YEAR ENDED DECEMBER 31, 2021

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Athabasca MINERALS INC.

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Management's Responsibility for Financial Reporting Report

The accompanying consolidated financial statements of Athabasca Minerals Inc. are the responsibility of management and have been approved by the Board of Directors on recommendation by the Audit Committee.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. Where alternative accounting methods exist, management has chosen those which it deems most appropriate under the circumstances. Financial statements are not precise since they include amounts based on estimates and judgments. Management has determined such amounts to the best of its ability in a manner it deemed reasonable in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Management has prepared financial information presented elsewhere in the accompanying management discussion and analysis and has ensured that it is consistent with that in the consolidated financial statements. In support of its responsibility, management maintains a system of internal controls to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility through its Audit Committee.

The Audit Committee is comprised of financially literate directors, appointed by the Board of Directors. The Audit Committee meets periodically with management and the external auditors to discuss internal controls over financial reporting processes, auditing matters and financial reporting issues to satisfy itself, that each party is properly discharging its responsibilities, and to review the consolidated financial statements and the external auditor's report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

These consolidated financial statements have been audited by Grant Thornton LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Grant Thornton LLP has full and free access to the Audit Committee.

(signed) "*Robert Beekhuizen*"

Robert Beekhuizen
Chief Executive Officer

(signed) "*Mark Smith*"

Mark Smith
Chief Financial Officer

April 28, 2022
Edmonton, Alberta

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Independent Auditor's Report

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To the Shareholders of Athabasca Minerals Inc.:

Opinion

We have audited the consolidated financial statements of Athabasca Minerals Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021, and December 31, 2020 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for opinion

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

Information other than the consolidated financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control

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as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

Grant Thornton LLP

Vancouver, Canada
April 26, 2022

Chartered Professional Accountants

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Athabasca MINERALS INC.

Consolidated Statements of Financial Position

	Notes	As at December 31, 2021	December 31, 2020
ASSETS			
Current			
Cash		$ 2,517,433	$ 1,954,371
Trade and other receivables	5, 22	1,291,644	490,918
Amounts due from related entities	20	-	88,876
Income taxes recoverable - Canada	18	74,337	-
Inventory	6	846,599	846,599
Prepaid expenses and deposits		52,991	32,414
Current Assets		4,783,004	3,413,178
Long-term deposits	7	769,078	769,078
Restricted cash	8	120,000	1,076,595
Contract costs	9	2,420,470	2,434,300
Property and equipment	10	593,911	739,100
Right-of-use assets	11	87,440	250,967
Intangible assets	12	36,201	84,923
Resource properties	13	12,126,762	6,250,770
Investments in associates	14	-	3,524,291
Total Assets		$ 20,936,866	$ 18,543,202
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	22	$ 1,765,131	$ 1,003,696
Income taxes payable - Canada	18	-	45,084
Income taxes payable - foreign	18	64,408	-
Current portion of bank loans	15	755,051	1,286,924
Current portion of lease obligations	16	73,618	159,640
Current portion of environmental rehabilitation obligations	17	133,295	-
Current Liabilities		2,791,503	2,495,344
Bank loans	15	300,000	140,000
Lease obligations	16	4,899	78,521
Deposit liabilities		26,770	-
Environmental rehabilitation obligations	17	2,662,417	2,644,503
Total Liabilities		5,785,589	5,358,368
Subsequent events	27		
Shareholders' Equity			
Share capital	19	22,971,793	18,955,877
Contributed surplus		5,324,170	5,186,552
Deficit		(13,144,686)	(10,957,595)
Total Shareholders' Equity		15,151,277	13,184,834
Total Liabilities and Shareholders' Equity		$ 20,936,866	$ 18,543,202

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

Approved by the Board of Directors

" Don Paulencu "	"Terrance Kutryk"
Director	Director

Consolidated Statements of Loss and Comprehensive Loss

	Notes	Years ended December 31, 2021	2020
Services revenue	25	$ 9,093,507	$ 514,181
Product sales revenue	25	3,035,742	1,527,186
Gross revenue, including royalties		12,129,249	2,041,367
Less: provincial royalties		(337,638)	(96,187)
Revenue, net of royalties		11,791,611	1,945,180
Operating costs		(10,297,769)	(1,897,737)
Depreciation, depletion, and amortization expense	10, 11, 12	(389,064)	(446,771)
Cost of sales		(10,686,833)	(2,344,508)
Gross profit (loss)		1,104,778	(399,328)
General and administrative expenses		(2,934,205)	(2,764,941)
Share of loss from associates	14	-	(109,136)
Share-based compensation	19	(247,952)	(337,348)
Other operating income (expenses)	24	(274,320)	(217,717)
Operating loss		(2,351,699)	(3,828,470)
Finance costs	24	(44,313)	(86,874)
Other non-operating income	24	206,438	393,277
Interest income		13,295	22,190
Loss before income taxes		(2,176,279)	(3,499,877)
Net income tax expense	18	(10,809)	(30,648)
Total loss and comprehensive loss		$ (2,187,088)	$ (3,530,525)
Loss per common share - basic	19	$ (0.032)	$ (0.071)
Loss per common share - diluted	19	$ (0.032)	$ (0.071)
Weighted average number of shares outstanding	19	67,947,084	49,657,351

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

Consolidated Statements of Changes in Shareholders' Equity

	Notes	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance as at January 1, 2020		**45,326,440**	**$ 16,734,732**	**$ 4,964,152**	**$ (7,427,070)**	**$ 14,271,814**
Shares issued	**19**	13,733,713	$ 2,227,641	$ -	$ -	$ 2,227,641
Share-based compensation	**19**	-	-	227,555	-	227,555
Stock options exercised	**19**	50,000	13,655	(5,155)	-	8,500
Share issuance costs, net of tax of $nil	**19**	-	(20,151)	-	-	(20,151)
Total loss and comprehensive loss for the year		-	-	-	(3,530,525)	(3,530,525)
Balance as at December 31, 2020		**59,110,153**	**$ 18,955,877**	**$ 5,186,552**	**$ (10,957,595)**	**$ 13,184,834**
Shares issued	**19**	17,596,935	$ 3,944,313	$ -	$ -	$ 3,944,313
Share-based compensation	**19**	-	-	169,085	-	169,085
Stock options exercised	**19**	257,000	82,748	(31,467)	-	51,281
Share issuance costs, net of tax of $nil		-	(11,145)	-	-	(11,145)
Total loss and comprehensive loss for the year		-	-	-	(2,187,088)	(2,187,088)
Balance as at December 31, 2021		**76,964,088**	**$ 22,971,793**	**$ 5,324,170**	**$ (13,144,683)**	**$ 15,151,280**

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

Consolidated Statements of Cash Flows

	Notes	Years ended December 31, 2021	2020
OPERATING ACTIVITIES			
Total loss and comprehensive loss		$ (2,187,088)	$ (3,530,525)
Adjustments for non-cash items			
Stockpile loss/inventory write-down		-	265,876
Depreciation, depletion, and amortization expense		389,064	446,771
Amortization of resource property lease costs		11,118	11,118
Amortization of environmental rehabilitation obligations asset		120,645	25,557
Amortization of contract costs		13,830	4,947
Change in estimate for environmental rehabilitation obligations		(599)	(30,860)
Change in discount rate for environmental rehabilitation obligations		54,815	57,088
Accretion of environmental rehabilitation obligations		74,511	44,041
Writedown of resource properties		-	105,826
Gain on acquisition of TerraShift		-	(143,056)
Gain on disposal of property and equipment		(50,000)	(8,000)
Share-based compensation		247,952	337,348
Shares issued in payment of royalties		200,001	-
Share of loss from associates		-	109,136
Changes in non-cash working capital balances			
Trade and other receivables		(419,190)	520,985
Amounts due from related entities		88,876	(88,876)
Prepaid expenses and deposits		4,623	83,168
Accounts payable and accrued liabilities		296,063	(294,229)
Income taxes (recoverable) payable		(55,013)	45,084
Net cash used in operating activities		**(1,210,392)**	(2,038,601)
INVESTING ACTIVITIES			
Withdrawal of long-term deposits	7	-	34,210
Restricted cash	8	**956,595**	684,875
Spending on contract costs	9	-	(1,546,368)
Proceeds on sale of property and equipment	10	**50,000**	8,000
Purchase of property and equipment	10	**(31,627)**	(15,740)
Spending on resource properties	13	**(574,599)**	(2,807)
Cash acquired in TerraShift acquisition	4	-	151,832
Cash consideration paid for acquisition of TerraShift	4	-	(25,000)
Cash acquired in acquisition of associates		**120,155**	-
Cash consideration paid for interest in associates	14	**(1)**	-
Net cash from (used in) investing activities		**520,523**	(710,998)
FINANCING ACTIVITIES			
Proceeds from issuance of common share units	19	**1,744,312**	1,480,000
Common share issuance costs	19	**(11,145)**	(20,151)
New financing from bank loans	15	**160,000**	1,600,000
Repayment of bank loans	15	**(531,873)**	(213,076)
Repayment of lease obligations	16	**(159,644)**	(146,583)
Net proceeds from exercise of stock options	19	**51,281**	8,500
Net cash from financing activities		**1,252,931**	2,708,690
Net change in cash		**563,062**	(40,909)
Cash, beginning of year		**1,954,371**	1,995,280
Cash, end of year		**$ 2,517,433**	$ 1,954,371

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

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 from its corporate pits and manages the Coffey Lake Public Pit on behalf of the Government of Alberta.
- **Métis North Sand & Gravel** is a strategic partnership with the McKay Métis Group to deliver aggregates to the energy, infrastructure, and construction sectors in the Wood Buffalo region.
- **AMI Silica** division (www.amisilica.com) has resource holdings and business interests in Alberta, North-East BC, and the United States.
- **AMI RockChain** division (www.amirockchain.com) is a midstream, technology-enabled business using its proprietary RockChain™ digital platform, automated supply-chain and logistics solutions, quality-assurance & safety programs to deliver products across Canada.
- **TerraShift Engineering** (www.terrashift.ca) conducts resource exploration, regulatory, mining, environmental and reclamation engineering for a growing nation-wide customer base and is also the developer of the proprietary TerraMaps™ software.

The consolidated financial statements for the year ended December 31, 2021 including comparatives were approved and authorized for issue by the Board of Directors on April 26, 2022.

Note 2 - Basis of Presentation

a) Statement of Compliance

These consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

b) Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis, except as detailed in the Corporation's accounting policy set out in Note 3.

Note 2 - Basis of Presentation - continued

These 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 at 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 consolidated financial statements have been combined from the date that control commences until the date control ceases, 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 consolidated financial statements are presented in Canadian dollars which is the functional currency of the Corporation and its subsidiaries.

d) Use of Estimates and Judgements

The preparation of consolidated financial statements in conformity with IFRS as issued by the IASB requires management to make estimates and judgments that affect the amount reported in the consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are subject to measurement uncertainty. The effect on the consolidated financial statements of changes in such estimates in future reporting periods could be significant.

Significant estimates and areas where judgment is applied that have significant effect on the amount recognized in the consolidated financial statements are described below.

Significant Management Judgements

<u>Economic Conditions and Measurement Uncertainty</u>
In light of the COVID-19 pandemic and related climate of economic uncertainty, the Corporation's below listed assumptions and judgments were impacted by heightened measurement uncertainty for the year ended December 31, 2021.

<u>Going Concern</u>
These consolidated financial statements have been prepared on a going concern basis that contemplates the realization of assets and discharge of liabilities at their carrying values in the normal course of business for the foreseeable future. The application of the going concern basis requires judgement regarding the likelihood of management expectations for future cash flows, economic environment, and strategy. Any such estimates and assumptions may change as new information becomes available.

<u>Realization of Assets</u>
The investment in and expenditures on resource properties comprise a significant portion of the Corporation's assets. Realization of the Corporation's investment in these assets is dependent upon the successful exploration, development and the attainment of successful production from the properties or from the proceeds of their disposal.

Note 2 - Basis of Presentation - continued

Exploration and Development Expenditures
Mineral exploration and development is highly speculative and involves inherent risks. While the rewards if a resource body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of minerals.

The application of the Corporation's accounting policy for exploration and development expenditures requires judgement to determine whether future economic benefits are likely from either future exploration or sale or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. In addition to applying judgement to determine whether future economic benefits are likely to arise from the Corporation's exploration and development assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Corporation has to apply a number of estimates and assumptions. The determination of a mineral resource is an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e., measured, indicated or inferred). The estimates impact when the Corporation defers exploration and development expenditures. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, particularly, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If after the expenditure is capitalized information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalized amount is written off to the consolidated statements of loss and comprehensive loss in the period when the new information becomes available.

Impairment of Resource Properties
Resource properties are reviewed and evaluated for impairment at each reporting period or when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Common indicators of impairment of a resource property include, but is not limited to:

- the right to explore in a specific area has expired, or will soon expire, and is not expected to be renewed;
- substantive expenditure on further exploration in a specific area is neither budgeted nor planned;
- exploration in an area has not led to the discovery of commercially viable quantities of mineral resources, or the results are not compelling enough to warrant further exploration, and the Corporation has decided to discontinue activities in the area; or
- sufficient data exists to indicate that, although exploration or development in an area is likely to proceed, the carrying amount of the resource property is unlikely to be recovered in full by successful development or by sale.

Commencement of Commercial Production
The Corporation assesses the stage of each resource property under development to determine when a property reaches the stage when it is substantially complete and ready for its intended use. The Corporation considers various relevant criteria to assess when the commercial production phase is considered to commence. Some of the criteria used will include, but is not limited to, the following:

- the completion of a reasonable period of testing of mine plant and equipment;
- the ability to produce saleable aggregates;
- the ability to achieve production targets;
- sufficiency of hauling access from the pit;
- ability to sustain ongoing production;
- capital expenditures incurred relative to the expected costs to complete.

Note 2 - Basis of Presentation - continued

Leases

Management uses judgement to determine if contracts contain a lease. To make the assessment, management evaluates if the contract identifies a specific asset, the Corporation has the right to obtain substantially all the economic benefits from use, and if the Corporation has the right to direct the use of the asset.

Management uses judgement in determining the effective term for contracts where an extension or termination clause exists. Management considers historical behaviour, forecasting, and future strategy when considering what a reasonable outcome is.

Degree of Control Over Investees

In determining the degree of control or influence that exists between the Corporation and an investee, the Corporation considers to what extent it is exposed to or has the right to variable returns and whether it has the ability to use its power to affect those returns. If the Corporation determines that it has the power to affect its returns, then the investee is consolidated into the Corporation's consolidated financial statements using the acquisition method.

If the Corporation determines that it does not have the power to affect its returns in the investee, then it considers all relevant factors in assessing whether it has significant influence over the investee. If the Corporation determines that it has the power to participate in the financial and operating decisions of the investee, but that it does not control the investee, then the interest in the investee is accounted for using the equity method.

Management Estimates

Collectability of Accounts Receivable

In determining the collectability of a trade or other receivable, the Corporation considers all available information in assessing the risk or probability of a credit loss occurring over the contractual period of the receivable, even if the probability is low.

The Corporation uses a provision matrix to calculate expected credit losses for trade receivables. The provision matrix is initially based on the Corporation's historical observed default rates. The Corporation will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The Corporation's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Inventory Valuation

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

Depreciation and Amortization and Determining Useful Lives

Mineral properties in production and other tangible assets used directly in resource production activities are depreciated on a unit-of-production basis ("UOP") over the productive life of the mine based on the economically recoverable reserves and resources including proven and probable reserves.

Note 2 - Basis of Presentation - continued

The calculation of the UOP rate, and therefore the annual depreciation expense could be materially affected by changes of estimates of mineral reserves and of the underlying mineral properties. Changes in estimates can be the result of:

- actual future production differing from current forecasts of future production;
- expansion of mineral reserves through exploration activities;
- differences between estimated and actual costs of mining development; and
- differences in the mineral prices used in the estimation of mineral reserves.

Property and equipment is depreciated, net of residual value, over its useful economic life. Depreciation commences when assets are available for use. The assets' useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at each fiscal year end.

Significant judgment is involved in the determination of useful life and residual values. No assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

Mineral Reserves

Proven and probable mineral reserves are the economically mineable parts of the Corporation's measured and indicated mineral resources demonstrated by, at a minimum, a preliminary feasibility study. The Corporation estimates its proven and probable mineral reserves based on information compiled by appropriately qualified persons. Geological estimates of the size, depth and shape of the mineral body requires complex judgements.

The estimation of future cash flows related to proven and probable mineral reserves is based upon factors such as:

- estimates of commodity prices;
- future capital requirements;
- mineral recovery factors and production costs;
- unforeseen operational issues; and
- geological assumptions and judgements made in estimating the size and grade of the mineral body.

Changes in the proven and probable mineral reserves or mineral resource estimates may impact the carrying value of resource properties, property and equipment, environmental rehabilitation obligations, recognition of deferred taxes, amortization, depletion and accretion. The Corporation conducts an annual review of its reserves and mineral resources. Changes in estimates are accounted for prospectively.

Provision for Reclamation and Decommissioning Obligations

Accounting for reclamation and decommissioning obligations requires management to make estimates of the timing and amount of future costs the Corporation will incur to complete the reclamation and decommissioning work required to comply with existing laws, regulations and contractual agreements at each mining operation. Timing and actual costs incurred may differ from those estimated.

Future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Corporation. Increases in future costs and timing of those costs could materially impact the amounts estimated for reclamation, remediation and decommissioning. The Corporation assesses its provision for asset retirement obligations on an annual basis or when new material information becomes available.

If after a provision is recognized, information becomes available suggesting that recovery of the corresponding asset is unlikely, the asset is written off to the consolidated statements of loss and comprehensive loss in the period when the new information becomes available. When the Corporation is virtually certain that all or a portion of the costs will be reimbursed by another party, the Corporation uses judgement to determine whether it would be liable for the entire provision in the event that the other party failed to pay and then presents the reimbursement as a separate asset. However, if the Corporation determines that it would have no further liability for those costs if the other party failed to pay then the provision is net with the expected reimbursement.

Note 2 - Basis of Presentation - continued

Impairment of Non-Current Assets
The Corporation assesses each asset or cash generating unit ("CGU") at each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, reserves and operating performance. These estimates and assumptions are subject to risk and uncertainty and therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Income Taxes
Income taxes are measured by applying estimated annual effective income tax rates that are expected to be in effect when the temporary differences that give rise to deferred tax assets and liabilities are expected to reverse or when losses are expected to be utilized. The estimated average annual effective income tax rates are re-estimated at each reporting date.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

The Corporation evaluates the recoverability of deferred tax assets based on an assessment of the Corporation's ability to utilize the underlying future tax deductions against future taxable income before they expire. The Corporation's assessment is based upon existing tax laws, estimates of future taxable income, and the expected timing of taxable temporary difference reversals. To the extent that future cash flows and taxable profit differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the reporting date could be impacted. Future changes in tax laws could limit the ability of the Corporation to obtain tax deductions in future periods.

Calculation of Share-based Compensation
The amount expensed for share-based compensation is determined using the Black-Scholes Option Pricing Model based on estimated fair values of all share-based awards at the date of grant and is expensed to profit or loss over each award's vesting period. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Valuation of Warrants Issued in Private Placements
Warrants issued along with common shares in a private placement of units are valued using the relative fair value method. This method involves separately valuing the common shares at the fair value on the date of the transaction and the warrants using the Black-Scholes Option Pricing Model. The proceeds from the private placement are allocated based on the common shares and warrants proportionate valuations and credited to share capital or contributed surplus respectively. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the warrant. Changes in these input assumptions can significantly affect the fair value estimate.

Business Combinations
Business combinations are accounted for using the fair value of consideration and the fair value of assets and liabilities acquired, including separately identified intangible assets and goodwill, as at the date of acquisition. Share-based consideration is valued using the trading price at the closing date of the acquisition, and contingent consideration is valued based on estimated probabilities of a range of outcomes identified. Changes in these input assumptions can significantly affect the fair value estimate.

Note 3 - Significant Accounting Policies

a) Cash

Cash in the statement of financial position comprises cash on deposit with financial institutions and on hand but excludes any restricted cash.

b) Inventory

Inventory is valued at the lower of cost and net realizable value. Net realizable value is calculated as the estimated selling price in the ordinary course of business less estimated costs required to sell the inventory. Cost is determined by the weighted average method, including direct purchase costs, the associated costs of crushing and hauling and an appropriate portion of direct overhead costs including applicable amortization and depletion of estimated resource properties. Any write down of inventory is recognized as a charge against income in the period the write down occurs.

Inventory does not include any parts and supplies on hand. Parts and supplies are insignificant and are expensed in the period they are acquired.

c) Restricted Cash

Restricted cash is cash on deposit with financial institutions which is not available for use by the Corporation and shall not be released until certain conditions are met under contractual obligations. Restricted cash is cash set aside for the specific use of reclamation obligations.

d) Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. The initial cost of an asset comprises its purchase price and any costs directly attributable to bringing the asset into operation. The purchase price is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Amortization begins when the asset is available for use. Maintenance costs are expensed as incurred. Major improvements and replacements, which extend the useful life of an asset, are capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Corporation.
The Corporation provides for depreciation on its property and equipment using the following methods and rates:

	Method	Rate
On-site buildings	Straight line	10 years
Scale and scale houses	Straight line	10 years
Stockpile pad	Straight line	5 years
Computer software	Straight line	1-3 years
Office equipment	Straight line	3 years
Computer hardware	Straight line	3 years
Large equipment	Declining balance	20%
Vehicles	Declining balance	30%
Other equipment	Straight line	3 years

The residual values, useful lives and method of depreciation of property and equipment are reviewed each financial year and adjustments are accounted for prospectively, if appropriate. An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of an asset is included in profit or loss in the period the asset is derecognized.

Depreciation expense from property and equipment used in inventory production is included in the cost of inventory; depreciation from equipment used for exploration is capitalized under the associated exploration and development mineral properties; and depreciation from administrative capital assets is charged against operations in the period.

Note 3 - Significant Accounting Policies – continued

e) Intangible Assets

Software and customer relationships acquired in a business combination that qualify for separate recognition are recognized as intangible assets at their fair values. All finite-lived intangible assets are amortized over their estimated useful lives of one year for customer relationships and five years for software.

The residual values, useful lives and method of depreciation of intangible assets are reviewed each financial year and adjustments are accounted for prospectively, if appropriate. An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of an asset is included in profit or loss in the period the asset is derecognized.

Depreciation expense from intangible assets is charged against operations in the period.

f) Exploration Expenditures

Mineral exploration expenditures relate to the initial costs incurred for investigation of potential mineral reserves and resources, including exploratory drilling, sampling, mapping and other activities in searching for mineral bodies and to evaluate the technical and commercial viability of developing mineral properties identified through exploration. Exploration expenditures are recorded on a property-by-property basis and deferred as exploration costs until the technical and commercial viability for that property is established and the property is placed into development, sold or abandoned or determined to be impaired.

The establishment of technical and commercial viability is assessed based on technical studies carried out in compliance with industry standards and regulatory requirements and is deemed to be achieved when the Corporation determines that the project will provide a satisfactory return relative to its perceived risks. Once the technical and commercial viability for a resource property is established and the development decision has been made, the property is considered to be under development. Previously capitalized exploration costs related to the property are at that time tested for impairment and if no indicators of impairment are present, the costs are then transferred to pit development costs. Exploration expenditures incurred before the Corporation has obtained the legal right to explore an area are expensed as incurred.

Title to mineral properties involves inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently unreliable conveyance history, which is typical for many mineral properties. The Corporation has investigated title to all its mineral properties and, to the best of its knowledge, all its properties are in good standing.

g) Pit Development Expenditures

A resource property is under the development stage once the property is determined to be commercially and technically viable and development decision has been made. The costs incurred to design and engineer an open pit, to build access roads, camps and other infrastructure for mining, and to remove overburden and other mine waste materials in order to access the mineral body at open pit operations (“stripping costs”) prior to the commencement of commercial production are categorized as pit development expenditures. Development expenditures to this point, including depreciation of related plant and equipment, are capitalized to the related property. Pit development expenditures are depreciated on a UOP basis over the productive life of the resource property based on proven and probable reserves.

Stripping and clearing costs incurred during the development of a pit or mine are capitalized in resource properties. Stripping costs incurred during the production phase of a mine are considered production costs and are included in the cost of inventory produced during the period in which stripping costs are incurred. Stripping costs incurred to prepare the resource body for extraction or to provide access to a resource body that will be extracted in future periods and would not otherwise have been accessible are capitalized as pit development expenditures and depreciated on a UOP basis over the reserves and resource that directly benefit from the stripping activity. New infrastructure costs incurred during the production phase for future probable economic benefit are also capitalized to the related mineral property subject to depreciation on a UOP basis.

Note 3 - Significant Accounting Policies – continued

h) Impairment of Non-Financial Assets

The carrying amounts of non-financial assets are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. The recoverable amount of an asset or CGU is determined as the higher of its fair value less costs of disposal and its value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Management has assessed its CGUs as being an individual mine site, which is the lowest level for which cash inflows are largely independent of those of other assets/CGUs. An impairment loss exists if the asset's or CGU's carrying amount exceeds the recoverable amount and is recorded as an expense in the period.

Tangible assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. A reversal of an impairment loss is recognized in profit or loss immediately.

i) Environmental Rehabilitation Obligations ("ERO")

The Corporation recognizes a liability for restoration, rehabilitation and environmental obligations associated with long-lived assets, including the abandonment of resource properties and returning properties to the condition required in order to satisfy regulatory obligations.

The present value of future rehabilitation cost estimates is capitalized to the corresponding asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the present value.

The Corporation's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates. The discounted liability is increased for the passage of time and adjusted for changes to the current discount rate, and the amount or timing of the underlying cash flows needed to settle the obligation. The liability is subsequently adjusted for the passage of time and is recognized in income or loss as accretion expense.

Additional disturbances or changes in rehabilitation cost will be recognized as additions or charges to the corresponding assets and asset retirement obligation when they occur. If there is a decrease in the estimated rehabilitation costs beyond the corresponding asset balance, this decrease is recognized in income when it occurs.

When the Corporation is virtually certain that all or a portion of the costs will be reimbursed by another party, the Corporation determines whether it would be liable for the entire obligation in the event that the other party failed to pay and then presents the reimbursement as a separate asset. However, if the Corporation determines that it would have no further obligation for those costs in the event that the other party failed to pay then the obligation is net with the expected reimbursement.

j) Lease obligations

The Corporation assesses at contract inception, all arrangements to determine whether they are, or contain, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation is not a lessor in any transactions, it is only a lessee.

The Corporation applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Corporation recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Note 3 - Significant Accounting Policies – continued

The Corporation recognizes right-of-use assets at the commencement date of the lease (i.e., the date when the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Office leases – 2.5 years
- Motor vehicles – 4 years
- Office equipment – 5 years

If ownership of the leased asset transfers to the Corporation at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

At the commencement date of the lease, the Corporation recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (and, in some instances, in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Corporation and payments of penalties for terminating the lease, if the lease term reflects the Corporation exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Corporation uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is generally not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Corporation applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). These lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

k) Provisions

Liabilities are recognized when the Corporation has a present legal or constructive obligation arising as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

A provision is a liability of uncertain timing or amount. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using the pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as a finance cost.

l) Share-based Compensation

The Corporation grants stock options, restricted share units, and deferred share units to directors, officers, employees and consultants of the Corporation pursuant to a stock option plan. The fair value of stock options granted is recognized as an expense with a corresponding increase in contributed surplus. The fair value of restricted share units and deferred share units granted are recognized as an expense with a corresponding increase in current liabilities.

Note 3 - Significant Accounting Policies – continued

Share-based compensation to employees and others providing similar services are measured on the grant date at the fair value of the instruments issued as measured using the Black-Scholes Option Pricing Model. The amount recognized as an expense is adjusted to reflect the actual number of options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value.

Share-based payments to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

Any consideration received upon exercise of options is credited to share capital and the associated amounts originally recorded in contributed surplus are transferred to share capital. Any consideration received upon exercise of restricted share units or deferred share units are credited to share capital, and the associated liabilities are transferred to share capital. In the event instruments are forfeited prior to vesting, the amount recognized in prior periods in relation to the instrument is reversed.

m) Warrants Issued in a Private Placement of Share Units

Warrants issued along with common shares in a private placement of units are valued using the relative fair value method. This method involves separately valuing the common shares at the fair value on the date of the transaction and the warrants using the Black-Scholes Option Pricing Model. Then the proceeds from the private placement are allocated based on the common shares and warrants proportionate valuations and credited to share capital or contributed surplus, respectively.

n) Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity and other comprehensive income, in which case the tax expense is also recognized directly in equity and other comprehensive income, respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates and laws enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are provided for using the liability method on temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the year in which temporary differences are expected to be recovered or settled. Changes to these balances, including changes due to changes to income tax rates, are recognized in profit or loss in the period in which they occur.

Deferred tax assets are recognized to the extent future recovery is probable. Deferred tax assets are reduced to the extent it is no longer probable that enough taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are generally recognized in full, although IAS 12 "Income Tax" specifies limited exemptions. As a result, the Corporation does not recognize deferred tax on temporary differences relating to goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit.

o) Revenue Recognition

The Corporation's revenue is primarily derived from the sale of aggregates. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those goods or services.

Note 3 - Significant Accounting Policies – continued

Prior to revenue being recognized in the consolidated statements of loss and comprehensive loss, the Corporation must have an enforceable sales contract, in accordance with customary business practices that clearly outline each party's rights regarding the goods to be transferred, payment terms, etc.; the contract must have economic substance; and it must be probable that the Corporation will ultimately receive payment.

The Corporation determines the transaction price, which is the contract price net of discounts plus variable consideration, and then allocates the transaction price to the performance obligations stated in the contract. Typically, the only performance obligation stated in the majority of the Corporation's contracts is to transfer control of aggregate to the customer.

Revenue is recognized as follows:

Product sales revenue
The Corporation sells aggregates from pits which it owns through the Alberta Metallic and Industrial Minerals Permits and Surface Material Leases. The Corporation transfers control to the customer and recognizes revenue at the point in time where the aggregate material leaves the pit.

The Corporation also sells third-party aggregate via AMI RockChain. The Corporation has concluded that it is the principal in the sale of third-party aggregate materials because it controls the product before transferring control to the customer. Revenue is recognized at the point in time where the aggregate material is delivered to the customer.

Services revenue
The Corporation recognizes revenue for various management services, including project work and the sale of aggregate from public pits. Until Q2 2019, the Corporation managed the Susan Lake aggregate pit, and in Q1 2020 the Corporation began managing the Coffey Lake aggregate pit, where a management fee is earned based on the volume extracted from the pit. The Corporation transfers control to the customer and recognizes revenue at the point in time where the aggregate material leaves the pit.

In certain contracts where transportation occurs subsequent to acceptance and transfer of control of aggregate to the customer, the Corporation recognizes revenue for the performance obligation relating to the sale of the aggregate as part of a bill and hold arrangement. At that time, control is transferred to the customer as the reason for the bill and hold arrangement is substantive, the Corporation cannot sell the aggregate to another customer, the aggregate can be identified separately and is ready for physical transfer to the customer. Revenue for the transportation of the aggregate is recognized as the performance obligation is satisfied when the aggregate is delivered to the customer.

For general contractor services on certain projects, the Corporation recognizes revenue as the performance obligation is satisfied as the services are performed.

For income generated from the joint obligation, the Corporation recognizes it share of revenue and expenses.

Contract costs
Any incremental costs of obtaining a contract, such as sales commissions and costs of fulfilling a contract, such as permitting and development costs, are capitalized as a contract cost on the statement of financial position, as long as the Corporation expects to recover those costs, the costs relate directly to the contract, and they enhance resources of the Corporation that will be used to satisfy performance obligations under the contract in the future. Any costs to obtain a contract that would have been incurred whether or not the contract was obtained are expensed through the statement of loss and comprehensive loss. Any contract costs capitalized are amortized over the contract term. An impairment loss is recognized when the carrying amount of the contract costs exceeds the remaining amount of consideration that the Corporation expects to receive under the contract less the direct costs associated with transferring control of the aggregate to the customer. These impairment losses are recognized through the statement of loss and comprehensive loss, along with any reversals of previous impairment losses.

Note 3 - Significant Accounting Policies – continued

p) Segmented Reporting

The Corporation has four reportable segments:

a) AMI Aggregates: The Corporation produces and sells aggregate out of its Corporate pits, manages the Coffey Lake aggregate pit on behalf of the Government of Alberta for which management services revenue are earned, and manages other contract work for customers.

b) AMI RockChain: The Corporation sells third-party aggregate using the RockChain™ digital platform to provide integrated supply and transportation solutions for industrial and construction markets.

c) AMI Silica: The Corporation owns a 100% interest in the Firebag silica sand project. As at December 31, 2020, the Corporation owned a 49.2% interest and a 49.6% interest in the private Alberta corporations that own the Montney In-Basin Project and the Duvernay Project, respectively. Refer to Note 14 for discussion of acquisition of control. The Corporation aims to delineate and develop the resource and produce and sell domestic premium silica sand in Western Canada through its wholly owned subsidiary, AMI Silica.

   The Corporation manages a pit on behalf of a third-party confidential client for which services revenue are earned.

d) TerraShift offers technology-based applications that support resource exploration and development, environmental and regulatory planning, resource management, compliance reporting, and reclamation for a customer base across Western Canada and Ontario.

The Corporation's operating segments are components that engage in business activities and earn revenues and/or incur expenses for which there is discrete financial information available that is regularly reviewed by management to make resource allocation decisions and assess the segment's performance.

The Corporation aggregates reportable segments with similar economic characteristics. Reportable segments are determined based on the corporate structure and operations. Corporate & Eliminations is disclosed for reconciliation purposes only.

q) Investment in Associates

The Corporation accounts for investments in associates with significant influence using the equity method.

r) Acquisition of 213 and 214

The Corporation has applied the concentration of fair value test to assess whether an acquired set of activities and assets is not a business. Under the tests performed, the Corporation identified that 96% and 95% respectively of each company's main asset were resource properties. Since the assets acquired/liabilities assumed do not constitute a business the costs have been allocated across the assets/liabilities based on their relative fair value bases.

The Corporation has the accounting policy choice of remeasuring previously held equity interests to fair value, with any gain/(loss) through the income statement; or not remeasuring any previously held equity interests.

Using management's judgement, the Corporation has chosen to not remeasure any previously held equity interest.

Note 3 - Significant Accounting Policies – continued

s) Loss Per Common Share

Basic loss per common share is calculated by dividing the net loss for the period by the weighted average number of common shares outstanding during the financial reporting period.

Diluted loss per share is calculated by adjusting the weighted average number of shares for the dilutive effect of options and warrants. The computation of diluted income per share assumes the conversion, exercise or contingent issuance of securities only when such conversion would have a dilutive effect on income. It is assumed that outstanding options, warrants, and similar items are exercised or converted into shares and that the proceeds that would be realized upon such exercise or conversion are used to purchase common shares at the average market price per share during the relevant period.

t) Financial Instruments

Fair Value

When measuring fair values of financial assets and liabilities, the fair values are grouped into three levels of a hierarchy based on the observability of significant inputs used in making the measurements, as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation can assess at the measurement date;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly as prices or indirectly derived from prices; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

Initial recognition and measurement

The Corporation initially recognizes a financial instrument when it has become party to the contractual provisions of the financial instrument. Financial instruments are initially measured at fair value plus or minus directly attributable transaction costs to acquire or issue the instrument.

Classification and subsequent measurement

Financial assets:

The Corporation classifies its financial assets as either measured at 1) amortized cost using the effective interest method 2) fair value through other comprehensive income or 3) fair value through profit or loss. Classification is based on the Corporation’s business model for managing financial assets, which is to hold the financial asset to collect contractual cash flows, and the contractual cash flows of the asset, which are solely payments of principal and interest.

Derivative financial instruments, such as share purchase options, are initially measured at fair value, while transaction costs are expensed and are classified as either fair value through profit or loss or fair value through other comprehensive income based on the Corporation’s business model for managing financial assets and the contractual cash flow characteristics of the derivative.

Financial liabilities:

The Corporation classifies and measures its financial liabilities at amortized cost.

Derecognition

Financial assets are derecognized when the contractual rights to the cash flows expire or the financial asset is transferred to another entity and the Corporation is no longer entitled to the contractual cash flows or has an obligation to pay the cash flows to another party.

Note 3 - Significant Accounting Policies – continued

The Corporation writes-off a financial asset when the party to the financial asset has defaulted on their obligations to the Corporation. Default is when there is no longer a reasonable expectation of recovering the asset, which is subject to management judgement, but is typically when either one or a combination of the following events have occurred:

- The party to the financial asset is continuously unresponsive to management's collection efforts,
- The Corporation has placed a lien on the customer's project, and/or
- The Corporation has commenced legal action against the customer.

Financial liabilities are derecognized when the liability is discharged, canceled, or expired.

Impairment for trade receivables

The loss allowance for trade receivables without a significant financing component classified at amortized cost are measured using the simplified approach and records a loss allowance as the lifetime expected credit losses. Under the simplified approach, expected credit losses are measured using a present value and probability-weighted model that considers all reasonable and supportable information available without undue cost or effort along with the information available concerning past defaults, current conditions and forecasts at the reporting date. Impairment losses are presented as a decrease in accounts receivable and an expense through the statement of loss and comprehensive loss as impairment loss on trade receivables. If in a subsequent period the estimated credit loss decreases, the previously recognized impairment loss will be reversed through the consolidated statement of loss and comprehensive loss.

u) Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method, using the adopted amendments to IFRS 3 definition of a business. The cost of the business combination is measured as the aggregate of the consideration transferred, measured at the acquisition date at fair value. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, "Business Combinations" are recognized at their fair values at the acquisition date. Acquisition costs incurred are expensed in the period in which they are incurred except for costs related to shares issued in conjunction with the business combination.

Goodwill is initially measured at the excess of the fair value of consideration transferred less the fair value of the net identifiable assets acquired and liabilities assumed. If this amount is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the consolidated statement of loss and comprehensive loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized but is subject to an annual impairment test. Goodwill impairment is evaluated annually or more frequently, if events or changes in circumstances indicate that the asset might be impaired.

v) Government Assistance

Government grants related to income are accounted for as a deduction in reporting the related expense, and are recognized in the period in which the grant becomes receivable. Government loans with forgiveness options are treated as government grants in the period in which there is reasonable assurance that the forgiveness terms of the loans will be met.

w) Joint Obligation

A joint obligation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the joint arrangement. In relation to our interests in joint operations, we recognize our share of any assets, liabilities, revenues, and expenses of the joint operations.

Note 3 - Significant Accounting Policies – continued

Recent Accounting Pronouncements

x) Standards Issued but not yet Effective

Each year new standards and interpretations are issued, but not yet effective, for the Corporation's current financial statements. When the new standards are reasonably expected to have an impact, the Corporation discloses the potential impact that these new standards may have on its disclosures, financial position or performance when applied at a future date. The Corporation intends to adopt these standards when they become effective.

The Corporation did not adopt any accounting standards during the year ended December 31, 2021, that materially impacted the Corporation's consolidated financial statements.

The Corporation plans to adopt the following amendments to the accounting standards, issued by IASB, that are effective for annual period beginning on or after December 1, 2021. The pronouncements will be adopted on their respective effective dates; however, each is not expected to have a material impact on the consolidated financial statements.

Amendments to IAS 1 – Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify its requirements for the presentation of liabilities as current or non-current in the statement of financial position. This will be effective on January 1, 2023.

Amendments to IAS 12 – Income Taxes

In May 2021, the IASB issued an amendment to IAS 12 Income Taxes to clarify the accounting for deferred tax on transactions such as leases and decommissioning obligations. The scope of the recognition exemption in IAS 12 no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted.

Amendments to IAS 16 – Property, Plant and Equipment

In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. Effective January 1, 2022, the amendments prohibit a company from deducting from the cost of PP&E amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

Amendments to IAS 37 – Provisions Contingent Liabilities and Contingent Assets

In May 2020, the IASB issued Onerous Contracts - Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions Contingent Liabilities and Contingent Assets. Effective January 1, 2022, the amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

Amendments to IFRS 9 – Financial Instruments

In May 2020, the IASB issued an amendment to IFRS 9 Financial Instruments clarifying which fees to include in the test in assessing whether to derecognize a financial liability. Only those fees paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included. The amendment is effective for annual periods beginning on or after January 1, 2022, with early adoption permitted.

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.

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 will accrue an estimate for each of these employee bonuses on a quarterly basis going forward and expense 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)	**19**	$	75,013
Cash			25,000
Total purchase price		**$**	**100,013**

Note 4 – Acquisition of TerraShift – continued

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

	Notes		Total
Purchase price allocation			
Cash		$	151,832
Trade and other receivables			30,178
Property and equipment	10		7,741
Intangible assets - customer relationships and software	12		143,447
Accounts payable and accrued liabilities			(35,693)
Income taxes payable			(14,436)
Bank loan ("CEBA" loan)	15		(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 year ended December 31, 2021, the estimated credit loss amounted to $262 (2020: $262).

Note 6 – Inventory

Inventory with a production cost of $4,583,928 (2020: $1,153,991) was sold and is included in operating costs for the year ended December 31, 2021.

Due to a lack of sales at current marketed prices, the Corporation recognized a write-down of $nil (2020: $265,876) included in operating costs, based on an updated estimate of net realizable value of unprocessed gravel and crushed gravel.

The inventory balance of $846,599 (2020: $846,599) consists of $264,180 of unprocessed gravel and $582,419 of crushed gravel (2020: $264,180 of unprocessed gravel and $582,419 of crushed gravel).

Note 7 – Long-term Deposits

		As at			
	Notes		December 31, 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

	Notes	As at December 31, 2021	December 31, 2020
Guaranteed investment certificates for letters of credit			
Susan Lake pit		$ -	$ 230,705
Poplar Creek Site, storage yard		-	180,000
Emerson pit		-	75,240
Coffey Lake reclamation		-	296,520
Coffey Lake indusrial miscellaneous lease		-	74,130
Coffey Lake performance bond - right of way		**100,000**	100,000
Coffey Lake access to gravel pit		-	100,000
Credit card facility		**20,000**	20,000
		$ 120,000	$ 1,076,595

The Corporation has secured its letters of credit to the benefit of Imperial Oil and the Government of Alberta with Account Performance Service Guarantees (APSG) and guaranteed investment certificates as of December 31, 2021, in the amount of $959,695 and $100,000 (December 31, 2020: $nil and $1,056,595). In July 2021 the Corporation entered into an APSG arrangement with Export Development Canada for a maximum aggregate liability of $1,000,000. The APSG allowed the Corporation to free up $959,965 that was previously held as restricted cash. See note 15 for outstanding letters of credit and note 17 for the reclamation liability for the Coffey Lake public pit as of December 31, 2021.

Note 9 – Contract Costs

	Notes	As at December 31, 2021		December 31, 2020	
		Costs to obtain contract		Costs to obtain contract	
Coffey Lake public pit		**$**	**1,419,735**	$	1,433,565
Duvernay Sand Project off-take agreement			**1,000,735**		1,000,735
		$	**2,420,470**	$	2,434,300

Coffey Lake

The Coffey Lake contract was awarded to the Corporation on February 21, 2019 and the site 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 Coffey Lake contract costs 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 of Alberta royalties.

During the year ended December 31, 2021, the Corporation spent $nil on the Coffey Lake contract costs (December 31, 2020: $1,045,633).

The Coffey Lake contract costs will be amortized based on actual volume sales as a proportion of the estimated economically recoverable resource (units of production method). For the year ended December 31, 2021, the Corporation recorded amortization of $13,830 on the Coffey Lake contract costs (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 Duvernay 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 Duvernay 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 Duvernay site's stated capacity.

The Corporation incurred costs of $nil in the year ended December 31, 2021 (December 31, 2020: $1,000,735) to secure the Duvernay off-take agreement

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

Note 10 – Property and Equipment

	Stockpile pad	Equipment	On-site buildings	Scales and scale houses	Total
Cost:					
December 31, 2019	**$ 262,104**	**$ 4,399,599**	**$ 195,101**	**$ 523,888**	**$ 5,380,692**
Additions	-	15,740	-	-	15,740
December 31, 2020	**$ 262,104**	**$ 4,415,339**	**$ 195,101**	**$ 523,888**	**$ 5,396,432**
Additions	-	31,627	-	-	31,627
Net transfers from Right-of-Use Asset	-	73,823	-	-	73,823
December 31, 2021	**$ 262,104**	**$ 4,520,789**	**$ 195,101**	**$ 523,888**	**$ 5,501,882**
Accumulated Depreciation:					
December 31, 2019	$ 231,372	$ 3,531,514	$ 186,894	$ 448,606	**$ 4,398,386**
Additions	30,732	204,057	2,847	21,310	258,946
December 31, 2020	**$ 262,104**	**$ 3,735,571**	**$ 189,741**	**$ 469,916**	**$ 4,657,332**
Additions	-	171,384	2,117	21,310	194,811
Net transfers from Right-of-Use Asset	-	55,828	-	-	55,828
December 31, 2021	**$ 262,104**	**$ 3,962,783**	**$ 191,858**	**$ 491,226**	**$ 4,907,971**
Net book value:					
December 31, 2020	$ -	$ 679,768	$ 5,360	$ 53,972	$ 739,100
December 31, 2021	**$ -**	**$ 558,006**	**$ 3,243**	**$ 32,662**	**$ 593,911**

Depreciation expense for the following periods:

		Total
Year ended December 31, 2020 depreciation to statement of loss and comprehensive loss		$ 258,946
Year ended December 31, 2020 depreciation to repayment of ERO	Note 17	$ -
Year ended December 31, 2021 depreciation to statement of loss and comprehensive loss		**$ 194,811**
Year ended December 31, 2021 depreciation to repayment of ERO	**Note 17**	**$ -**

During the year ended December 31, 2021, management recorded no impairment loss on assets and identified no indicators of impairment.

Note 11 – Right-of-use Assets

	Notes	Truck lease asset	Calgary office lease asset	Edmonton office lease asset	Xerox Photocopier lease asset	Total
Cost:						
December 31, 2019		**$ 73,823**	**$ -**	**$ 168,613**	**$ 15,116**	**$ 257,552**
Additions		-	204,854			$ 204,854
December 31, 2020		**$ 73,823**	**$ 204,854**	**$ 168,613**	**$ 15,116**	**$ 462,406**
Net Transfers to PPE		(73,823)	-	-	-	$ (73,823)
December 31, 2021		**$ -**	**$ 204,854**	**$ 168,613**	**$ 15,116**	**$ 388,583**
Accumulated Depreciation:						
December 31, 2019		**$ 54,895**	**$ -**	**$ 26,099**	**$ 1,144**	**$ 82,138**
Additions		933	56,811	68,534	3,023	$ 129,301
December 31, 2020		**$ 55,828**	**$ 56,811**	**$ 94,633**	**$ 4,167**	**$ 211,439**
Additions		-	73,975	68,533	3,024	$ 145,532
Net Transfers to PPE		(55,828)	-	-	-	$ (55,828)
December 31, 2021		**$ -**	**$ 130,786**	**$ 163,166**	**$ 7,191**	**$ 301,143**
Net book value:						
December 31, 2020		**$ 17,995**	**$ 148,043**	**$ 73,980**	**$ 10,949**	**$ 250,967**
December 31, 2021		**$ -**	**$ 74,068**	**$ 5,447**	**$ 7,925**	**$ 87,440**

These right-of-use assets are being depreciated over the expected life of each asset in accordance with the Corporation's accounting policies under the accounting standard, IFRS 16, which was adopted on January 1, 2019.

Note 12 – Intangible Assets

	Notes		Customer Relationships		Software		Total
Cost:							
December 31, 2019		**$**	**-**	**$**	**-**	**$**	**-**
Additions	4		83,635		59,812	$	143,447
December 31, 2020		**$**	**83,635**	**$**	**59,812**	**$**	**143,447**
December 31, 2021		**$**	**83,635**	**$**	**59,812**	**$**	**143,447**
Accumulated Depreciation:							
December 31, 2019		**$**	**50,190**	**$**	**8,334**	**$**	**58,524**
December 31, 2020		**$**	**50,190**	**$**	**8,334**	**$**	**58,524**
Additions	4		33,445		15,277	$	48,722
December 31, 2021		**$**	**83,635**	**$**	**23,611**	**$**	**107,246**
Net book value:							
December 31, 2020		**$**	**33,445**	**$**	**51,478**	**$**	**84,923**
December 31, 2021		**$**	**-**	**$**	**36,201**	**$**	**36,201**

During the year ended December 31, 2021, management acquired $nil in new intangible assets (2020 - $143,447). The additions in 2020 were all part of the TerraShift acquisition described in Note 4, and the intangible assets are being amortized over the expected life of each asset as described in Note 3.

During the years ended December 31, 2021 and December 31, 2020, management recorded no impairment loss on intangible assets, did not identify indicators of impairment, and did not sell or dispose of any intangible assets.

Note 13 – Resource Properties

	As at	
	December 31, 2021	December 31, 2020
Exploration costs	$ 7,267,345	$ 1,282,072
Pit development costs	3,100,249	3,100,249
Environmental rehabilitation obligation assets	1,500,372	1,598,535
Other costs	258,796	269,914
	$ 12,126,762	$ 6,250,770

Exploration and Pit Development Costs

The exploration and pit development costs were incurred across the Corporation's various operations and development projects which are primarily located in the Fort McMurray area of Northern Alberta. In addition, during the year ended December 31, 2021 management acquired control of Privco1 and Privco2 which held exploration assets/costs in the Montney and Duvernay sedimentary basins. Assets acquired include cash, prepaid expenses, and the resource properties.

The following table summarizes the Exploration costs:

	Richardson	Hargwen	Steepbank	Montney In-basin	Prosvita	All Other Projects	Total
Cumulative Exploration Cost 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	-	-	504,540	-	574,599
Acquisition of exploration costs	-	-	-	1,120,202	4,290,472	-	5,410,674
Cumulative Exploration Costs at December 31, 2021	**$ 1,130,421**	**$ 181,949**	**$ -**	**$ 1,120,202**	**$ 4,795,012**	**$ 39,761**	**$ 7,267,345**

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 $nil (2020: $105,826) included in other operating expenses.

The following table summarizes the Pit Development costs:

	Firebag	Kearl	Logan	House River	Pelican Hill	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**
Cumulative Pit Development Costs at December 31, 2021	**$ 1,141,355**	**$ 1,042,534**	**$ 490,321**	**$ 175,266**	**$ 250,238**	**$ 491**	**$ 44**	**$ 3,100,249**

Note 13 – Resource Properties – continued

Environmental Rehabilitation Obligations (ERO) Asset

The following summarizes the Environmental Rehabilitation Obligations Asset:

	Notes	As at December 31, 2021	As at December 31, 2020
Opening Balance, ERO asset		**$ 1,598,535**	$ 1,522,064
Change in estimate recognized in ERO asset		**6,004**	(84,884)
Amortization of ERO asset	**24**	**(120,645)**	(25,557)
Change in discount rate affecting ERO asset		**16,478**	186,912
Closing Balance, ERO Asset		**$ 1,500,372**	$ 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 17.

Other Costs

As at December 31, 2021, other costs within resource properties include $258,796 for miscellaneous lease costs and deposits on land (December 31, 2020: $269,914). Amortization of the lease costs in the year ended December 31, 2021 was $11,118 (December 31, 2020: $11,118).

Note 14 – Investments in Associates

Prosvita Sand Project (Privco2)

On February 5, 2021, the Corporation acquired the remaining 50.4% ownership interest. Since a step acquisition has occurred, management is required to make a decision on how to account for the previously held equity interest. Two options include:

Remeasurement of previously held equity interest to fair value, with any gain/loss through the profit & loss

No remeasurement of previously held equity interest.

Management has chosen not to remeasure the previously held equity 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/fair value of $0.25 per common share. Fair value was determined based on the share price at the time that trading was halted once it became apparent that news of the acquisition reached the marketplace.

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 payments have been treated as upfront consideration.

The acquisition of 100% interest is accounted for as an asset purchase since under the concentration of fair value test, a single asset constitutes at least 95% of the fair value of the gross assets.

Note 14 – Investments in Associates – continued

Montney In-Basin Project

On February 5, 2021, the Corporation acquired the remaining 50.8% ownership interest for $1 of cash consideration which is the fair value determined by the independent parties to the transaction. Assets acquired include cash, trade, prepaid expenses, and the resource properties.

The acquisition of 100% interest is accounted for as an asset purchase since under the concentration of fair value test, a single asset constitutes at least 95% of the fair value of the gross assets

The following table summarizes the investments in associates:

	As at					
	December 31, 2021			December 31, 2020		
	Montney in-basin project	Duvernay project	Total	Montney in-basin project	Duvernay project	Total
Investment in associate, beginning of year	$ 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
Corporation's ownership interest	100.0%	100.0%		49.2%	49.6%	
Corporation's share of associate's net loss for the year	-	-	-	(16,580)	(92,556)	**(109,136)**
Investments in associates, end of year	$ -	-	-	$ 1,568,757	$ 1,955,534	**3,524,291**

Note 15 – Bank Loans and Credit Facility

Canadian Western Bank Credit Facility

Security under the Canadian Western Bank (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 at December 31, 2021 the Corporation has drawn $755,051 and 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 three months of interest only payments. The bank loan was originally for 3 years; however, in 2020 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%.

Note 15 – Bank Loans and Credit Facility – continued

Interest paid has been expensed as finance costs (See Note 24). Blended loan payments started in August 2020 and the Corporation has paid down principal of $531,873 on the bank loan in the year ended December 31, 2021 (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 as a result 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 as a result 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 and the Government of Canada will forgive 25% of the initial loan amount, and 50% of subsequent increases, if repaid on time.

			As at	
			December 31, 2021	December 31, 2020
	Interest Rate	Monthly Payments		
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
Canada Emergency Business Account (2132561)	0.00%	$ -	**60,000**	-
Canada Emergency Business Account (2140534)	0.00%	$ -	**60,000**	-
CWB Bank Loan Facility, due April 30, 2023	5.40%	$ 49,022	**755,051**	1,286,924
			1,055,051	1,426,924
Current portion - principal due within one year			**(561,316)**	(531,873)
Demand portion - principal callable within one year			**(193,735)**	(755,051)
			$ 300,000	$ 140,000

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

January 1, 2022 to December 31, 2022	588,262
January 1, 2023 to December 31, 2023	195,888
January 1, 2024 to December 31, 2024	-
January 1, 2025 to December 31, 2025	-
January 1, 2026 to December 31, 2026	-
	784,150
Less: interest included in payments above	(29,099)
Bank loan principal outstanding, December 31, 2021	**$ 755,051**

Note 15 – Bank Loans and Credit Facility – continued

Letter of Guarantee Facility

As at December 31, 2021, the Corporation has outstanding letters of credit in the amounts of $854,430 (2020: $854,430) in favour of the Government of Alberta. The Corporation has also issued a letter of credit to Imperial Oil for $100,000 for a right of way at the Coffey Lake site (2020: $100,000). These letters of credit are secured by Account Performance Service Guarantees and guaranteed investment certificates (See Note 8).

Coffey Lake Performance Bond

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.

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

	Notes	As at December 31, 2021	As at December 31, 2020
Susan Lake pit		$ 228,540	$ 228,540
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		74,130	74,130
Coffey Lake performance bond		100,000	100,000
		$ 954,430	$ 954,430

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).

Account Performance Service Guarantee

In July 2021 the Corporation entered into an Account Performance Service Guarantee (APSG) arrangement with Export Development Canada for a maximum aggregate liability of $1,000,000. The fee rate under the APSG is 0.2225% for financial types of obligations and 0.1692% for non-financial types of obligations. The APSG allowed the Corporation to free up $956,595 that was previously held as restricted cash, supporting the letters of credit held by the Government of Alberta and issued by CWB.

Note 16 – Lease Obligations

Finance Leases	Interest Rate	Instalments	As at December 31, 2021	December 31, 2020
EDF Trading LLC Calgary office lease, due December 31, 2022	3.680%	Variable	$ 70,603	$ 138,645
VETS Group Ltd. Edmonton Office Lease, due Jan 31, 2022	3.680%	Variable	-	75,384
Xerox Photocopier Lease, due May 19, 2024	3.680%	816 *	7,914	10,821
Jim Peplinski Leasing, currently due	3.680%	1,230	-	13,311
			78,517	238,161
Current portion - principal due within one year			(73,618)	(159,640)
			$ 4,899	$ 78,521

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

January 1, 2022 to December 31, 2022	$ 75,228
January 1, 2023 to December 31, 2023	3,265
January 1, 2024 to December 31, 2024	1,797
January 1, 2025 to December 31, 2025	-
January 1, 2026 to December 31, 2026	-
	80,290
Less: interest included in payments above	(1,773)
Lease obligations principal outstanding, December 31, 2021	$ 78,517

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	(146,583)
Lease obligations as at December 31, 2020	**$ 238,161**
Total principal repayments	(159,644)
Lease obligations as at December 31, 2021	**$ 78,517**

Note 17 – Environmental Rehabilitation Obligations ("ERO")

The following is a reconciliation of the environmental rehabilitation obligations of the Corporation:

		As at December 31, 2021	December 31, 2020
Opening balance, ERO		$ 2,644,503	$ 2,472,206
Change in estimate recognized in ERO asset	13	6,004	(84,884)
Change in estimate recognized in other operating expenses	24	(599)	(30,860)
Change in discount rate recognized in ERO asset	13	16,478	186,912
Change in discount rate recognized in other operating expenses	24	54,815	57,088
Accretion expense	24	74,511	44,041
Closing Balance, ERO		2,795,712	2,644,503
Less: Current portion, EROs to be funded within one year		(133,295)	-
Closing Balance, ERO		$ 2,662,417	$ 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 at December 31, 2020 is $3,266,257 (December 31, 2020: $2,992,522).

Note 17 – Environmental Rehabilitation Obligations ("ERO") - continued

Total reclamation funded during the year ended December 31, 2021 was $nil (year ended December 31, 2020: $nil).

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 1.06% to 1.98% as at December 31, 2021 (December 31, 2020: 0.23% to 1.36%) depending on the expected timing of reclamation activities. Discount rates and inflation rates both increased in 2021 as compared to 2020. It is expected that reclamation activities for the owned and managed pits and stockpile sites, as well as Susan Lake, 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. The accretion expense amounts are included in other operating expenses on the statement of loss and comprehensive loss and are summarized in the respective table in Note 24.

Note 18 – Income Taxes

Deferred income tax at December 31, 2021 relates to the tax effects of temporary differences. They are summarized in the following table:

	As at	
	December 31, 2021	December 31, 2020
Deferred tax assets:		
Cumulative eligible capital	$ 19,336	$ 20,792
Share issuance costs and finance fees	9,367	8,434
Property and equipment (net of lease obligations)	14,717	-
Other	45,257	39,036
Environmental rehabilitation obligations	563,682	528,904
Non-capital loss carryforwards	1,329,868	1,310,514
Deferred tax assets	1,982,227	1,907,680
Deferred tax liabilities:		
Resource properties	$ 1,425,519	$ 1,311,579
Inventory	-	32,806
Property and equipment (net of lease obligations)	-	3,406
Contract costs	556,708	559,889
Deferred tax liabilities	1,982,227	1,907,680
Net deferred tax liability	$ -	$ -

Note 18 - Income Taxes – continued

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax.

The differences result from the following:

	Years ended December 31,	
	2021	2020
Loss before income taxes	$ (2,176,282)	$ (3,499,877)
Statutory Canadian combined corporate tax rate	23.0%	24.0%
Expected tax recovery	(500,545)	(839,970)
Decrease in income tax recovery resulting from:		
Non-taxable items	116,265	48,524
Tax rate changes, and rate differences	6,948	48,605
Deferred tax asset not recognized	381,632	764,206
Other	6,509	9,283
	$ 10,809	$ 30,648
Income tax expense is comprised of:		
Current tax expense	$ 10,809	$ 30,648
Deferred tax recovery	-	-
	$ 10,809	$ 30,648

The Corporation has non-capital tax loss carry forwards of $14,053,055 (2020: $11,963,616) that expire between 2037 and 2041.

Deferred tax assets have not been recognized in respect of the following amounts because it is not probable that there will be enough future taxable profits available against which the deferred tax asset can be applied.

	Years ended December 31,	
	2021	2020
Deductible temporary differences	$ 379,585	$ 267,413
Non-capital loss carryforwards	8,271,019	6,265,726
	$ 8,650,604	$ 6,533,139

Included in the amount above, available tax loss carry forwards of $8,271,019 (2020: $6,265,726) have not been recognized as it is not probable that there will be enough future taxable profits available against which the deferred tax asset can be applied.

Note 19 – Share Capital

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

	Notes	Year ended December 31, 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 year		**59,110,153**	**$**	**18,955,877**	45,326,440	$	16,734,732
Shares issued in acquisition of TerraShift		**-**		**-**	542,002		75,013
Shares issued to secure Shell off-take agreement		**-**		**-**	2,130,380		500,000
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		**7,375,000**		**1,475,500**	9,866,668		1,480,000
Shares issued to contractors/consultants/employees		**1,421,931**		**268,812**	1,194,663		172,628
Common share issuance costs		**-**		**(11,145)**	-		(20,151)
Stock options exercised		**257,000**		**82,748**	50,000		13,655
Issued and outstanding, end of year		**76,964,088**	**$**	**22,971,793**	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 14) by securing 100% ownership of each company (i.e., Privco1 & Privco2). 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.

In an effort to preserve the Corporation's cash position and retain employees during the COVID-19 pandemic and economic downturn, AMI implemented a 90/10 compensation program whereby 90% of base salary is paid in cash and 10% of base salary is paid in treasury-issued shares. For this compensation program, the Corporation has put into place an Employee Share Purchase Plan ("ESP Plan") and participation in the ESP Plan is voluntary. The compensation program was put into effect June 1, 2020 for employees and management. For director's fees, the compensation program was retroactive to April 1, 2020. The ESP Plan was approved by the shareholders on September 22, 2020 and by the TSX Venture Exchange on October 16, 2020 and was in place until December 31, 2020. The ESP Plan was re-approved by the shareholders on June 22, 2021 with an effective date of July 1, 2021 and continues to be in place at December 31, 2021.

Stock options

The Corporation has issued options to Directors, Officers, employees, and consultants of the Corporation as incentives.

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
December 14, 2021	300,000	$ 0.28	Nil	92.9%	1.29%	5 years	$ 0.20	17.9%
November 23, 2021	1,506,000	$ 0.21	Nil	92.7%	1.57%	5 years	$ 0.15	18.1%
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	19.7%
April 16, 2020	1,009,000	$ 0.17	Nil	82.2%	0.43%	5 years	$ 0.11	19.6%

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

The continuity of the Corporation's outstanding stock options is as follows:

	Year ended December 31, 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	**2,438,400**	**0.24**	1,673,800	0.16
Exercised	**(257,000)**	**0.22**	(50,000)	0.17
Expired or cancelled	**(51,000)**	**0.14**	(612,000)	0.42
Options outstanding, end of year:	**5,822,200**	**$ 0.24**	3,691,800	$ 0.25

Of the 5,822,200 (December 31, 2020: 3,691,800) outstanding stock options, 3,390,000 (December 31, 2020: 2,230,666) options have vested and therefore, were exercisable as at December 31, 2021 at a weighted average exercise price of $0.24 per share (December 31, 2020: $0.25 per share).

During the year ended December 31, 2021, 257,000 options were exercised at an average exercise price of $0.22 per share for total proceeds of $51,281. The average share price on the days they were exercised was $0.26 per share. For the year ended December 31, 2020, 50,000 options were exercised at an exercise price of $0.17 per share with a share price on the day they were exercised of $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.

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.

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.

Note 19 – Share Capital – continued

The Corporation's outstanding stock options are as follows:

		As at	
		December 31, 2021	December 31, 2020
Expiry Date	**Exercise Price**		
January 13, 2022[1]	0.24	**75,000**	195,000
June 4, 2023	0.17	**290,000**	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**	-
November 23, 2026	0.21	**1,506,000**	-
December 14, 2026	0.28	**300,000**	-
		5,822,200	3,691,800

1 On January 7, 2022 75,000 options were exercised.

The weighted average remaining contractual life of the options outstanding is 3.53 years (December 31, 2020: 3.66 years).

Warrants

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

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

Note 19 – Share Capital – continued

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.

	Year ended December 31, 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 year:	**1,227,000**	**$ 0.22**	**-**	**$ -**	1,227,000	$ 0.15	-	$ -

During the year ended December 31, 2021, no DSUs were granted to Directors, Officers, and employees of the Corporation (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, 737,000 (December 31, 2020: 328,000) DSUs have vested.

The fair value of the DSU liability of $266,179 (December 31, 2020: $187,313), which is based on the closing price of the Corporation's shares on the TSX Venture Exchange as of December 31, 2021 and an expected forfeiture rate of 18.18%, 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 are 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 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. The ESP, RSU and DSU plans provides for a defined maximum limit each 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:

	Years ended December 31,	
	2021	2020
Stock options	**$ 169,085**	$ 227,555
Deferred share units	**78,867**	109,793
Share-based compensation expense	**$ 247,952**	$ 337,348

Share-based compensation expense in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2021 includes $20,762 to Directors, $77,149 to Officers, and $71,174 to employees (year ended December 31, 2020: $67,320 to Directors, $198,766 to Officers, and $71,262 to employees).

Note 19 – Share Capital – continued

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 years ended December 31, 2021 and December 31, 2020, all outstanding options and warrants were considered anti-dilutive because the Corporation recorded a loss over those years.

	Years ended December 31, 2021	2020
Basic loss per share		
Total loss and comprehensive loss	**$ (2,187,088)**	$ (3,530,525)
Weighted average number of common shares outstanding	**67,947,084**	49,657,351
Total loss and comprehensive loss per common share, basic	**$ (0.032)**	$ (0.071)
Diluted loss per share		
Total loss and comprehensive loss	**$ (2,187,088)**	$ (3,530,525)
Weighted average number of common shares outstanding	**67,947,084**	49,657,351
Effect of dilutive stock options and warrants	**-**	-
Weighted average number of common shares outstanding after dilution	**67,947,084**	49,657,351
Total loss and comprehensive loss per common share, diluted	**$ (0.032)**	$ (0.071)

Note 20 – Related Party Transactions

The Corporation's related parties include four 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.

Transactions with the private Alberta corporations were as follows:

	As at and for the year ended December 31, 2021			December 31, 2020		
	Montney in-basin project	Duvernay project	**Total**	Montney in-basin project	Duvernay project	**Total**
Amounts due from related entities	$ -	$ -	$ -	$ -	88,876	**$ 88,876**
Services revenue from related entities	-	-	-	-	88,876	88,876

The unpaid amounts due from related entities are unsecured and bear no interest. The remuneration earned by the Directors was as follows:

	Years ended December 31, 2021	2020
Directors:		
Directors fees	**$ 158,000**	$ 148,800
Travel and miscellaneous expenses	**1,007**	701
Share-based compensation	**47,344**	67,320
	$ 206,351	$ 216,821

Note 20 – Related Party Transactions - continued

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.

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 21 – Compensation of Key Management

The remuneration paid to named Officers were as follows:

	Years ended December 31,	
	2021	2020
Salaries and other benefits including severance	$ 581,316	$ 622,779
Share-based compensation	139,694	198,766
	$ 721,010	$ 821,545

Note 22 – 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 approximate their carrying value as they are at market rates of interest.

The deferred share unit liability is the only financial instrument 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 year ended December 31, 2021 (December 31, 2020: none).

Note 22 – Financial Instruments – continued

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 at December 31, 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 in order 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.

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

	Current	60-90 days	> 90 days	Total
As at December 31, 2021	**$ 1,159,442**	**$ 129,044**	**$ 3,158**	**$ 1,291,644**
As at December 31, 2020	**$ 484,107**	**$ -**	**$ 6,811**	**$ 490,918**

One customer owing greater than 10% of the accounts receivable total balance accounted for 80% of the Corporation's accounts receivable as at December 31, 2021 (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 at December 31, 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, including interest where applicable, are shown in the following table:

	As at December 31, 2021			
	0 - 1 year	2 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	$ 1,765,131	$ -	$ -	$ 1,765,131
Income taxes payable - foreign	64,408	-	-	64,408
Bank loans, including interest	588,262	195,888	-	784,150
Lease obligations, including interest	75,228	5,062	-	80,290
Total	**$ 2,493,029**	**$ 200,950**	**$ -**	**$ 2,693,979**

Note 23 – Capital Disclosures

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

	Notes	As at December 31, 2021	As at December 31, 2020
Total equity attributable to shareholders		**$ 15,151,277**	$ 13,184,834
Total borrowings			
Bank loans	**15**	**1,055,051**	1,426,924
Lease obligations	**16**	**78,517**	238,161
Cash		**(2,517,433)**	(1,954,371)
Total managed capital		**$ 13,767,412**	$ 12,895,548

The Corporation's objective when managing capital is to provide enough capital to cover normal operating and capital expenditures. In order 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 24 – Supplemental Statement 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. During the year ended December 31, 2021, 62% of sales were sold to 2 major customers (2020: 73% to four customers).

Finance costs are comprised of the following:

	Notes	Years ended December 31, 2021	Years ended December 31, 2020
Interest on bank loans	**15**	**(57,650)**	(72,644)
Rent reduction		**18,000**	-
Interest on lease obligations	**16**	**(4,663)**	(14,230)
		$ (44,313)	$ (86,874)

Total lease payments, including principal and interest, for the year ended December 31, 2021 was $146,187 (2020: $160,712). See Note 16 for additional information.

Total payments on the CWB loan, including interest, for the year ended December 31, 2021 was $588,262 (2020: $285,720). See Note 15 for additional information.

Note 24 – Supplemental Statement of Loss and Comprehensive Loss Disclosures – continued

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

	Notes	Years ended December 31, 2021	2020
Amortization of contract costs	9	(13,830)	(4,947)
Amortization of ERO assets	13	(120,645)	(25,557)
Amortization of resource property lease costs	13	(11,118)	(11,118)
Write down of resource property exploration costs	13	-	(105,826)
Change in estimate for ERO recognized in other operating expenses	17	599	30,860
Change in discount rate recognized in other operating expenses	17	(54,815)	(57,088)
Accretion of ERO liability	17	(74,511)	(44,041)
		$ (274,320)	$ (217,717)

Other non-operating income is comprised of the following:

	Notes	Years ended December 31, 2021	2020
Gain on disposal of property and equipment		50,000	8,000
Gain on acquisition of TerraShift	4	-	143,056
Camp rental income		75,297	224,193
Covid 19 rent subsidy and other		81,183	17,911
Advertising expense		(93)	-
Foreign exchange loss		51	117
		$ 206,438	$ 393,277

The following table shows the total employee benefit expenses for the respective year:

	Years ended December 31, 2021	2020
Employee benefit expenses	$ 1,989,981	$ 1,700,090

Employee benefit expenses include wages, salaries, bonuses, and group benefit premiums, as well as 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 25 – Segmented Reporting

Reportable segments are determined based on the corporate structure and operations in accordance with the Corporation's accounting policies. Specifically, an operating segment should have separate financial information available, with management review of financial information. The operating segment should engage in business activities where it earns revenue and incurs expenses. While a reporting segment should have revenue which is 10% or more of combined revenue; assets which are 10% or more of combined assets; and an absolute amount of reporting profit or loss that is 10% or more or reported profit of all operating segments. Using this guidance, the Corporation has reported the Terrashift operations as a separate segment. At December 31, 2020 Terrashift operations were reported as part of the AMI RockChain segment.

The basis of measurement of segment profit or loss has changed from 'total income (loss) and comprehensive income (loss)' to 'gross profit (loss)' as this is a measure of segment profit or loss review by the chief decision maker.

Gross loss includes adjustments for general and administrative expenses, share based compensation, other operating expenses, finance costs, non-operating income, interest income, and income taxes in order to arrive at total loss and comprehensive loss, of which most of these expenses are incurred by the AMI Aggregates or Corporate segments. Gross loss is therefore a better basis for measuring the performance of the Corporation.

Where previously, any revenue earned by the Terrashift operating segment was reported as Management Services Revenue in the AMI RockChain segment, this revenue is now be reported separately as Services Revenue earned by the Terrashift operating segment.

Similarly, Segment assets and liabilities of Terrashift previously reported within the AMI RockChain segment are now reported separately as assets and liabilities of the Terrashift operating segment.

The "Corporate & Eliminations" segment represents services provided by TerraShift to other segments and 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.

The summary of key financial information by reportable segment for the year ended December 31, 2021 (along with comparative information for 2020) is as follows:

	AMI Aggregates		AMI RockChain		AMI Silica		TerraShift		Corporate & Eliminations		Consolidated	
For the years ended December 31,	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Revenue:												
Services revenue	**$ 1,286,770**	$ 5,163	**$ 2,288,248**	$ 292,810	**$ 4,636,835**	$ -	**$ 1,301,836**	$ 267,302	**$ (420,182)**	$ (51,094)	**$ 9,093,507**	**$ 514,181**
Product sales revenue	**283,736**	548,237	**2,752,006**	978,949	**-**	-	**-**	-	**-**	-	**3,035,742**	**1,527,186**
Gross revenue, including royalties	**1,570,506**	553,400	**5,040,254**	1,271,759	**4,636,835**	-	**1,301,836**	267,302	**(420,182)**	(51,094)	**12,129,249**	2,041,367
Revenue, net of royalties	**1,232,868**	457,213	**5,040,254**	1,271,759	**4,636,835**	-	**1,301,836**	267,302	**(420,182)**	(51,094)	**11,791,611**	**1,945,180**
Gross profit (loss)	**361,228**	(549,658)	**371,054**	73,767	**(335,864)**	(104,389)	**757,083**	239,475	**(48,723)**	(58,523)	**$ 1,104,778**	**$ (399,328)**
As at	**December 31, 2021**	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Segment assets	**$ 9,705,916**	$ 9,869,939	**$ 446,181**	$ 779,482	**$ 13,589,565**	$ 5,666,381	**$ 282,420**	$ 130,885	**$ (3,087,216)**	$ 2,096,515	**$ 20,936,866**	**$ 18,543,202**
Segment liabilities	**4,551,286**	4,237,133	**421,641**	422,473	**324,537**	188,833	**60,000**	112,212	**428,125**	397,717	**$ 5,785,589**	**$ 5,358,368**

Product sales revenue includes the sale of tangible items such as gravel and sand. Services revenue includes such items as the Coffey Lake pit management contract, transportation services provided in delivering gravel and sand to customers, the confidential pit management contract, fees for engineering services, and subscription revenues. The comparative information has been restated to reflect these refined descriptions of revenues.

Note 26 – 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 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.

Note 26 – COVID-19 - continued

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 $336,098 (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.

Note 27 – Subsequent Events

The Corporation has evaluated subsequent events to determine if events or transactions occurring through the date on which the financial statements were issued require adjustment or disclosure in the Corporation's financial statements.

On March 3, 2022, the Corporation announced that it closed the previously announced Definitive Agreement to acquire certain strategic assets in the United States in an arms-length transaction for a total price of $1,000,000 USD. The strategic assets are comprised of real estate, an operating sand mine and processing plant, fixed storage, and two rail transloads. These assets were managed by the Corporation under an operating service agreement that was in place June 1, 2021. The operating service agreement ended as of March 2, 2022 upon closing the transaction.

On January 17, 2022, the Corporation announced a non-brokered private placement of $33,000 for the purchase of 100,000 common shares at $0.33/share to fund operating costs for a new partnership and for general corporate expenses.

On February 22, 2022, the Corporation announced the commencement of delivery of 1,000,000 tonnes of filter sand through its new partnership.

On March 7, 2022 the Corporation announced the receipt of two purchase orders totaling $2.2 million for the supply of aggregates from the Hargwen and Coffey Lake pits.

On March 16, 2022 the Corporation announced a Definitive Agreement for the construction, operation, and supply of treated industrial wastewater for the Prosvita Sand Project.

Note 28 – Reclassification of Prior Year Presentation

The previously reported information has been reclassified to reflect current presentation. Where previously, the Corporation reported Aggregate sales revenue and Management services revenue, net of royalties, it presently reports Product sales revenue, Service revenue, and provincial royalties separately. The impact to the financial statements is nil as Revenue per the 2020 Audited Financial Statements is disclosed as Revenue, net of royalties on the 2021 Audited Financial Statements.

Where previously, the Corporation reported the Consolidated Statements of Cash Flows utilizing the direct method, in 2021 it is reporting the Consolidates Statements of Cash Flows utilizing the indirect method. This change has no impact on the amounts reported as cash used in operating activities, cash from (used) in investing activities, or cash used in financing activities.

As discussed in Note 25 – Segmented Reported the Corporation has reclassified its segmented reporting information to better reflect the revenue categorization discussed above as well as to better reflect the reporting segmentation.