timing of reclamation activities at each site. These rates ranged from 0.65% to 1.84% as of June 30, 2021 (December 31, 2020: 0.23% to 1.36%) depending on the expected timing of reclamation activities. It is expected that reclamation activities for the owned and managed pits and stockpile sites will occur between 2022 and 2036 considering the projected production schedules, the timing of reclamation activities included in the respective Conservation and Reclamation Business Plans, as well as the timing of expiration of the related surface materials lease for each property.

Accretion expense is the expense calculated when updating the present value of the ERO provision. This expense increases the liability based on estimated timing of reclamation activities and the discount rate used in the ERO calculations.

Note 15 – Share Capital

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

	Six months ended June 30, 2021			Year ended December 31, 2020		
	Number of Shares		Amount	Number of Shares		Amount
Authorized:						
An unlimited number of:						
Common voting shares with no par value						
Preferred shares, issuable in series						
Issued and outstanding, beginning of period	**59,110,153**	**$**	**18,955,877**	45,326,440	$	16,734,732
Shares issued to secure Shell off-take agreement	**-**		**-**	2,130,380		500,000
Shares issued in acquisition of TerraShift	**-**		**-**	542,002		75,013
Shares issued in acquisition of control of related entities	**6,000,000**		**1,500,000**	-		-
Shares issued in payment of royalties	**600,003**		**150,001**	-		-
Shares issued and held in escrow	**2,200,001**		**550,000**			
Issuance of common share units in private placement	**-**		**-**	9,866,668		1,480,000
Shares issued to contractors/consultants/employees	**343,796**		**75,000**	1,194,663		172,628
Common share issuance costs	**-**		**(11,145)**	-		(20,151)
Stock options exercised	**147,000**		**52,476**	50,000		13,655
Issued and outstanding, end of period	**68,400,953**	**$**	**21,272,209**	59,110,153	$	18,955,877

On February 5, 2021, the Corporation announced the acquisition of control of the numbered Alberta corporations that respectively own the Montney In-Basin Project and the Prosvita Sand Project (Note 11) by securing 100% ownership of each company. These transactions were combined and concluded for $1 of cash consideration and 8,000,000 common shares at a contract stated value of $0.25 per common share for a total purchase price of $2,000,001.

Of the 8,000,000 common shares, 2,000,000 are held in escrow to be released by June 30, 2022, based on the Corporation's discretion. If the Corporation elects not to release the common shares from escrow, then the founding partners will be returned an equivalent pro rata interest in the corporation that owns the Prosvita Sand Project in exchange, at 12.5% interest for the 2,000,000 shares. These shares confer full voting rights upon the founding partners while in escrow.

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

Note 15 – Share Capital - continued

Stock options

The Corporation has issued options to Directors, Officers, employees and consultants of the Corporation as incentives. The continuity of the Corporation's outstanding stock options is as follows:

	Six months ended June 30, 2021			Year ended December 31, 2020		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Options outstanding, beginning of year:	**3,691,800**	**$**	**0.25**	2,680,000	$	0.35
Issued	**632,400**		**0.24**	1,673,800		0.16
Exercised	**(147,000)**		**0.22**	(50,000)		0.17
Expired or cancelled	**(51,000)**		**0.14**	(612,000)		0.42
Options outstanding, end of year:	**4,126,200**	**$**	**0.25**	3,691,800	$	0.25

Of the 4,126,200 (December 31, 2020: 3,691,800) outstanding stock options, 2,772,267 (December 31, 2020: 2,230,666) options have vested and therefore, were exercisable on June 30, 2021 at a weighted average exercise price of $0.28 per share (December 31, 2020: $0.30 per share).

During the three and six months ended June 30, 2021, 147,000 and 147,000 stock options respectively were exercised at a weighted average exercise price of $0.22 per share for total proceeds of $32,580. The share price on the days they were exercised were $0.24 and $0.25 per share. During the year ended December 31, 2020, 50,000 options were exercised at an exercise price of $0.17 per share for total proceeds of $8,500. The share price on the day they were exercised was $0.31 per share.

The Corporation's stock option plan provides that the Board of Directors may from time to time, in its discretion, grant to Directors, Officers, employees and consultants of the Corporation, or any subsidiary of the Corporation, the option to purchase common shares. Pursuant to the stock option plan, options must be exercised within thirty days following termination of employment or cessation of the optionee's position with the Corporation, or such other period established by the Board of Directors, provided that if the cessation of office, directorship, consulting arrangement or employment was by reason of death or disability, the option may be exercised within one year, subject to the expiry date.

The stock option plan provides for a floating maximum limit of 10% of the outstanding common shares, as permitted by the policies of the TSX Venture Exchange. Options may be exercisable for up to ten years from the date of grant, but the Board of Directors has the discretion to grant options that are exercisable for a shorter period. The outstanding stock option grants were issued with an exercisable period of five years from the date of grant. Options under the stock option plan are not transferable or assignable.

Note 15 – Share Capital - continued

The Corporation's outstanding stock options are as follows:

		As at	
		June 30, 2021	December 31, 2020
Expiry Date	**Exercise Price**		
January 13, 2022	$ 0.24	**75,000**	195,000
June 4, 2023	0.17	**400,000**	400,000
September 13, 2023	0.30	**100,000**	100,000
November 23, 2023	0.26	**350,000**	350,000
January 9, 2024	0.28	**140,000**	140,000
May 22, 2024	0.57	**270,000**	270,000
June 24, 2024	0.65	**120,000**	120,000
August 20, 2024	0.64	**30,000**	30,000
December 6, 2024	0.33	**470,000**	470,000
December 19, 2024	0.28	**15,000**	15,000
April 16, 2025	0.17	**917,000**	937,000
November 25, 2025	0.14	**606,800**	664,800
April 21, 2026	0.24	**632,400**	-
		4,126,200	3,691,800

The weighted average remaining contractual life of the outstanding stock options is 3.38 years (December 31, 2020: 3.66 years).

The fair value of the options granted was estimated on the dates of the grant using the Black-Scholes Option Pricing Model. The fair values of the options granted in the last two years were estimated using the following assumptions:

Grant Date	# of Options	Exercise Price	Dividend Yield	Expected Volatility	Risk Free Rate of Return	Expected Life	Weighted Average Fair Value on Grant Date	Forfeiture Rate
April 21, 2021	632,400	$ 0.24	Nil	83.4%	0.94%	5 years	$ 0.16	18.8%
November 25, 2020	664,800	$ 0.14	Nil	83.0%	0.45%	5 years	$ 0.09	19.6%
April 16, 2020	1,009,000	$ 0.17	Nil	82.2%	0.43%	5 years	$ 0.11	19.6%
December 19, 2019	45,000	$ 0.28	Nil	77.9%	1.66%	5 years	$ 0.18	19.2%
December 6, 2019	520,000	$ 0.33	Nil	77.0%	1.58%	5 years	$ 0.21	19.2%
August 20, 2019	220,000	$ 0.64	Nil	84.9%	1.19%	5 years	$ 0.43	18.8%
June 24, 2019	120,000	$ 0.65	Nil	79.6%	1.34%	5 years	$ 0.42	18.1%
May 22, 2019	476,667	$ 0.57	Nil	81.6%	1.61%	5 years	$ 0.37	17.7%
May 21, 2019	75,000	$ 0.57	Nil	85.1%	1.64%	5 years	$ 0.38	17.7%
January 9, 2019	275,000	$ 0.28	Nil	78.2%	1.90%	5 years	$ 0.18	17.3%

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

Warrants

	Six months ended June 30, 2021		Year ended December 31, 2020	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of period:	-	$ -	887,500	$ 0.35
Exercised	-	-	-	-
Expired or cancelled	-	-	(887,500)	-
Warrants outstanding, end of period:	-	$ -	-	$ -

Note 15 – Share Capital - continued

The fair value of the warrants issued were estimated on the dates of the grant using the Black-Scholes Option Pricing Model. The fair values of the warrants issued were estimated using the following assumptions:

Grant Date	# of Warrants	Exercise Price	Dividend Yield	Expected Volatility	Risk Free Rate of Return	Expected Life	Weighted Average Fair Value on Grant Date
November 21, 2018	2,875,000	$ 0.35	Nil	72.6%	2.23%	2 years	$ 0.08

Restricted Share Unit ("RSUs") and Deferred Share Units ("DSUs")

On April 4, 2019, the Corporation adopted Restricted share unit ("RSU") and Deferred share unit ("DSU") plans. No RSUs have been granted yet.

	Six months ended June 30, 2021				Year ended December 31, 2020			
	Number of DSUs	Weighted Average Fair Value	Number of RSUs	Weighted Average Fair Value	Number of DSUs	Weighted Average Fair Value	Number of RSUs	Weighted Average Fair Value
Outstanding, beginning of year:	**1,227,000**	**$ 0.15**	**-**	**$ -**	1,329,000	$ 0.06	-	$ -
Issued	-	-	-	-	243,000	0.17	-	-
Expired or cancelled	-	-	-	-	(345,000)	0.27	-	-
Outstanding, end of period:	**1,227,000**	**$ 0.19**	**-**	**$ -**	1,227,000	$ 0.15	-	$ -

During the three and six months ended June 30, 2021, no DSUs were granted (year ended December 31, 2020: 243,000). DSUs vest one-third on the first, second, and third (annual) anniversary of the date of grant based on continued tenure of the participant.

Of the 1,227,000 (December 31, 2020: 1,227,000) outstanding DSUs as of June 30, 2021, 632,000 DSUs have vested (December 31, 2020: nil).

The fair value of the DSU liability as of June 30, 2021, of $234,507 (December 31, 2020: $187,313) is based on the closing price of the Corporation's shares on the TSX Venture Exchange and an expected forfeiture rate of 19.01%. This liability is included in accounts payable and accrued liabilities in the consolidated statements of financial position. Any change to the fair value of the liability is included in share-based compensation expense in the consolidated statements of loss and comprehensive loss.

The value of the vested DSUs is redeemable by the participant following resignation, retirement, or death. The fair value of the DSUs redeemed is equal to the market price of the Corporation's shares and are payable in the form of cash, less applicable withholding taxes.

The equity-linked compensation plans collectively have a floating maximum limit of 10% of the outstanding common shares, as permitted by the policies of the TSX Venture Exchange. The ESP, RSU and DSU plans each have an individual defined maximum limit of 2% of the outstanding common shares, as permitted by the policies of the TSX Venture Exchange.

Share-based compensation expense is comprised of the following:

	Six months ended June 30, 2021	2020
Stock options	**$ 85,988**	$ 125,830
Deferred share units	**47,194**	52,877
Share-based compensation expense	**$ 133,182**	$ 178,707

Note 15 – Share Capital - continued

Share-based compensation expense in the consolidated statements of loss and comprehensive loss for the three and six months ended June 30, 2021 includes $10,130 and $23,022 respectively to Directors (three and six months ended June 30, 2020: $20,856 and $42,405 respectively), $33,118 and $76,875 respectively to Officers (three and six months ended June 30, 2020: $48,403 and $29,208 respectively), and $22,412 and $33,285 respectively to Employees (three and six months ended June 30, 2020: $(5,718) and $21,912 respectively).

Net Loss and Diluted Loss Per Common Share

The treasury stock method is used to calculate diluted loss per share, and under this method options that are anti-dilutive are excluded from the calculation of diluted loss per share. For the three and six months ended June 30, 2021, and the three and six months ended June 30, 2020, all outstanding options and warrants were considered anti-dilutive because the Corporation recorded a loss over those periods.

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Basic loss per share				
Total loss and comprehensive loss	**$ (579,726)**	$ (673,958)	**$ (1,181,638)**	$ (1,489,638)
Weighted average number of common shares outstanding	**67,964,924**	47,563,231	**65,681,034**	46,938,207
Total loss and comprehensive loss per common share, basic	**$ (0.009)**	$ (0.014)	**$ (0.018)**	$ (0.032)
Diluted loss per share				
Total loss and comprehensive loss	**$ (579,726)**	$ (673,958)	**$ (1,181,638)**	$ (1,489,638)
Weighted average number of common shares outstanding	**67,964,924**	47,563,231	**65,681,034**	46,938,207
Effect of dilutive stock options and warrants	**-**	-	**-**	-
Weighted average number of common shares outstanding after dilution	**67,964,924**	47,563,231	**65,681,034**	46,938,207
Total loss and comprehensive income loss per common share, diluted	**$ (0.009)**	$ (0.014)	**$ (0.018)**	$ (0.032)

Note 16 – Related Party Transactions

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

The unpaid amounts due from the numbered Alberta corporation that owns the Prosvita Sand Project as at December 31, 2020 were unsecured and bear no interest. The remuneration earned by the Directors was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Directors:				
Directors fees	**$ 37,800**	$ 34,000	**$ 75,600**	$ 76,000
Travel and miscellaneous expenses	**1,007**	-	**1,007**	701
Share-based compensation	**9,590**	20,856	**23,022**	42,405
	$ 48,397	$ 54,856	**$ 99,629**	$ 119,106

The Directors fees are paid on a quarterly basis. All related party transactions were in the normal course of operations and were measured at the amount of consideration established and agreed to by the related parties.

Note 17 – Compensation of Key Management

The remuneration paid to named Officers were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Salaries and other benefits	$ 140,388	$ 155,602	$ 280,886	$ 310,971
Share-based compensation	33,118	61,006	76,875	114,390
	$ 173,506	$ 216,608	$ 357,761	$ 425,361

Note 18 – Financial Instruments

Classification

The Corporation's financial instruments consist of the following:

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

Fair Value

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

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

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

The deferred share unit liability is the only financial instruments measured at fair value on a recurring basis. The deferred share unit liability is a Level 2 fair value hierarchy measurement. There were no transfers between Level 1, 2, or 3 of the fair value hierarchy for the six months ended June 30, 2021, or the year ended December 31, 2020.

Credit Risk

Financial instruments that potentially subject the Corporation to credit risk consist primarily of cash, restricted cash, trade and other receivables, and long-term deposits. The Corporation's maximum credit risk on June 30, 2021, is the carrying value of these financial assets.

Credit risk associated with cash and restricted cash is minimized substantially by ensuring that these financial assets are placed with major financial institutions that have been accorded strong investment grade rating. Long-term deposits are held with the Government of Alberta thus minimizing their credit risk.

On an ongoing basis, the Corporation monitors the financial condition of its customers with all information available. The Corporation reviews the credit worthiness of all new customers and sets credit limits accordingly to minimize the Corporation's exposure to credit losses. The Corporation requires any customers deemed to be high-risk to prepay for aggregate prior to taking delivery.

Note 18 – Financial Instruments

The aging summary for trade and other receivables is as follows:

	Current	60-90 days	> 90 days	Total
As at June 30, 2021	**$ 2,995,095**	**$ 4,793**	**$ 3,532**	**$ 3,003,420**
As at December 31, 2020	**$ 484,107**	**$ -**	**$ 6,811**	**$ 490,918**

As of June 30, 2021, two customers individually accounted for 89% of the Corporation's accounts receivable balance, and therefore owed greater than 10% of the accounts receivable total balance (December 31, 2020: three customers accounted for 88%).

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through budgeting and forecasting cash flows to ensure it has enough cash to meet its short-term requirements for operations, business development and other contractual obligations.

As of June 30, 2021, the Corporation has enough working capital to fund ongoing operations and meet its liabilities when they come due. Accordingly, the Corporation is not exposed to significant liquidity risk. The Corporation's financial liabilities include accounts payable and accrued liabilities, income taxes payable, and the bank loans and lease obligations, including interest.

The expected remaining contractual maturities of the Corporation's financial liabilities are shown in the following table:

	As at June 30, 2021			
	0 - 1 year	2 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	$ 3,204,039	$ -	$ -	$ 3,204,039
Income taxes payable	30,648	-	-	30,648
Bank loans, including interest	588,262	670,019	-	1,258,281
Lease obligations, including interest	113,854	45,689	1	159,544
Total	**$ 3,936,803**	**$ 715,708**	**$ 1**	**$ 4,652,512**

Note 19 – Capital Disclosures

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

	Notes	As at June 30, 2021		December 31, 2020	
Total equity attributable to shareholders		$	**14,385,620**	$	13,184,834
Total borrowings					
Bank loan	12		**1,204,328**		1,426,924
Lease obligations	13		**155,339**		238,161
Cash			**(674,595)**		(1,954,371)
Total managed capital		$	**15,070,692**	$	12,895,548

The Corporation's objective when managing capital is to provide enough capital to cover normal operating and capital expenditures. To maintain or adjust the capital structure, the Corporation may issue debt, purchase shares for cancellation pursuant to normal course issuer bids or issue new shares.

Note 20 – Supplemental Consolidated Statements of Loss and Comprehensive Loss Disclosures

A large portion of the Corporation's aggregate sales and aggregate management services revenue typically come from a small group of major customers. Any customer who represents more than 10% of the Corporation's revenue for the respective period is considered a major customer. The Corporation's customer base continually changes, during the six months ended June 30, 2021, 78% of revenue was earned from three major customers (six months ended June 30, 2020: 85% from two customers). The three major customers were new to the Corporation in the year.

Finance costs are comprised of the following:

	Notes	Three months ended June 30, 2021		2020		Six months ended June 30, 2021		2020
Interest on bank loans	12		**(14,978)**		-	$	**(31,536)**	$ -
Interest on lease obligations	13		**(1,343)**		(2,907)		**(5,026)**	(5,587)
		$	**(16,321)**	$	(2,907)	$	**(36,562)**	$ (5,587)

Total payments on the CWB loan, including interest, for the three and six months ended June 30, 2021 was $147,066 and $294,132 respectively (June 30, 2020: $36,623 and $75,248 respectively). See Note 12 for additional information.

Total lease payments, including principal and interest, for the three and six months ended June 30, 2021 was $35,115 and $87,848 (June 30, 2020: $nil and $33,731 respectively). See Note 13 for additional information.

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

	Notes	Three months ended June 30, 2021		2020		Six months ended June 30, 2021		2020
Amortization of contract costs	9		**(2,102)**		(1,510)	$	**(9,936)**	$ (4,851)
Amortization of ERO assets	10		**(2,487)**		(4,362)		**(5,032)**	(7,651)
Amortization of resource property lease costs	10		**(2,778)**		(2,779)		**(5,559)**	(5,559)
Change in estimate for ERO recognized in other operating expenses	14		**9,295**		-		**23,978**	-
Change in discount rate recognized in other operating expenses	14		**(110,160)**		(12,831)		**(78,006)**	(71,415)
Accretion of ERO liability	14		**(1,082)**		(11,230)		**(15,287)**	(21,727)
		$	**(109,314)**	$	(32,712)	$	**(89,842)**	$ (111,203)

Note 20 – Supplemental Consolidated Statements of Loss and Comprehensive Loss Disclosures - continued

Other non-operating income is comprised of the following:

	Notes	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Gain on sale of resource rights		-	-	$ 50,000	$ -
Camp rental income		15,000	57,657	45,297	135,276
Gain on acquisition of TerraShift		-	126,148	-	126,148
Rental income		13,212	-	34,359	-
Foreign exchange loss		(199)	-	51	-
		$ 28,013	$ 183,805	$ 129,707	$ 261,424

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

	Notes	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Employee benefit expenses		$ 531,810	$ 454,576	$ 1,148,944	$ 1,026,083

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

Note 21 – Segmented Reporting

Reportable segments are determined based on the corporate structure and operations in accordance with the Corporation's accounting policies.

The "Corporate & Eliminations" segment is disclosed for reconciliation purposes only. The numbered Alberta corporations that respectively own the Montney In-Basin Project and the Prosvita Sand Project are included in the AMI Silica segment.

Note 21 – Segmented Reporting - continued

The summary of key financial information by reportable segment for the three and six months ended June 30, 2021 (along with comparative information for results by segment for the three and six months ended June 30, 2020) is as follows:

	AMI Aggregates		AMI RockChain		AMI Silica		TerraShift		Corporate & Eliminations		Consolidated	
For the three months ended June 30,	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Revenue:												
Aggregate sales revenue	$ -	$ -	$ 2,354,882	$ 59,071	$ (2)	$ -	$ -	$ -	$ -	$ -	$ 2,354,880	$ 59,071
Management services revenue	233,190	227,133	4,406	-	444,451	-	367,464	-	(122,455)	-	927,056	227,133
Gross revenue, including royalties	233,190	227,133	2,359,288	59,071	444,449	-	367,464	-	(122,455)	-	3,281,936	286,204
Gross profit (loss)	8,364	(31,205)	165,877	212	12,149	-	315,548	-	(34,824)	-	467,114	(30,993)
For the six months ended June 30,	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2,020**	**2021**	**2020**	**2021**	**2020**
Revenue:												
Aggregate sales revenue	$ -	$ -	$ 2,782,204	$ 548,089	$ (2)	$ -	$ -	$ -	$ -	$ -	$ 2,782,202	$ 548,089
Management services revenue	968,324	553,400	4,406	-	444,451	-	575,761	-	(267,956)	-	1,724,986	553,400
Gross revenue, including royalties	968,324	553,400	2,786,610	548,089	444,449	-	575,761	-	(267,956)	-	4,507,188	1,101,489
Gross profit (loss)	275,560	20,282	198,751	23,326	(274,297)	(33,172)	509,556	-	(41,777)	-	667,793	10,436

Note 22 – COVID-19

The Corporation faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect its business and financial conditions. In December 2019, a novel strain of the coronavirus ("COVID-19") emerged in China and the virus has now spread across the world. The Corporation's business is being adversely impacted by the effects of COVID-19; no inventory has been sold from the Corporate owned pits in 2021 or 2020, and both aggregate sales revenue and management services revenue were significantly lower than expected in 2020, with depressed revenues continuing into the six months ended June 30, 2021.

The Corporation has utilized many of the financial programs offered by the Canadian government to assist entities impacted by COVID-19, including the Canadian Emergency Wage Subsidy and the Canadian Emergency Business Account loan program. Furthermore, the Corporation has implemented various cost cutting initiatives to manage cash flow, including payroll reductions.

The extent to which COVID-19 continues to impact the Corporation's business, including its operations and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include: the duration, severity and scope of the outbreak and the actions to contain or remedy the pandemic. In particular, the continuation of the pandemic could materially and adversely impact the Corporation's business including without limitation: employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, potential restrictions to its projects, resource development program and the timing thereof, which are beyond the Corporation's control, and which may have a material or adverse effect on its business, financial condition and operations. The Corporation will continue to monitor and take corrective action in accordance with government guidelines to mitigate the impact on the Corporation's staff and business operations.

The Corporation continues to stay informed of the progress of the pandemic and is acting wherever and whenever possible to mitigate the impact of the pandemic on the staff and operations of the Corporation. The Corporation is continuing to monitor the actual and potential financial impact of COVID-19, such as changes to discount rates and indicators of impairment of non-financial assets and is updating any accounting estimates that are impacted by the effects of COVID-19.

The Corporation remains financially prudent during the COVID-19 pandemic. Effective January 1, 2021, the Corporation implemented 10% reductions of Management salaries and Board fees and continues to participate in the Canada Emergency Wage Subsidy program. AMI has received subsidies totaling $140,876 and $186,572 for the three and six months ended June 30, 2021 respectively (year ended December 31, 2020: $450,560) from the CEWS program, which have been accounted for as a deduction in reporting general and administrative expenses.