



**CANADIAN PREMIUM SAND INC.**

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three months ended**

**December 31, 2021**

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**NOTICE TO READER**

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

The accompanying unaudited interim condensed financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of unaudited interim condensed financial statements by an entity's auditor.

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

As at	Note	December 31 2021	September 30 2021
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,799,501	4,831,257
Trade and other receivables		13,903	8,279
Prepaid expenses and deposits		19,955	8,379
<b>Total current assets</b>		<b>3,833,359</b>	<b>4,847,915</b>
Property, plant and equipment	5	7,211	8,654
Right of use assets	5	5,827	8,012
<b>Total assets</b>		<b>3,846,397</b>	<b>4,864,581</b>
<b>Liabilities and shareholders' (deficit) equity</b>			
<b>Current liabilities</b>			
Accounts payable and accruals		1,264,666	1,598,305
Current portion of lease liabilities	6	18,000	24,000
<b>Total current liabilities</b>		<b>1,282,666</b>	<b>1,622,305</b>
Lease liabilities	6	2,617	1,843
Convertible debentures	8	2,337,942	2,257,292
Decommissioning provision	9	77,618	77,237
<b>Total liabilities</b>		<b>3,700,843</b>	<b>3,958,677</b>
<b>Shareholders' (deficit) equity</b>			
Capital stock	10	28,852,331	28,852,331
Share-based compensation reserve		2,078,051	2,020,671
Convertible debentures - equity component		94,891	94,891
Deficit		(30,879,719)	(30,061,989)
<b>Total shareholders' (deficit) equity</b>		<b>145,554</b>	<b>905,904</b>
<b>Total liabilities and shareholders' (deficit) equity</b>		<b>3,846,397</b>	<b>4,864,581</b>

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

Approved by the Board of Directors

“Rodrigo Sousa”  
Director

“Richard Williams”  
Director



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

Three months ended December 31,	Note	2021	2020
		\$	\$
Revenue		-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Selling, general and administrative	12	<b>287,683</b>	182,856
Exploration and evaluation expenditures	3	<b>185,189</b>	174,710
Glass plant development expenditures	4	<b>223,947</b>	-
Share-based compensation		<b>57,380</b>	25,158
Foreign exchange loss (gain)		<b>126</b>	(46,922)
<b>Loss from operations</b>		<b>(754,325)</b>	(335,802)
Other income		<b>(12,417)</b>	-
Net finance costs (income)		<b>75,822</b>	63,734
<b>Loss before income taxes</b>		<b>(817,730)</b>	(399,536)
Income tax (recovery) expense		-	-
<b>Net loss and comprehensive loss</b>		<b>(817,730)</b>	(399,536)
Loss per share – basic and diluted		<b>(0.02)</b>	(0.02)
Weighted average number of shares outstanding - basic and diluted		<b>45,615,660</b>	21,244,460

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



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

	Capital stock		Share-based compensati on reserve	Convertible debentures	Deficit	Total
	Number of shares	Amount				
		\$	\$	\$	\$	\$
Balance at October 1, 2020	21,244,460	22,546,330	1,753,462	94,891	(27,562,207)	(3,167,523)
Share-based compensation			25,158			25,158
Net loss for the period	-	-	-	-	(399,536)	(399,536)
Balance at December 31, 2020	21,244,460	22,546,330	1,778,620	94,891	(27,961,743)	(3,541,901)
<b>Balance at October 1, 2021</b>	<b>45,615,660</b>	<b>28,852,331</b>	<b>2,020,671</b>	<b>94,891</b>	<b>(30,061,989)</b>	<b>905,904</b>
Share-based compensation	-	-	57,380	-	-	57,380
Net loss for the period	-	-	-	-	(817,730)	(817,730)
<b>Balance at December 31, 2021</b>	<b>45,615,660</b>	<b>28,852,331</b>	<b>2,078,051</b>	<b>94,891</b>	<b>(30,879,719)</b>	<b>145,554</b>

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

Three months ended December 31,	Note	2021	2020
<b>Operating activities</b>		\$	\$
Net loss for the period		(817,730)	(399,536)
Adjusted for the following:			
Depreciation	3	3,627	4,479
Share-based compensation		57,380	25,158
Interest and accretion		81,803	67,448
Unrealized foreign exchange loss (gain)		126	(53,956)
Decommissioning	9	-	-
Other income		(12,417)	-
Net changes in non-cash working capital		(350,546)	(1,128)
<b>Net cash used in operating activities</b>		<b>(1,037,756)</b>	<b>(357,535)</b>
<b>Investing activities</b>			
Proceeds from disposal of assets		-	-
<b>Net cash used in investing activities</b>		<b>-</b>	<b>-</b>
<b>Financing activities</b>			
Proceeds from long-term borrowings	7	-	20,000
Repayment of long-term borrowings	7	-	-
Payment of lease	6	(6,000)	(6,000)
		(6,000)	14,000
<b>Decrease in cash and cash equivalents</b>		<b>(1,031,756)</b>	<b>(343,535)</b>
Cash and cash equivalents at beginning of period		4,831,257	1,262,485
<b>Cash and cash equivalents at end of period</b>		<b>3,799,501</b>	<b>918,950</b>
<b>Supplemental disclosure of cash flow information:</b>			
		\$	\$
Cash interest received		2,224	1,080
Cash interest paid		(774)	(1,453)

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

The Company was formed under the Business Corporations Act (Ontario) on September 21, 2005 by articles of incorporation and continued under the Canada Business Corporations Act in 2019. The Company is presently a "Venture Issuer" as defined in National Instrument 51-102 and trades under the trading symbol "CPS". The Company's head and principal office is located at Suite 400, 522 – 11th Avenue S.W., Calgary, Alberta T2R 0C8.

The Company is developing a facility to manufacture high clarity solar glass, using its wholly-owned silica sand supply, to be constructed at a suitable site in the City of Selkirk, Manitoba. It is currently in the process to finalize detailed engineering work to refine the associated capital expenditures, and to obtain the necessary permits and regulatory approvals for construction.

The Company has 41 contiguous quarry leases located approximately 160 kilometers north of Winnipeg, Manitoba that grant the Company the exclusive right to quarry silica sand ("Wanipigow Sand Quarry") which the Company intends to use as feedstock for the glass manufacturing facility.

**(b) Going concern**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) on the basis of accounting principles applicable to a going concern, which assume the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

As at December 31, 2021 the Company had a deficit of \$30,879,719 (December 31, 2020 of \$27,961,743), cash of \$3,799,501 (December 31, 2020 of \$918,950), accounts payable and accruals and current lease liabilities of \$1,282,666 (December 31, 2020 of \$2,348,844), and commitments for the acquisition of quarry leases and participation agreements for the twelve-month period to December 31, 2022 of \$158,500. For further details see Commitments and Contingencies (Note 13).

The Company's continued existence is dependent upon the preservation of its interest in the Company's quarry leases, the receipt of permits and regulatory approvals and the successful pursuit of additional financing to fund the development of the solar glass manufacturing facility and future operations. These material uncertainties lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. There is no assurance that these initiatives will be successful.

The Company successfully closed two private placements in June and July 2021 for aggregate gross proceeds of \$6,450,000 to fund the Front-End Engineering and Design ("FEED") for a solar glass manufacturing facility, initiate permitting applications and other key activities to progress the business plan, as well as for general working capital purposes.

Significant challenges in raising new capital through the equity and debt markets exist, compounded by the unprecedented business climate created by the COVID-19 pandemic. It is uncertain how long these events will continue to impact the economy and the Company's ability to secure financing. If the Company is unsuccessful in obtaining additional sources of financing when needed and on acceptable terms, the going concern assumption may not be appropriate. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

## **2. BASIS OF PRESENTATION**

### **(a) Basis of preparation and presentation**

These unaudited interim condensed financial statements were prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). They do not include all disclosures that would otherwise be required for full annual financial statements and should be read in conjunction with the annual audited financial statements for the year ended September 30, 2021.

These interim condensed financial statements are presented in Canadian Dollars unless otherwise noted, and have been prepared on a historical cost basis, except for certain financial instruments and share-based compensation transactions that have been measured at fair value.

These interim condensed financial statements were authorized for issuance by the Board of Directors of the Company on February [22], 2022.

### **(b) Significant accounting policies**

The significant accounting policies adopted in the preparation of these interim condensed financial statements are the same as those set out in the annual audited financial statements for the year ended September 30, 2021. Unless otherwise stated, these policies have been consistently applied to all periods presented.

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

The preparation of the interim condensed financial statements in accordance with IAS 34, requires management to make judgments, estimates, and assumptions that affect the reported assets, liabilities, revenues, expenses and the disclosure of contingencies. Actual results may differ significantly from these estimates. The COVID-19 pandemic could have a significant impact on estimates and their underlying assumptions as the course of the COVID-19 pandemic remains highly uncertain.

The extent to which COVID-19 impacts the Company's accounting estimates and judgments will depend on future developments which are currently unknown, including, but not limited to, the duration and severity of the pandemic, the impact of the pandemic on economic growth, commodity prices, financial and capital markets and government responses and restrictions. A description of the significant accounting judgments, estimates and assumptions are set out in the annual audited financial statements for the year ended September 30, 2021.

## **3. EXPLORATION AND EVALUATION EXPENDITURES**

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

### 3. EXPLORATION AND EVALUATION EXPENDITURES - CONTINUED

Three months ended December 31,	2021	2020
	\$	\$
Advance royalty payments	50,000	50,000
Acquisition and participation costs	23,706	23,705
Permitting and environmental	-	692
Silica sand feasibility	4,571	62,236
Field office expenses	6,374	2,008
Labour	45,155	30,470
Equipment rental and site supplies	3,783	1,120
Quarry design	47,973	-
Depreciation	3,627	4,479
Decommissioning	-	-
<b>Total Wanipigow Sand Project expenditures</b>	<b>185,189</b>	<b>174,710</b>

Wage and rent subsidies that were received as part of the Canada Emergency Wage and Rent Subsidy ("CEWS" and "CERS") programs and netted in exploration and evaluation expenditures were \$nil for the three months ended December 31, 2021 compared to \$13,580 for the three months ended December 31, 2020.

The cumulative exploration and evaluation expenditures at December 31, 2021 are \$20,025,538.

### 4. GLASS PLANT DEVELOPMENT EXPENDITURES

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

Three months ended December 31,	2021	2020
	\$	\$
Plant feasibility	107,119	-
Glass plant design	57,884	-
Labour, equipment & supplies	-	-
Logistics	14,782	-
Permitting & environmental	44,162	-
<b>Total glass plant development expenses</b>	<b>223,947</b>	<b>-</b>

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

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

**5. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS - CONTINUED**

	PP&E ASSETS	ROU ASSETS
	\$	\$
<b>Cost</b>		
Balance at September 30, 2020	36,702	40,083
Additions	-	-
Disposals	(13,625)	-
Balance at September 30, 2021	23,077	40,083
Additions	-	-
Disposals	-	-
<b>Balance at December 31, 2021</b>	<b>23,077</b>	<b>40,083</b>
<b>Accumulated depreciation</b>		
Balance at September 30, 2020	11,209	23,331
Depreciation	7,472	8,740
Disposals	(4,258)	-
Balance at September 30, 2021	14,423	32,071
Depreciation	1,442	2,185
Disposals	-	-
<b>Balance at December 31, 2021</b>	<b>15,865</b>	<b>34,256</b>
	<b>PP&amp;E ASSETS</b>	<b>ROU ASSETS</b>
	\$	\$
<b>Carrying amounts</b>		
Balance at September 30, 2020	36,702	40,083
Balance at September 30, 2021	8,654	8,012
<b>Balance at December 31, 2021</b>	<b>7,211</b>	<b>5,827</b>

**6. LEASE LIABILITIES**

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

	\$
Balance at October 1, 2020	45,020
Interest expense	4,823
Principal and interest payments	(24,000)
Disposals	-
Balance at September 30, 2021	25,843
Interest expense	774
Principal and interest payments	(6,000)
Disposals	-
<b>Balance at December 31, 2021</b>	<b>20,617</b>

## 6. LEASE LIABILITIES - CONTINUED

Current portion of lease liabilities as at December 31, 2021	<b>18,000</b>
Non-current portion of lease liabilities as at December 31, 2021	<b>2,617</b>

The Company has recognized lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments at an implicit and incremental borrowing rate of approximately 14%.

## 7. LONG-TERM BORROWINGS

The Company received a \$40,000 interest free loan through the Canada Emergency Business Account (CEBA) program in the year ended September 30, 2020 and a further \$20,000 in the three months ended December 31, 2020. No principal payments were required until December 2022. In January 2021, changes to the requirements resulted in the Company no longer qualifying for the CEBA program and the Company subsequently repaid the full amount of the loan on February 17, 2021.

## 8. CONVERTIBLE DEBENTURES

The Company issued \$1,975,000 of secured convertible debentures ("Convertible Debentures") on February 26, 2020. The Convertible Debentures bear interest at 12% per annum, compounded quarterly from the date of issuance and is payable in arrears on maturity. The maturity date is four years from the date of issuance ("Maturity Date"). The Convertible Debentures are a secured obligation of the Company which rank senior to all present and future indebtedness that is not senior indebtedness, which will involve the grant by the Company, of a fixed and floating charge over all of its present and after acquired property.

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

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

	<b>Liability Component</b>	<b>Equity Component</b>
	<b>\$</b>	<b>\$</b>
Allocation of proceeds on issue date, February 26, 2020	1,876,477	98,523
Transaction costs on February 26, 2020	(69,172)	(3,632)
Net proceeds on issue date February 26, 2020	1,807,305	94,891
Amortization of transaction costs	5,221	-

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

## 8. CONVERTIBLE DEBENTURES - CONTINUED

Accrued interest and accretion (effective interest rate of 15.1%)	149,049	-
Balance at September 30, 2020	1,961,575	94,891
Accrued interest and accretion (effective interest rate of 15.1%)	283,574	-
Balance at September 30, 2021	2,257,292	94,891
Amortization of transaction costs	<b>3,757</b>	-
Accrued interest and accretion (effective interest rate of 15.1%)	<b>76,892</b>	-
<b>Balance at December 31, 2021</b>	<b>2,337,942</b>	<b>94,891</b>

## 9. DECOMMISSIONING PROVISION

	\$
Balance at September 30, 2020	92,815
Change in discount rate	-
Accretion	1,268
Balance at September 30, 2021	77,238
Change in discount rate	-
Accretion	<b>380</b>
<b>Balance at December 31, 2021</b>	<b>77,618</b>

The estimated cash flows required to settle the provision have been discounted using a rate of 1.97% and an inflation rate of 1.90% at December 31, 2021 (September 30, 2021 was 1.97%; 1.90% respectively). These obligations are expected to be settled in approximately 25 years.

## 10. CAPITAL STOCK

### (a) Authorized

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

### (b) Issued and outstanding common shares

	Number of Shares	Amount
		\$
Balance at September 30, 2020	21,244,460	22,546,331
Shares issued for private placement	24,371,200	6,450,000
Share issue costs		(144,000)
Balance at September 30, 2021	45,615,660	28,852,330
Shares issued for private placement	-	-
Share issue costs	-	-
<b>Balance at December 31, 2021</b>	<b>45,615,660</b>	<b>28,852,331</b>

## 10. CAPITAL STOCK – CONTINUED

### (b) Issued and outstanding common shares - continued

The Company closed a non-brokered private placement on June 16, 2021 and issued an aggregate of 20,799,200 common shares (the "Common Shares") at a price of \$0.25 per Common Share for gross proceeds of \$5,199,800. The Company completed a further non-brokered private placement on July 22, 2021 of 3,572,000 common shares at a price of \$0.35 per share, for gross proceeds of \$1,250,200. Agent's fees and other direct costs such as legal and exchange fees, totaled \$144,000.

### (c) Stock options

	Number of options	Weighted average exercise price
		\$
Balance at September 30, 2020	1,266,666	1.06
Granted	1,415,000	0.38
Expired	(420,000)	1.28
Forfeited	(80,000)	0.35
Balance at September 30, 2021	2,181,666	0.61
Granted	-	-
Expired	(116,666)	2.18
Forfeited	-	-
<b>Balance at December 31, 2021</b>	<b>2,065,000</b>	<b>0.53</b>
<b>Exercisable at end of period</b>	<b>1,005,000</b>	<b>0.67</b>

The majority of options issued to date vest 1/3 on grant date and 1/3 on each anniversary date of the grant and expire between three to five years from the issue date.

### (d) Restricted share units

As at December 31, 2021, there have been no restricted share units granted.

## 11. FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL AND OTHER RISK

### (a) Fair value

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

The fair value of the capital lease obligations, long-term borrowings and the liability component of the convertible debentures is determined based on discounted cash flows, including interest at current rates for similar instruments. At December 31, 2021, the fair value of the Convertible Debentures is \$2.6 million.

## **11. FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL AND OTHER RISK - CONTINUED**

### **(b) Credit and interest rate risk**

The Company's credit risk is primarily attributable to cash and cash equivalents and trade and other receivables included in current assets. Cash and cash equivalents consist of bank deposits, which are held by a Canadian chartered bank. At December 31, 2021 the Company holds interest-bearing cash balances of \$3,698,402 (December 31, 2020 was \$819,482). The Company has collected the trade and other receivables balance in full, subsequent to the period end.

### **(c) Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due and ensuring an adequate supply of funds to enable the Company to carry out its intended programs. See Going Concern Note 1(b).

### **(d) Foreign currency risk**

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

For the three months ended December 31, 2021, with other variables unchanged, a 10% strengthening (weakening) of the Canadian dollar against the US dollar, Australian dollar and Euro would have decreased (increased) net loss in aggregate by approximately \$93,420. Included in accounts payable and accruals at December 31, 2021 is USD \$632,450 and EUR \$nil (December 31, 2020 was USD \$837,533 and EUR \$nil).

## **12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

<b>Three months ended December 31,</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Employee compensation and benefits	<b>198,533</b>	60,016
Professional fees	<b>51,926</b>	107,495
Office	<b>29,467</b>	13,176
Shareholder information	<b>7,757</b>	2,169
<b>Total selling, general and administrative expenses</b>	<b>287,683</b>	182,856

Wage and rent subsidies that were received as part of the Canada Emergency Wage and Rent Subsidy ("CEWS" and "CERS") programs and netted in selling, general and administrative expenses were \$nil for the three months ended December 31, 2021 compared to \$23,469 for the three months ended December 31, 2020.

## **13. RELATED PARTY TRANSACTIONS**

The related parties are directors and officers of the Company and entities over which executive management and directors have control or significant influence. The amounts are for services rendered during the period and arose as a result of transactions entered into with the related parties in the ordinary course of business.

### 13. RELATED PARTY TRANSACTIONS - CONTINUED

The Company completed two private placements for an aggregate of 24,371,200 common shares (the "**Common Shares**"). The first at a price of \$0.25 per Common Share for gross proceeds of \$5,199,800, in June of 2021 and the second at a price of \$0.35 in July of 2021 for proceeds of \$1,250,200. Certain directors and officers of the Company, being Lowell Jackson, John Assman, Rodrigo Sousa, Richard Williams, Glenn Leroux and Anshul Vishal, as well as its largest shareholder, being Paramount Resources Ltd., directly or indirectly participated in the Offering in the aggregate amount of \$1,262,675, thereby making the Offering a "related party transaction" as defined under Multilateral Instrument 61-101.

Certain directors of the Company, being Lowell Jackson, John Assman, and Glenn Leroux, and its two largest shareholders being Paramount Resources Ltd. and David Wilson, directly or indirectly participated in the Offering of Convertible Debentures in the aggregate amount of \$1,975,000 in February 26, 2020, thereby making the Offering a "related party transaction" as defined under Multilateral Instrument 61-101.

### 14. COMMITMENTS AND CONTINGENCIES

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

As at December 31, 2021	Payments due by period		
	Less than 1 year	1-3 years	4 -5 years
	\$	\$	\$
Quarry lease agreements <sup>1</sup>	58,500	175,500	117,000
Royalty and participation agreements <sup>2</sup>	100,000	375,000	-
<b>Total commitments</b>	<b>158,500</b>	<b>550,500</b>	<b>117,000</b>

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

<sup>2</sup> Certain of the royalty and participation agreements require payments to be made prior to the commencement of commercial production. Once commercial production commences, royalty and participation payments are based on tonnes sold as described in detail below, less any reductions related to advanced royalty payments already made.

#### (a) Royalty and economic participation agreement commitments

The Company has economic participation agreements with respect to the Wanipigow Sand Quarry with Hollow Water First Nation and the Incorporated Community of Seymourville (together, the "Economic Participation Agreements"). The Company has also entered into various contractual agreements relating to the acquisition of title for 18 of its quarry leases.

Certain of the royalty and participation agreements entered into, required payments to be made prior to the commencement of commercial production as noted in the table above. A portion of the payments made to date, plus applicable accrued interest, are considered advance royalty payments (\$2,396,036 at December 31, 2021 compared to \$2,101,868 at December 31, 2020) which can be offset against specified future royalty payments owing when commercial production commences.

### 14. COMMITMENTS AND CONTINGENCIES – CONTINUED

#### (a) Royalty and economic participation agreement commitments - continued

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

Once commercial production commences, the royalty and participation agreements combined with the royalty due under Manitoba Provincial statutes, have varying future payments based on a number of factors including the rate, location and type of mineral extracted and the sale point end use. Due to the variability in the royalty and participation obligations, the Company's future commitment ranges from a maximum of \$4.80 per tonne sold to a minimum of \$3.80 per tonne sold.

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

**(b) Future royalty income**

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

**15. SUBSEQUENT EVENTS**

Subsequent to the period ended December 31, 2021, the Company:

- Announced on February 16, 2022, the engagement of Fort Capital Partners and Peters & Co. Limited as co-financial advisors to secure the necessary financing for construction for its solar glass manufacturing facility.