



CANADIAN PREMIUM SAND INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended

March 31, 2025

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 consolidated 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 consolidated 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 consolidated financial statements by an entity's auditor.



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

As at	Note	March 31, 2025	September 30, 2024
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		2,734,732	736,746
Trade and other receivables		13,866	5,534
Prepaid expenses and deposits		122,358	112,249
Total current assets		2,870,956	854,529
Prepaid expenses and deposits		60,975	60,975
Right of use assets	5	61,259	83,470
Total assets		2,993,190	998,974
Liabilities and shareholders' (deficit) equity			
Current liabilities			
Accounts payable and accruals		1,045,343	1,343,810
Current portion of lease liabilities	6	55,518	51,928
Convertible debentures	7	3,560,390	3,383,419
Total current liabilities		4,661,251	4,779,157
Lease liabilities	6	13,648	41,171
Decommissioning provision	8	102,538	103,986
Total liabilities		4,777,437	4,924,314
Shareholders' (deficit) equity			
Capital stock	9	43,129,537	39,101,735
Share purchase warrants	9	-	1,475,385
Share-based compensation reserve		3,646,944	3,491,232
Convertible debentures - equity component	7	257,437	144,794
Deficit		(48,818,165)	(48,138,486)
Total shareholders' (deficit) equity		(1,784,247)	(3,925,340)
Total liabilities and shareholders' (deficit) equity		2,993,190	998,974

Nature of Operations and Going Concern (Note 1)
 Commitments and Contingencies (Note 13)

Approved by the Board of Directors

"Rodrigo Sousa"
 Director

"Todd Garman"
 Director



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

		Three months ended March 31		Six months ended March 31	
	Note	2025	2024	2025	2024
		\$	\$	\$	\$
Revenue		-	-	-	-
Cost of sales		-	-	-	-
Gross profit		-	-	-	-
Selling, general and administrative	11	607,715	506,345	1,146,510	1,034,148
Exploration and evaluation expenditures	3	54,746	45,152	147,907	192,941
Glass plant development	4	21,162	32,059	33,908	101,805
Share-based compensation	9	178,003	137,873	155,712	326,363
Net loss on modification of financial instruments	7	-	-	68,164	-
Foreign exchange loss		2,818	24,927	58,977	10,078
Loss from operations		(864,444)	(746,356)	(1,611,178)	(1,665,335)
Net finance costs		96,798	85,816	198,646	171,150
Loss before income taxes		(961,242)	(832,172)	(1,809,824)	(1,836,485)
Income tax (recovery) expense		-	-	-	-
Net loss and comprehensive loss		(961,242)	(832,172)	(1,809,824)	(1,836,485)
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Loss per share – basic and diluted		(0.01)	(0.01)	(0.02)	(0.02)
Weighted average number of shares outstanding - basic and diluted		92,627,156	83,420,752	88,616,253	81,588,093

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



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

	Capital stock		Share purchase warrants	Share-based compensation reserve	Convertible debentures	Deficit	Total
	Number of shares	Amount					
		\$		\$	\$	\$	\$
Balance at October 1, 2023	78,673,060	37,024,655	1,076,737	2,959,141	94,891	(43,979,503)	(2,824,079)
Share-based compensation	-	-	-	326,363	-	-	326,363
Common shares issued	4,747,692	2,077,080	-	-	-	-	2,077,080
Warrants exercised	-	-	(178,038)	-	-	-	(178,038)
Net loss for the period	-	-	-	-	-	(1,836,485)	(1,836,485)
Balance at March 31, 2024	83,420,752	39,101,735	898,699	3,285,504	94,891	(45,815,988)	(2,435,159)
Balance at October 1, 2024	83,420,752	39,101,735	1,475,385	3,491,232	144,794	(48,138,486)	(3,925,340)
Share-based compensation	-	-	-	155,712	-	-	155,712
Common shares issued	9,206,404	4,027,802	-	-	-	-	4,027,802
Warrants exercised	-	-	(345,240)	-	-	-	(345,240)
Warrants expired	-	-	(1,130,145)	-	-	1,130,145	-
Loss on modification of convertible debentures	-	-	-	-	112,643	-	112,643
Net loss for the period	-	-	-	-	-	(1,809,824)	(1,809,824)
Balance at March 31, 2025	92,627,156	43,129,537	-	3,646,944	257,437	(48,818,165)	(1,784,247)

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



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

	Note	Three months ended March 31,		Six months ended March 31,	
		2025	2024	2025	2024
OPERATING ACTIVITIES		\$	\$	\$	\$
Net loss for the period		(961,242)	(832,172)	(1,809,824)	(1,836,485)
Adjusted for the following:					
Depreciation	11	12,252	11,558	24,176	23,116
Share-based compensation	9	178,003	137,873	155,712	326,363
Net loss on modification of financial instruments	7	-	-	68,164	-
Interest and accretion		117,739	111,561	227,781	219,663
Unrealized foreign exchange (gain) loss		(692)	21,514	53,231	3,304
Decommissioning	3,4	2,984	(4,733)	(3,078)	4,828
Net changes in non-cash working capital		(339,044)	(22,556)	(370,140)	(569,358)
Net cash used in operating activities		(990,000)	(576,955)	(1,653,978)	(1,828,569)
INVESTING ACTIVITIES					
Net cash used in investing activities		-	-	-	-
FINANCING ACTIVITIES					
Proceeds from warrants exercised	9	-	-	3,682,562	1,899,042
Payment of lease	6	(15,373)	(13,743)	(30,598)	(26,745)
Net cash flow (used) from financing activities		(15,373)	(13,743)	3,651,964	1,872,297
(Decrease) increase in cash and cash equivalents		(1,005,373)	(590,698)	1,997,986	43,727
Cash and cash equivalents at beginning of period		3,740,105	2,467,535	736,746	1,833,110
Cash and cash equivalents at end of period		2,734,732	1,876,837	2,734,732	1,876,837
Supplemental disclosure of cash flow information:					
		\$	\$	\$	\$
Cash interest received		20,941	24,706	29,134	40,605
Cash interest paid		-	(504)	-	(1,373)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

(a) General

Canadian Premium Sand Inc. (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 2000, 715 – 5th Avenue S.W., Calgary, Alberta T2P 2X6.

The Company is developing North American manufacturing capacity for ultra-high-clarity pattern solar glass, utilizing high-purity low iron silica sand from its wholly owned Wanipigow quarry leases.

The Company has 41 contiguous quarry leases at the Wanipigow reserves (Wanipigow Sand Quarry) located approximately 160 kilometers north of Winnipeg, Manitoba. These leases grant the Company the exclusive right to quarry silica sand which the Company intends to use as feedstock for the pattern solar glass manufacturing facilities it would develop.

(b) Going concern

These unaudited interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), including International Accounting Standard 34 (IAS 34), Interim Financial Reporting, 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 March 31, 2025 the Company had a deficit of \$48,818,165 (September 30, 2024 of \$48,138,486), cash and cash equivalents of \$2,734,732 (September 30, 2024 of \$736,746), current liabilities of \$4,661,251 (September 30, 2024 of \$4,779,157) and participation agreements along with commitments for the acquisition of quarry leases for the twelve-month period to March 31, 2026 of \$170,500. For further details see Commitments and Contingencies (Note 13).

In September 2024, the Company announced the Province of Manitoba and the Government of Canada intend to provide financial support for the Company's integrated pattern solar glass manufacturing facility in Selkirk. The Province of Manitoba intends to provide \$72 million in non-dilutive financial support for the project consisting of a \$32 million infrastructure investment and a \$40 million low interest loan with provisions for the Company to earn forgivable portions of up to 10% of the loan over time. The Company is working on formalizing elements of this support. The Government of Canada intends to provide non-dilutive financial support of up to \$100 million towards this project. Further, up to \$100 million investment will be sought by the Company facilitated through the federal Indigenous Loan Guarantee Program. The Company has been engaging with Manitoba Indigenous groups to explore investment in the project through the program. While management expects to receive government financial assistance, the timing and amount remains uncertain. This funding is expected to coincide with commencement of construction of the project in Selkirk.

In November 2024, the Company reached an agreement with the holders of its outstanding convertible debentures to extend the maturity date to February 26, 2026.

1. NATURE OF OPERATIONS AND GOING CONCERN - CONTINUED

(b) Going concern - continued

In December 2024, the Company's insiders, including board members and management, and certain key strategic investors exercised 9,206,404 common share purchase warrants, at an exercise price of \$0.40 per warrant, resulting in cash proceeds to the Company of \$3,682,562.

In January 2025, the US Internal Revenue Service awarded the Company's joint arrangement a USD \$75 million tax credit allocation under the 48C Qualifying Advanced Energy Project Credit Allocation program to re-purpose a former glass manufacturing site in the southern US to produce pattern solar glass (the "US Project"). The grant is subject to certification requirements within two years from the grant date and an in-service requirement within two years of certification. This tax credit allocation is transferable, providing the Company with the option to monetize it to support construction financing. Recipients of transferable tax credits have the ability to sell the tax credit for cash or enter into a tax-equity transaction with a third party to support project financing. The Company is in the process of evaluating these options as it advances the US Project to a final investment decision later in 2025.

While the Company has commenced the process of raising funds for the construction of the Selkirk pattern solar glass manufacturing facility and related quarry infrastructure, and continues to pursue financing to advance the US Project, significant challenges in the business and geo-political climate exist affecting the equity and debt markets. It is uncertain how long these events will continue to impact the economy and the Company's ability to secure financing. As such, there is no assurance that the Company's financing efforts will be successful. 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 interim condensed consolidated 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 was 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 consolidated financial statements were prepared in accordance with IFRS Accounting Standards including IAS 34 on a basis consistent with the accounting, estimation and valuation policies described in the Company's audited financial statements for the year ended September 30, 2024.

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

Certain information and disclosures normally included in the notes to the annual financial statements were condensed or omitted. These interim condensed consolidated financial statements should be read in conjunction with the audited financial statements for the year ended September 30, 2024.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 22, 2025.

2. BASIS OF PRESENTATION – CONTINUED

(b) Adoption of accounting policies

Basis of consolidation

The interim condensed consolidated financial statements include the accounts of the Company and its wholly owned holding company subsidiary at March 31, 2025. All intercompany transactions, balances, income and expenses are eliminated on consolidation. Interests in joint arrangements are classified as either joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangement. The Company's joint arrangements are non-binding, not operational, and their classification remains under evaluation. The Company continues to evaluate the impact of joint arrangements on the consolidated financial statements.

(c) Future accounting pronouncements

In April 2024, the International Accounting Standards Board (IASB) issued IFRS 18, Presentation and Disclosure in Financial Statements, which will replace IAS 1 Presentation of Financial Statements. The new standard will establish a revised structure for the consolidated statements of comprehensive loss and improve comparability across entities and reporting periods. IFRS 18 is effective for annual periods beginning on or after January 1, 2027. The standard is to be applied retrospectively, with certain transition provisions. The Company is currently evaluating the impact of adopting IFRS 18 on the consolidated financial statements.

In May 2024, the IASB issued amendments to IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures. The amendments include clarifications on the derecognition of financial liabilities and the classification of certain financial assets. The amendments are effective for annual periods beginning on or after January 1, 2026, and will be applied retrospectively. The Company is currently evaluating the impact of the amendments on the consolidated financial statements.

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 March 31,		Six months ended March 31,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Advance royalty payments	-	-	50,000	50,000
Acquisition and participation costs	1,188	1,188	24,964	28,896
Permitting and environmental	-	-	-	281
Silica sand feasibility	32,152	18,863	32,152	54,631
Field office expenses	9,167	19,367	19,524	30,195
Labour	9,000	9,659	18,000	18,878
Equipment rental and site supplies	-	458	118	922
Quarry design	1,275	350	5,175	4,310
Decommissioning	1,964	(4,733)	(2,026)	4,828
Total exploration and evaluation expenditures	54,746	45,152	147,907	192,941

The cumulative exploration and evaluation expenditures at March 31, 2025 are \$22,593,394.

4. GLASS PLANT DEVELOPMENT EXPENDITURES

Expenditures incurred for the development of the pattern solar glass manufacturing facility are broken down as follows:

	Three months ended March 31,		Six months ended March 31,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Plant feasibility	15,159	25,397	29,977	46,257
Glass plant design	4,983	6,662	4,983	55,548
Decommissioning	1,020	-	(1,052)	-
Total glass plant development expenditures	21,162	32,059	33,908	101,805

The cumulative glass plant development expenditures at March 31, 2025 are \$7,126,644.

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
	\$	\$
Cost		
Balance at September 30, 2023	23,077	132,545
Additions	-	94,707
Disposals	-	(40,083)
Balance at September 30, 2024	23,077	187,169
Additions	-	1,965
Balance at March 31, 2025	23,077	189,134
Accumulated depreciation		
Balance at September 30, 2023	23,077	97,872
Depreciation	-	45,910
Disposals	-	(40,083)
Balance at September 30, 2024	23,077	103,699
Depreciation	-	24,176
Balance at March 31, 2025	23,077	127,875
	PP&E ASSETS	ROU ASSETS
	\$	\$
Carrying amounts		
Balance at September 30, 2024	-	83,470
Balance at March 31, 2025	-	61,259

6. LEASE LIABILITIES

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

	\$
Balance at September 30, 2023	37,061
Additions	94,707
Interest expense	14,574
Principal payments	(53,243)
Balance at September 30, 2024	93,099
Additions	1,965
Interest expense	4,700
Principal payments	(30,598)
Balance at March 31, 2025	69,166

6. LEASE LIABILITIES – CONTINUED

Current portion of lease liabilities as at March 31, 2025	55,518
Non-current portion of lease liabilities as at March 31, 2025	13,648

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 12%.

7. CONVERTIBLE DEBENTURES

The Company issued \$1,975,000 of secured convertible debentures (“Convertible Debentures”) on February 26, 2020, with an original maturity date of February 26, 2024. The Convertible Debentures bear interest at 12% per annum, compounded quarterly from the date of issuance and payable in arrears on maturity. On November 27, 2023, it was agreed to extend the maturity by one year to February 26, 2025. A further extension until February 26, 2026, was agreed on November 15, 2024.

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.

The Convertible Debentures may be redeemed prior to their maturity date 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:

	Liability Component	Equity Component
	\$	\$
Balance at September 30, 2023	2,989,190	94,891
Amortization of transaction costs	11,717	-
Accrued interest and accretion (effective interest rate of 15.1%)	417,358	-
(Gain) loss on modification	(34,846)	49,903
Balance at September 30, 2024	3,383,419	144,794
Accrued interest and accretion (effective interest rate of 15.1%)	221,450	-
(Gain) loss on modification	(44,479)	112,643
Balance at March 31, 2025	3,560,390	257,437

7. CONVERTIBLE DEBENTURES - CONTINUED

In the year ended September 30, 2024, the first extension of maturity date to February 26, 2025 resulted in the recognition of a gain on modification of the liability component of \$34,846 and a loss on modification of the equity component of \$49,903.

The Company reached an agreement on November 15, 2024, with all holders of its outstanding convertible debentures to further extend the maturity date by one year from February 26, 2025, to February 26, 2026, resulting in the recognition of a gain on modification of the liability component of \$44,479 and a loss on modification of the equity component of \$112,643. These amounts are recognized in net loss on modification of financial instruments in the interim condensed consolidated statements of loss and comprehensive loss. The amendment was considered a non-substantial modification, consequently the carrying amount of the liability was recalculated as the present value of the remaining cashflows, discounted at the original effective interest rate, resulting in a gain in the interim condensed consolidated statements of loss. In addition, the increase in the fair value of the equity component on modification resulted in a loss in the interim condensed consolidated statements of loss. The Company used the Black-Scholes option pricing model to determine the fair value of the modified equity component.

8. DECOMMISSIONING PROVISION

	\$
Balance at September 30, 2023	47,501
Additions	34,455
Change in estimated future cashflows	(3,479)
Change in discount rate	8,044
Change in inflation rate	1,134
Accretion	16,331
Balance at September 30, 2024	103,986
Change in discount rate	(3,078)
Accretion	1,630
Balance at March 31, 2025	102,538

As at March 31, 2025, the undiscounted amount of estimated future cash flows required to settle the provision was discounted using a risk-free rate of 3.2% (September 30, 2024 – 3.1%) and assumes an inflation rate of 2.0% (September 30, 2024 – 2.0%).

9. 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.

9. CAPITAL STOCK - CONTINUED

(b) Issued and outstanding common shares

	Number of shares	Amount
		\$
Balance at September 30, 2023	78,673,060	37,024,655
Common shares issued	4,747,692	2,077,080
Balance at September 30, 2024	83,420,752	39,101,735
Common shares issued	9,206,404	4,027,802
Balance at March 31, 2025	92,627,156	43,129,537

In the year ended September 30, 2024, the Company issued 4,747,692 common shares in connection with the exercise of 4,747,692 share purchase warrants for net cash proceeds of \$1,899,042. Reflecting the fair value of the warrants exercised at \$178,038 (\$0.0375 per warrant), the fair value of the common shares issued in connection with these transactions was \$2,077,080.

In December 2024, the Company issued 9,206,404 common shares in connection with the exercise of 9,206,404 share purchase warrants for cash proceeds of \$3,682,562. Reflecting the fair value of the warrants exercised at \$345,240 (\$0.0375 per warrant), the fair value of the common shares issued in connection with these transactions was \$4,027,802.

(c) Share-based compensation

	Number of options	Weighted average exercise price
		\$
Balance at September 30, 2023	4,310,000	0.48
Granted	1,177,000	0.31
Balance at September 30, 2024	5,487,000	0.44
Granted	1,645,000	0.29
Forfeited	(680,000)	0.46
Expired	(250,000)	0.35
Balance at March 31, 2025	6,202,000	0.40
Exercisable at end of period	4,828,000	0.42

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

Share-based compensation expense for the three and six months ended March 31, 2025, was \$178,003 and \$155,712 compared to \$137,873 and \$326,363 for the same periods in the prior year.

9. CAPITAL STOCK - CONTINUED

(d) Restricted, performance and deferred share units

As at March 31, 2025, there have been no restricted, performance or deferred share units granted.

(e) Share purchase warrants

	Number of Warrants	Amount
		\$
Balance at September 30, 2023	31,242,600	1,076,737
Warrants exercised	(4,747,692)	(178,038)
Loss on modification of warrants	-	576,686
Balance at September 30, 2024	26,494,908	1,475,385
Warrants exercised	(9,206,404)	(345,240)
Warrants expired	(17,288,504)	(1,130,145)
Balance at March 31, 2025	-	-

In the year ended September 30, 2024, the Company issued 4,747,692 common shares in connection with the exercise of 4,747,692 share purchase warrants that had a fair value of \$178,038 (\$0.0375 per warrant). In addition, the Company extended the maturity date of its share purchase warrants from August 31, 2024, to December 31, 2024. The extension represented an unidentifiable compensation to warrant holders resulting in a loss of \$576,686 which was recognized in net loss on modification of financial instruments in the statements of loss and comprehensive loss.

In December 2024, the Company issued 9,206,404 common shares in connection with the exercise of 9,206,404 share purchase warrants that had a fair value of \$345,240 (\$0.0375 per warrant). On December 31, 2024, 17,288,504 share purchase warrants expired unexercised. Consequently, the Company reclassified the fair value of these warrants of \$1,130,145 from share purchase warrants to deficit.

10. FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL AND OTHER RISKS

(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 lease liabilities, and the liability component of the convertible debentures is determined based on discounted cash flows, including interest at current rates for similar instruments. As at March 31, 2025, the fair value of the Convertible Debentures is approximately \$3.6 million.

10. FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL AND OTHER RISKS - 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 March 31, 2025 the Company holds interest-bearing cash balances of \$2,611,514 (September 30, 2024 - \$689,227). 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. As at March 31, 2025, the Company had cash and cash equivalents of \$2,734,732 (September 30, 2024 - \$736,746) to settle current liabilities of \$4,661,251 (September 30, 2024 - \$4,779,157) and commitments for the 12-month period to March 31, 2026 of \$170,500. All the Company's accounts payable and accruals have contractual maturities of less than one year and are subject to normal trade terms. See Going Concern Note 1(b).

(d) Foreign currency risk

The Company is exposed to foreign currency exchange risk as the Company undertakes certain transactions in US dollars.

The Company has not entered into any derivative financial instruments to manage exposures to currency fluctuation.

For the six months ended March 31, 2025, with other variables unchanged, a 10% strengthening (weakening) of the Canadian dollar against the US dollar would have decreased (increased) net loss in aggregate by approximately \$111,796. Included in accounts payable and accruals at March 31, 2025 is USD \$600,251 (September 30, 2024 - USD \$599,066).

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENDITURES

The following table disaggregates the selling, general and administrative expenditures for the three and six months ended March 31:

	Three months ended March 31,		Six months ended March 31,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Employee compensation and benefits	235,341	280,731	435,624	530,773
Professional fees	305,077	171,297	593,588	414,642
Office	37,241	25,301	69,740	42,478
Depreciation	12,252	11,558	24,176	23,116
Shareholder information	17,804	17,458	23,382	23,139
Total selling, general and administrative expenditures	607,715	506,345	1,146,510	1,034,148

12. DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

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

In the six months ended March 31, 2025, 1,645,000 stock options were granted of which 1,500,000 were granted to key management personnel defined as directors and executive officers. Additionally, 680,000 options were forfeited in connection with the departure of an executive officer.

In November 2024, the maturity date of the convertible debentures was extended to February 26, 2026. All holders of convertible debentures are executive officers, directors, or key strategic investors in the Company.

In December 2024, 9,206,404 common share purchase warrants were exercised. These warrants were exercised by executive officers, directors, or key strategic investors in the Company.

13. COMMITMENTS AND CONTINGENCIES

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

As at March 31, 2025	Payments due by period		
	Less than 1 year	1-3 years	4-5 years
	\$	\$	\$
Quarry lease agreements ¹	58,500	175,500	117,000
Royalty and participation agreements ^{1,2}	100,000	525,000	200,000
Office lease	12,000	-	-
Total commitments	170,500	700,500	317,000

¹ Beyond five years, the Company is committed to annual quarry lease payments of \$27 per hectare under lease and annual minimum production royalty payments of \$100,000.

² Certain of the royalty and economic 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, less any reductions related to advanced royalty payments already made as described in further detail below.

(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 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 royalty payments made to

13. COMMITMENTS AND CONTINGENCIES – CONTINUED

(a) Royalty and economic participation agreement commitments – continued

date, plus applicable accrued interest, are considered advance royalty payments which total \$3,260,924 at March 31, 2025 (\$3,111,410 at September 30, 2024) which can be offset against specified future royalty payments owing when commercial production commences.

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

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

(b) Reduction in future cash royalty payments

The Company is required to make semi-annual advance royalty payments of \$50,000 under one of its royalty agreements and under another agreement, prepaid a lump sum of \$1.3 million which accrues interest at 9% per annum. The total accrued interest plus cash payments is \$3,260,924 at March 31, 2025, (\$3,111,410 as at September 30, 2024).

These semi-annual royalty payments will reduce future cash payments required under the royalty agreements, once production commences, and are expected to reduce cash payments for a number of years, depending on the annual mineral extraction rate.

14. SUBSEQUENT EVENTS

(a) Inferred Mineral Resource

On April 9, 2025, the Company announced a significant increase in its Inferred Mineral Resource at its Wanipigow silica sand lease holdings. The October 18, 2021, NI 43-101 Technical Report outlined an Inferred Mineral Resource of approximately 7.25 million tonnes of low iron sand within the Main Glass Sand Resource area. The updated April 9, 2025, NI 43-101 Technical Report identified an Inferred Mineral Resource of approximately 24.39 million tonnes of low iron sand using the same assessment criteria. The increase in the Inferred Mineral Resource is attributed to the inclusion of six additional areas of study within the Company's lease holdings focusing on the Lower Black Island formation. The Company is currently evaluating the impact of the increased Inferred Mineral Resource on the consolidated financial statements.

The term "Inferred Mineral Resource" used in the consolidated financial statements is a Canadian mining term as defined in accordance with NI 43-101 under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves, as may be amended from time to time by the CIM. Inferred Mineral Resources, which are not Mineral Reserves, do not have demonstrated economic viability. For a detailed discussion of the Company's resource and reserve estimates and related matters see the Company's 2025 Technical Report filed under the Company's profile on SEDAR+ at www.sedarplus.ca.



14. SUBSEQUENT EVENTS - CONTINUED

(b) Stock options

In April 2025, 75,000 options were granted under the existing stock option plan to an executive officer.