SELECT SANDS CORP.

Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

(Expressed in United States Dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SELECT SANDS CORP.

Opinion

We have audited the consolidated financial statements of Select Sands Corp. (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of operations and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $2,904,649 and negative cash flow from operating activities of $4,146,355 during the year ended December 31, 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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 audits of the consolidated financial statements, our responsibility is to read the other information identified above 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.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. 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.

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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 IFRS, and for such internal control 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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.

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 auditors' report is Kevin Kwan.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 29, 2021

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Select Sands Corp.
Consolidated Statements of Financial Position
(Expressed in United States Dollars)

		December 31, 2020		December 31, 2019
ASSETS				
Current				
Cash and cash equivalents	**$**	**265,961**	$	1,151,323
Accounts receivable (Notes 8 and 12a)		**1,553,921**		21,840
Inventory (Note 4)		**2,941,717**		1,954,065
Prepaid expenses		**90,440**		148,206
Investments (Note 5)		**268,672**		-
Total Current Assets		**5,120,711**		3,275,434
Deposits		**424,844**		292,895
Right-of-use assets (Note 6)		**896,830**		1,321,021
Property, plant and equipment (Notes 6 and 8)		**14,242,603**		11,592,514
Total Assets	**$**	**20,684,988**	$	16,481,864
LIABILITIES				
Current				
Line of credit (Note 8)	**$**	**4,418,067**	$	628,125
Accounts payable and accrued liabilities (Note 7)		**917,172**		870,234
Current portion of lease liability (Note 6)		**444,939**		424,191
Current portion of long-term debt (Note 8)		**1,145,476**		1,152,770
Total Current Liabilities		**6,925,654**		3,075,320
Decommissioning liability		**78,100**		78,100
Lease liability (Note 6)		**473,945**		897,280
Long-term debt (Note 8)		**4,752,870**		1,036,151
Total Liabilities		**12,230,569**		5,086,851
EQUITY				
Share capital (Note 9)		**34,803,135**		34,803,135
Share-based payment reserve		**5,509,628**		5,509,628
Accumulated other comprehensive income		**11,732**		47,677
Deficit		**(31,870,076)**		(28,965,427)
Total Equity		**8,454,419**		11,395,013
Total Liabilities and Equity	**$**	**20,684,988**	$	16,481,864

These consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2021. They are signed on the Company's behalf by:

"Zigurds Vitols"	*"John Kime"*
Director	Director

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

Select Sands Corp.
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in United States Dollars)

	For the Years Ended December 31, 2020	For the Years Ended December 31, 2019
Revenue	**$ 9,701,216**	$ 4,360,617
Cost of Goods Sold (excluding depreciation and depletion)	**10,034,983**	6,583,343
Gross Loss	**(333,767)**	(2,222,726)
Operating Expenses		
Compensation and consulting (Note 7)	**725,750**	1,166,195
Depreciation and depletion (Note 6)	**1,558,953**	1,135,546
Interest on long-term debt	**426,904**	172,060
Selling, general and administrative	**418,314**	798,910
Share-based compensation (Notes 7 and 9)	**-**	34,107
Total Operating Expenses	**3,129,921**	3,306,818
Operating Loss	**(3,463,688)**	(5,529,544)
Other Income (Expense)		
Interest income	**4,371**	32,129
Foreign exchange gain	**52,911**	70,092
Gain on extinguishment of debt (Note 13e)	**416,153**	21,195
Gain on return of capital from equity investee (Note 5)	**280,300**	-
Unrealized loss on investments (Note 5)	**(25,307)**	-
Share of loss in equity investee (Note 5)	**-**	(586,849)
Provision for impairment of property, plant and equipment	**(136,012)**	(952,313)
Loss on sale of property, plant and equipment	**(33,377)**	(547,774)
Total Other Income (Expense)	**559,039**	(1,963,520)
Loss Before Income Taxes	**(2,904,649)**	(7,493,064)
Income Tax Expense		
Deferred (Note 15)	**-**	(1,754,361)
Current (Note 15)	**-**	(3,015)
Total Income Tax Expense	**-**	(1,757,376)
Net Loss for the Year	**(2,904,649)**	(9,250,440)
Other Comprehensive Loss		
Foreign currency translation adjustment	**(35,945)**	(44,606)
Comprehensive Loss for the Year	**$ (2,940,594)**	$ (9,295,046)
Basic and Diluted Loss per Share	**$ (0.03)**	$ (0.10)
Weighted Average Number of Shares Outstanding (Note 13)	**88,563,316**	88,563,316

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

Select Sands Corp.
Consolidated Statements of Changes in Equity
Years ended December 31, 2020 and 2019
(Expressed in United States Dollars)

	SHARE CAPITAL		SHARE-BASED PAYMENT	ACCUMULATED OTHER COMPREHENSIVE		TOTAL
	NUMBER OF SHARES	AMOUNT	RESERVE	INCOME (LOSS)	DEFICIT	EQUITY
Balance, December 31, 2018	88,563,316	$ 34,803,135	$ 5,475,521	$ 92,283	$ (19,714,987)	$ 20,655,952
Share based compensation	-	-	34,107	-	-	34,107
Net loss for the year	-	-	-	-	(9,250,440)	(9,250,440)
Other comprehensive loss	-	-	-	(44,606)	-	(44,606)
Balance, December 31, 2019	88,563,316	34,803,135	5,509,628	47,677	(28,965,427)	11,395,013
Net loss for the year	-	-	-	-	(2,904,649)	(2,904,649)
Other comprehensive loss	-	-	-	(35,945)	-	(35,945)
Balance, December 31, 2020	**88,563,316**	**$ 34,803,135**	**$ 5,509,628**	**$ 11,732**	**$ (31,870,076)**	**$ 8,454,419**

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

Select Sands Corp.
Consolidated Statements of Cash Flows
(Expressed in United States Dollars)

	For the Years Ended	
	December 31, 2020	December 31, 2019
Operating Activities		
Net loss for the year	**$ (2,904,649)**	$ (9,250,440)
Adjustments for non-cash items:		
Depreciation and depletion	**1,558,953**	1,135,546
Share-based compensation	**-**	34,107
Foreign exchange	**(13,679)**	(381,643)
Gain on return of capital from equity investee	**(280,300)**	-
Gain on extinguishment of debt	**(416,153)**	(21,195)
Loss on sale of equipment	**33,377**	547,774
Share of loss in equity investee	**-**	586,849
Unrealized loss on investments	**25,307**	-
Provision for impairment of property, plant and equipment	**136,012**	952,313
Accretion on finance leases	**129,806**	447
Deferred income tax expense	**-**	1,754,361
Changes in non-cash operating assets and liabilities:		
Accounts receivable	**(1,532,081)**	(906)
Income taxes receivable	**-**	376,855
Inventory	**(987,652)**	131,098
Prepaid expenses	**57,766**	(35,399)
Accounts payable and accrued liabilities	**46,938**	302,805
Total Cash Used in Operating Activities	**(4,146,355)**	(3,867,428)
Investing Activities		
Deposits	**(131,949)**	7,199
Proceeds from disposal of equipment	**219,373**	765,164
Property, plant and equipment	**(4,230,613)**	(495,670)
Total Cash (Used in) Provided by Investing Activities	**(4,143,189)**	276,693
Financing Activities		
Proceeds from short-term loan	**3,789,942**	628,125
Proceeds from long-term debt	**5,201,682**	-
Principal repayments of long-term debt	**(1,019,104)**	(978,157)
Repayment of lease liability	**(532,393)**	-
Total Cash Provided by (Used in) Financing Activities	**7,440,127**	(350,032)
Effect of Exchange Rate Changes on Cash	**(35,945)**	244,116
Decrease in Cash and Cash Equivalents	**(885,362)**	(3,696,651)
Cash and Cash Equivalents, Beginning of Year	**1,151,323**	4,847,974
Cash and Cash Equivalents, End of Year	**$ 265,961**	$ 1,151,323

Supplemental Cash Flow Information (Note 13c)

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

1. CORPORATE INFORMATION AND GOING CONCERN

Select Sands Corp. (the "Company") was incorporated in Canada on July 31, 2006 pursuant to the Business Corporations Act (British Columbia) (the "Act"). The Company is a public company listed on the TSX Venture Exchange (the "TSX.V"), trading under the "SNS" symbol and on the OTCQB Market trading under the "SLSDF" symbol. The address of the Company's corporate office is Suite 310, 850 West Hastings Street, Vancouver, British Columbia, Canada, V6C 1E1. The Company's registered and records office is 10th Floor, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5.

The Company's primary business is an advanced stage silica sand quarry and production facilities located in Arkansas, USA and operational headquarters in Houston, Texas, USA. The Company is focused on developing this business to enable profitable commercial silica sand sales to industrial and energy customers.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. For the year ended December 31, 2020, the Company has continued to experience decreased demand for its sand products below its full production capacity resulting in sales of $9,701,216 (2019 – $4,360,617), a gross loss of $333,767 (2019 – $2,222,726), negative cash flow from operating activities of $4,146,355 (2019 – $3,867,428), a net loss of $2,904,649 (2019 – $9,250,440) and may not be able to continue to finance day to day activities through operations alone. The Company's continuation as a going concern is dependent upon achieving higher levels of sales and gross margin to maintain profitable operations and generate funds therefrom and/or raising equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash from operations, cash on hand, loans from financial institutions and if necessary, private placement of common shares. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

During the year ended December 31, 2020, there was a global outbreak of a novel coronavirus identified as "COVID-19". On March 11, 2020, the World Health Organization declared a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods (see also Note 13e).

2. BASIS OF PRESENTATION

a) Statement of Compliance

The consolidated financial statements of the Company for the year ended December 31, 2020 are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

b) Basis of Measurement and Presentation

These consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information. In the opinion of management, all adjustments (including normal recurring accruals), considered necessary for a fair presentation have been included. The accounting policies set out in Note 3 have been applied consistently to all periods presented in these consolidated financial statements.

c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Select Sands America Corp. (the "Subsidiary") incorporated in Delaware, USA. All intercompany transactions and balances have been eliminated on consolidation.

d) Foreign Currencies

These consolidated financial statements are presented in United States dollars. The Company's functional currency is the Canadian dollar. The Subsidiary's functional currency is the United States dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Canadian dollar amounts are denoted by the symbol CAD$.

The functional currency of foreign subsidiaries is the currency of the primary economic environment in which the entity operates.

Translation of all assets and liabilities from the subsidiary's functional currency to the presentation currency are performed using the rate prevailing at the statement of financial position date. Income and expenses are translated at average exchange rates. The difference arising from translation from the functional currency to the presentation currency are recorded as currency translation adjustments in other comprehensive income and are held within accumulated other comprehensive income until a disposal or partial disposal of a subsidiary. A disposal or partial disposal will then give rise to a realized foreign exchange gain (loss) which is recorded in profit or loss.

2. BASIS OF PRESENTATION (Continued)

e) Significant Accounting Judgments and Estimates

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- Management determines costs for stock-based compensation using market-based valuation techniques. The fair value of the share awards was determined at the date of grant using the Black-Scholes option pricing model. Assumptions were made, and judgment was used in applying the valuation model. The assumptions and judgments on the estimated future volatility of the Company’s stock price and the expected forfeiture rate may have a very high degree of estimation uncertainty. Such judgments and assumptions are inherently uncertain and as such the grant date fair value estimates of stock-based compensation can be materially different from the fair values of the stock options when the stock options are exercised or expire in the future.

- The Company uses significant judgment in its assessment of impairment indicators on its equity-accounted investment and its related estimate of the recoverable amount of the investment.

- The Company uses significant judgment in its allocation of costs between inventory and cost of goods sold. The Company measures its remaining inventory at the end of each quarter and uses drones to assist in estimating quantities.

- The Company uses significant judgment in recognizing and derecognizing deferred income tax assets. Managements performs a “more likely than not” test to see if there is a greater than 50% chance that the Company will realize its deferred income tax assets in the future.

- The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company’s ability to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been adopted for the year ended December 31, 2020 and have been applied consistently to all periods presented in these consolidated financial statements.

a) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

b) Inventory

Sand inventory is stated at the lower of cost and net realizable value using the average cost method.

Inventory manufactured at the Company’s plant facilities includes direct excavation costs, processing costs, overhead allocation, depreciation and depletion. Stockpile tonnages are estimated by measuring the area covered by stockpiles at the Company’s facilities. Costs are calculated on a per ton basis and are applied to the stockpiles based on the number of tons in the stockpile and the percentage of completion in the production process.

Inventory transported for sale at the Company’s terminal facilities includes the cost of manufactured sand, plus transportation and handling related charges. External freight costs to transport product to the end consumer are expensed and not included in the costs of inventory.

c) Investment in Associate

Associates are those entities where the Company has the ability to exercise significant influence, but not control, over the financial and operating policies of the Associate. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at fair value. The consolidated financial statements include the Company’s share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

When the Company’s share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to $Nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation to make, or has made, payments on behalf of the investee.

At each statement of financial position date, the investment in associate is assessed for indicators of impairment. An impairment loss in respect of an equity-method accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss and is reversed if there is a favourable change in the estimates used to determine the recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Property, Plant, Equipment

Property, plant and equipment are recorded at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. This includes the purchase price, any other costs directly attributable to bringing the assets to a working condition for intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

Mining property and development includes mineral deposits and mine exploration and development costs. Mineral deposits are initially recognized at cost, which approximates the estimated fair value on the date of purchase. Mine exploration and development costs include engineering and mineral studies, drilling and other related costs to delineate an ore body, and the removal of overburden to initially expose an ore body for production.

The cost of removing overburden and waste materials to access the ore body at an open pit mine prior to the commercial production phase are referred to as “pre-stripping costs.” Pre-stripping costs are capitalized during the development of an open pit mine. The production phase of an open pit mine commences when saleable minerals, beyond a *‘de minimis’* amount, are produced. Stripping costs incurred during the production phase of a mine are variable production costs that are included as a component of inventory to be recognized in costs applicable to sales.

Depletion and amortization of mineral deposits and mine development costs are recorded as the minerals are extracted, based on units of production and engineering estimates of mineable resources or reserves. The impact of revisions to resource and reserve estimates is recognized on a prospective basis.

Where an item of plant and equipment comprises significant parts with useful lives that are significantly different from that of the asset as a whole, the parts are accounted for as separate items of plant and equipment and depreciated accordingly. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognizing an asset determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized through profit or loss.

Land is not depreciated. Land improvements, plant and equipment are depreciated over their estimated useful lives. Interest incurred during construction of facilities is capitalized and depreciated over the life of the asset. Costs for normal repairs and maintenance that do not extend economic life or improve service potential are expensed as incurred. Costs of improvements that extend economic life or improve service potential are capitalized and depreciated over the estimated remaining useful life.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Property, Plant, Equipment (Continued)

The Company commences recording depreciation when the assets are in a working condition ready for use using the straight-line method at the following rates:

Land improvements	Mine life up to 20 years
Leased assets	Lease term
Plants and buildings	10 – 20 years
Machinery	5 – 20 years
Vehicles	3 – 20 years
Office	5-10 years

The Company's sand properties are depreciated on a units of production basis. The sand properties are depreciated based on total tonnes of sand shipped as a percentage of estimated total tonnes available. 41,980,000 tonnes of sand were estimated to be available at the commencement of operations.

Leased assets

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Minimum lease payments made under finance leases are apportioned between finance expenses and the reduction of the outstanding liability using the effective interest method, so as to produce a constant periodic rate of interest on the remaining balance of the liability. Material operating leases, including land lease agreements are recognized on the Company's statement of financial position as right of use assets under IFRS 16 *Leases*. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Provisions for mine reclamation and decommissioning obligations

The Company recognizes the fair value of any liability for mine reclamation and decommissioning obligations, including environmental remediation liabilities when incurred, which is generally upon acquisition, construction or development and/or through the normal operation of the asset, if sufficient information exists to reasonably estimate the fair value of the liability. These obligations generally include the estimated net future costs of dismantling, restoring and reclaiming operating mines and related mine sites, in accordance with government, regulatory and land lease agreement requirements. The liability is accreted over time through periodic charges to earnings. In addition, the mine reclamation and decommissioning costs are capitalized as part of the asset's carrying value and amortized over the life of the related asset. Reclamation costs are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation and decommissioning costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial period-end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is recognized in the statement of operations, except to the extent they reverse gains previously recognized.

f) Share Capital

i) Non-monetary consideration

Agent's warrants issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Under this method, the proceeds are allocated first to share capital based on the fair value of the shares at the time the units are priced and any residual value is allocated to reserve.

ii) Share-based payments

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date, and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of operations and comprehensive loss over the remaining vesting period.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured indirectly at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

iii) Share issuance costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current period and any adjustment to income taxes payable in respect of previous periods. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. Deferred income tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority.

h) Earnings Per Share

Basic earnings per share is computed by dividing the Company's earnings applicable to common shares by the weighted average number of shares outstanding for the relevant period.

Diluted earnings per share is computed by dividing the Company's earnings applicable to common shares, by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted at the beginning of the period unless the result is anti-dilutive.

i) Revenue Recognition

Revenue is recognized when the earnings process is complete, as evidenced by an agreement between the customer and the Company, when delivery has occurred, when the fee is fixed or determinable and when collection is reasonably assured. Amounts received from customers in advance of revenue recognition are deferred as deferred revenue liabilities. The Company presents revenues net of taxes collected from customers at the time of sale to be remitted to governmental authorities, including sales and use taxes. No element of financing is deemed present as the sales are made with credit terms standard for the market.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Financial Instruments

i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

ii) Measurement

<u>Financial assets and liabilities at amortized cost</u>

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

<u>Financial assets and liabilities at FVTPL</u>

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of operations and comprehensive income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of operations and comprehensive income (loss) in the period in which they arise.

iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of operations and comprehensive income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

iv) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of operations and comprehensive loss.

(Expressed in United States Dollars Unless Otherwise Noted)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Financial Instruments (Continued)

v) Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of operations and comprehensive loss.

k) Future accounting standards

The Company has performed an assessment of new standards issued by the IASB that are not yet effective. The Company has assessed that the impact of adopting these accounting standards on its financial statements would not be significant.

4. INVENTORY

Inventory includes the following:

		December 31, 2020		December 31, 2019
Raw Materials	**$**	**47,583**	$	62,196
Work-in-process		**1,896,856**		1,103,738
Finished Goods		**997,278**		788,131
	$	**2,941,717**	$	1,954,065

(Expressed in United States Dollars Unless Otherwise Noted)

5. INVESTMENTS

Investment in Comstock

	December 31, 2020	December 31, 2019
Opening Balance	**$ -**	$ 570,803
Equity share of Comstock's loss for the year	**-**	(586,849)
Foreign currency translation adjustment	**-**	16,046
	$ -	$ -

On September 13, 2016, the Company sold its La Ronge and Old Cabin mineral properties to Comstock Metals Ltd. ("Comstock") in exchange for 20,000,000 common shares of Comstock. Comstock's principal place of business activity is in Canada. On July 3, 2018, the Company participated in a private placement for Comstock and purchased 2,635,400 common shares for $100,000. On May 26, 2020, Comstock consolidated its common shares on a 5 for 1 basis. As of December 31, 2020, the Company held 4,527,080 common shares (2019 – 4,527,080) equal to a 17.9% stake (2019 – 24.4%) in the issued and outstanding shares of Comstock and accounted for its investment using the equity method due to the Company having significant influence over Comstock. During the year ended December 31, 2019, the Company's share of Comstock's loss exceeded the carrying value of the investment and the Company has therefore reduced the investment carrying value to zero. For the year ended December 31, 2019, the unrecognized share of losses for which the Company ceased to recognize when applying the equity method was $531,703. For the year ended December 31, 2020, the unrecognized share of losses for which the Company ceased to recognize when applying the equity method was $51,322. As at December 31, 2020, the cumulative unrecognized share of losses was $583,025 (2019 - $531,703).

Displayed below is the unaudited summary financial information available for Comstock as at December 31, 2020 and December 31, 2019:

	Year ended December 31, 2020	Year ended December 31, 2019
Cash	**$ 202,132**	$ 96,852
Receivables and prepaids	**15,670**	29,993
Non-current assets	**2,142,789**	3,924,211
Current liabilities	**47,014**	30,540
Comprehensive loss	**299,666**	4,581,968

Investments in White Gold and E3 Metals

On November 13, 2020, Comstock distributed its investments in White Gold Corp. (WGO.V – "White Gold") and E3 Metals Corp. (ETMC.V – "E3 Metals") to its shareholders by way of return of capital. On November 27, 2020, the Company received 247,902 shares in White Gold and 178,683 shares in E3 Metals (the "Investments"). The Company recorded a gain on return of capital of $280,300 on receiving the Investments. As of December 31, 2020, the Investments had a fair value of $268,672 and the Company recorded an unrealized loss of $25,307 for the year ended December 31, 2020 (see also Note 16).

(Expressed in United States Dollars Unless Otherwise Noted)

6. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	PLANTS AND BUILDINGS	MACHINERY AND VEHICLES	OFFICE	SAND PROPERTIES	TOTAL PROPERTY, PLANT AND EQUIPMENT
Costs					
Balance, December 31, 2018	$ 5,270,420	$ 6,689,943	$ 40,373	$ 5,444,400	$ 17,445,136
Additions	167,097	328,574	-	-	495,671
Reclassifications	(168,261)	168,261	-	-	-
Disposals	-	(121,566)	(8,810)	(2,637,325)	(2,767,701)
Impairment	(861,458)	(127,523)	-	-	(988,981)
Balance, December 31, 2019	4,407,798	6,937,689	31,563	2,807,075	14,184,125
Reclassifications	196,335	(196,335)	-	-	-
Additions	3,220,790	1,009,823	-	-	4,230,613
Disposals	(80,000)	(873,248)	-	-	(953,248)
Balance, December 31, 2020	**$ 7,744,923**	**$ 6,877,929**	**$ 31,563**	**$ 2,807,075**	**$ 17,461,490**

	PLANTS AND BUILDINGS	MACHINERY AND VEHICLES	OFFICE	SAND PROPERTIES	TOTAL PROPERTY, PLANT AND EQUIPMENT
Accumulated Depreciation					
Balance, December 31, 2018	$ (490,709)	$ (1,044,462)	$ (8,352)	$ (57,150)	$ (1,600,673)
Depreciation	(272,684)	(775,934)	(5,599)	-	(1,054,217)
Depletion	-	-	-	(4,455)	(4,455)
Disposals	-	28,032	3,034	-	31,066
Impairment	22,594	14,074	-	-	36,668
Balance, December 31, 2019	(740,799)	(1,778,290)	(10,917)	(61,605)	(2,591,611)
Depreciation	(289,218)	(824,109)	(4,509)	-	(1,117,836)
Depletion	-	-	-	(16,926)	(16,926)
Disposals	40,000	467,486	-	-	507,486
Balance, December 31, 2020	**$ (990,017)**	**$ (2,134,913)**	**$ (15,426)**	**$ (78,531)**	**$ (3,218,887)**

	PLANTS AND BUILDINGS	MACHINERY AND VEHICLES	OFFICE	SAND PROPERTIES	TOTAL PROPERTY, PLANT AND EQUIPMENT
Carrying Value					
Balance, December 31, 2019	$ 3,666,999	$ 5,159,399	$ 20,646	$ 2,745,470	$ 11,592,514
Balance, December 31, 2020	**$ 6,754,906**	**$ 4,746,016**	**$ 16,137**	**$ 2,728,544**	**$ 14,242,603**

(Expressed in United States Dollars Unless Otherwise Noted)

6. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (Continued)

Right-of-use assets

Value of right-of-use asset as at January 1, 2019	$	1,397,895
Depreciation		(76,874)
Value of right-of-use assets as at December 31, 2019		1,321,021
Depreciation		(424,191)
Value of right-of-use assets as at December 31, 2020	**$**	**896,830**

Lease liability

Lease liability recognized as at January 1, 2019	$	1,397,895
Lease payments		(66,579)
Lease interest		(9,845)
Lease liability recognized as at December 31, 2019		1,321,471
Lease payments		(532,393)
Lease interest		129,806
Lease liability recognized as at December 31, 2020	**$**	**918,884**

		December 31, 2020		December 31, 2019
Current portion	**$**	**444,939**	$	424,191
Non-current portion		**473,945**		897,280
	$	**918,884**	$	1,321,471

<u>Plant Reconfiguration Project and Completion of the Purchase of its Diaz Rail Facility</u>

On January 15, 2020, the Company started a reconstruction project to optimize and consolidate processing assets to improve costs. The Company also completed the purchase of the Diaz Rail Loading Facility, located in Diaz Arkansas (the “Diaz Rail Facility”), for the remaining payment of $968,747. Under the lease-to-purchase agreement, the total cost of the Diaz Rail Facility was $2,050,000 with prior lease payments applied to the total purchase price (see also Note 8).

The Plant Reconfiguration Project includes installation of dry-process equipment at the Diaz Rail Facility, thereby increasing process efficiency by reducing inter-plant transportation costs. Dry processing at Diaz will immediately save approximately 16 miles of inter-plant transportation and over one hour in transload logistics. In addition, the Company has implemented a program to increase its own truck fleet. On a per mile basis, costs savings are estimated to be approximately 25% compared to outside contract trucking. Logistical improvements will also be carried out at the Company’s Sandtown Quarry. No disruption to production or shipping are expected to be experienced during the Plant Reconfiguration Project.

The final payment for the Diaz Rail Facility and the Plant Reconfiguration Project was funded by a secured bank loan of up to $4,500,000 being provided to the Company’s wholly owned subsidiary Select Sands America Corp. The loan bears interest at a rate of 5.25% per annum, matures on July 9, 2023 and is secured by a general security agreement and guaranteed by the Company.

(Expressed in United States Dollars Unless Otherwise Noted)

6. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (Continued)

2019 Acquisition and Divestiture Highlights

During the year ended December 31, 2019, the Company adopted IFRS 16 – Leases (see also Notes 3 and 8). As a result, the Company capitalized a total of $1,397,895 for right of use assets that were previously treated as operating leases. The right of use assets consist of the Company's head office lease in Houston, Texas, USA, a leased property in Arkansas, USA used for sand operations and a leased transload facility located in the Eagle Ford basin of Texas, USA. The right of use assets capitalized have lease terms ranging from two to three years and were discounted at a rate of 5.50% based on the interest rate the Company receives on its other borrowings.

In October 2019, the Company's Subsidiary sold its Bell Farm property for $700,000 subject to a 20-year deed restriction to any sand mining on the property. The Company will retain the exclusive rights to lift the deed restriction within the 20-year restricted period.

7. DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The Company incurred the following related party transactions for the years ended December 31, 2020 and 2019 and had the following balances with related parties outstanding as at December 31, 2020 and 2019:

a) Remuneration of key management and directors were as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Short-term compensation and consulting	**$ 274,981**	$ 568,140
Share-based compensation	**-**	21,347
Total compensation of key management and directors	**$ 274,981**	$ 589,487

a) The Company shares office space with Comstock Metals Ltd. which has a common director and officer. During the year ended December 31, 2020, the Company recovered $13,271 in shared office costs (2019 - $27,137).

b) As at December 31, 2020, the Company had accounts payable and accrued liabilities to directors and officers in the amount of $36,106 (2019 - $27,664) for consulting fees and reimbursement of expenses.

The above transactions were in the normal course of operations and have been recorded at amounts agreed to by the related parties. All amounts either due from or due to related parties are non-interest bearing, unsecured and have no fixed terms of repayment.

(Expressed in United States Dollars Unless Otherwise Noted)

8. LOANS PAYABLE

Details of the Company's long-term debt are as follows:

	December 31, 2020	December 31, 2019
Financing agreement, dated April 1, 2017, with Newport Rail Co., for the rail loading facility with an option to purchase at the end of the lease, imputed interest at 4.5%, fixed annual payments of $387,500, through March 2021, secured by certain assets of the Company.	**$ -**	$ 968,750
Note payable, dated October 26, 2018, payable in monthly installments of $6,010, including interest at 5.99%, outstanding amounts on this note are due in full on October 26, 2023, secured by equipment.	**153,100**	190,515
Note payable, dated November 28, 2018, payable in monthly installments of $5,705, including interest at 5.99%, outstanding amounts on this note are due in full on November 28, 2023, secured by equipment.	**150,245**	185,587
Note payable, dated December 2, 2017, payable in monthly installments of $6,657, including interest at 3.90%, outstanding amounts on this note are due in full on December 12, 2022, secured by equipment.	**113,181**	158,055
Term loan, dated October 27, 2017, payable in monthly installments of $14,695, including interest at 5.25%, outstanding amounts on this note are due in full on November 5, 2020, secured by equipment.	**-**	157,576
Note payable, dated November 13, 2017, payable in monthly installments of $5,059, including interest at 4.75%, outstanding amounts on this note are due in full on November 13, 2021, secured by equipment.	**54,338**	110,935
Note payable, dated November 3, 2017, payable in monthly installments of $4,583, including interest at 4.75%, outstanding amounts on this note are due in full on November 3, 2021, secured by equipment.	**62,279**	100,496
Note payable, dated November 3, 2017, payable in monthly installments of $4,463, including interest at 4.75%, outstanding amounts on this note are due in full on November 3, 2021, secured by equipment.	**60,642**	97,855
Note payable, dated May 16, 2018, payable in monthly installments of $2,660, including interest at 7.79%, outstanding amounts on this note are due in full on May 16, 2022, secured by equipment.	**63,435**	81,431

(Expressed in United States Dollars Unless Otherwise Noted)

8. LOANS PAYABLE (Continued)

	December 31, 2020	December 31, 2019
Note payable, dated December 26, 2017, payable in monthly installments of $5,500, including interest at 5.17%, outstanding amounts on this note are due in full on January 10, 2022, secured by equipment.	**$ 38,760**	$ 72,654
Note payable, dated June 29, 2017, payable in monthly installments of $4,890, including interest at 5.80%, outstanding amounts on this note are due in full on December 29, 2021, secured by equipment.	**41,982**	65,067
Note payable, dated February 28, 2020, payable in monthly installments of $4,873, including interest at 4.74%, outstanding amounts on this note are due in full on March 1, 2025, secured by equipment.	**224,690**	-
Note payable, dated November 12, 2020, payable in monthly installments of $7,968, including interest at 5.54%, outstanding amounts on this note are due in full on November 9, 2023, secured by equipment.	**249,729**	-
Note payable, dated December 17, 2020, payable in monthly installments of $3,853, including interest at 4.99%, outstanding amounts on this note are due in full on June 17, 2025, secured by equipment.	**185,995**	-
Interest only construction loan payable for six months beginning on February 9, 2020 at 5.25%. Starting August 9, 2020, monthly payments are due in the amount of $64,298 per month. Any outstanding amounts on this note are due in full on July 9, 2023, secured by property, plant, and equipment.	**4,499,970**	-
SBA Payroll Protection Program loan (See also Note 13e)	**-**	-
Total	**5,898,346**	2,188,921
Less current maturities	**(1,145,476)**	(1,152,770)
Long-term debt	**$ 4,752,870**	$ 1,036,151

In addition to the long-term debt instruments, the Company maintains a revolving line of credit which provides for maximum borrowings of $5,000,000. Outstanding borrowings on the revolving line of credit were $4,418,067 and $628,125 at December 31, 2020 and 2019 respectively. The revolving line of credit requires monthly payments of interest at a fixed rate of 5.25% and expires on February 20, 2021, Subsequent to year-end, the Company renewed the revolving line of credit with identical terms at a fixed rate of 4.75% through February 2022.

8. LOANS PAYABLE (Continued)

Annual aggregate repayments of the long-term debt and revolving line of credit are as follows:

2021	$	5,563,542
2022		980,497
2023		3,634,855
2024		100,231
2025		37,288
	$	**10,316,413**

9. SHARE CAPITAL AND RESERVES

a) Authorized

Unlimited number of common shares without par value

b) Issued

The Company did not issue any common shares for private placement during the years ended December 31, 2020 and 2019.

c) Warrants

There are no warrants outstanding at December 31, 2020 and 2019.

d) Stock Options

The Company has adopted an incentive stock option plan (the “Plan”). The essential elements of the Plan provide that the aggregate number of shares of the Company exercisable pursuant to options granted under the Plan may not exceed ten percent of the issued and outstanding shares of the Company at the grant date. Options granted under the Plan may have a maximum term of ten years. The exercise price of options granted under the Plan will not be less than the discounted market price of the shares (defined as the last closing market price of the Company’s shares immediately preceding the grant date, less the maximum discount permitted by TSX.V policy), or such other price as may be agreed to by the Company and accepted by the TSX.V. Stock options granted to consultants providing investor relations activities under the Plan are subject to minimum vesting restrictions such that one-quarter of the option shall vest on each of the date grant and three, six and twelve months after the date of grant.

At the Company’s annual and special meeting of shareholders held August 15, 2019, the resolution re-approving the stock option plan of the Company was not approved by shareholders. Existing stock option agreements remain in effect, but the Company cannot grant new stock options until a new stock option plan is approved by the Company’s shareholders (see also Note 16).

All of the Company’s currently issued stock options are denominated in Canadian dollars. No options were exercised during the years ended December 31, 2020 and 2019. A summary of the changes in stock options follows:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE CAD$
Balance, December 31, 2018	7,479,333	0.69
Expired/Cancelled	(2,434,333)	0.63
Balance, December 31, 2019	5,045,000	0.72
Expired/Cancelled	(400,000)	0.42
Balance, December 31, 2020	**4,645,000**	**0.74**

(Expressed in United States Dollars Unless Otherwise Noted)

9. SHARE CAPITAL AND RESERVES (Continued)

d) Stock Options (Continued)

The following summarizes the stock options outstanding and exercisable as at December 31, 2020:

EXPIRY DATE	EXERCISE PRICE CAD$	OPTIONS OUTSTANDING	OPTIONS EXERCISABLE
January 26, 2021	0.40	500,000	500,000
January 9, 2022	1.33	1,675,000	1,675,000
June 22, 2022	0.65	200,000	200,000
April 12, 2023	0.39	2,270,000	2,270,000
		4,645,000	**4,645,000**

Share-based compensation recognized during the year ended December 31, 2020 was $Nil (2019 - $34,107).

As at December 31, 2020, the weighted average remaining contractual life of the share purchase options is 1.55 years and the weighted average exercise price is CAD$0.74 (2019 – 2.38 years and CAD$0.72).

e) Escrow

As of December 31, 2020 and 2019, there were 625 common shares held in escrow.

f) Nature and Purpose of Reserve

The reserve recorded in equity on the Company's Statements of Financial Position includes Share-based Payment Reserve which is used to recognize the fair value of stock option grants prior to exercise, expiry or cancellation and the fair value of other share-based consideration recorded at the date of issuance.

10. COMMITMENTS

As of December 31, 2020, the Company has a land lease commitment for the processing plant site until August 2021 in the amount of $14,000 per year with an option to extend the lease for an additional five years on the same terms and conditions including royalty payments of $0.50 for each ton of waste sand and gravel and $1.25 for each ton of frac sand removed from the property.

The Company, in the ordinary course of business, enters into supply agreements with various customers. These agreements typically contain certain supply commitments, pricing arrangements, provision for nonperformance and have various expiration terms.

The Company has a supply agreement with a natural gas company for the supply of natural gas to its sand processing plants in Arkansas. The supply agreement stipulates that the Company will be charged for a minimum usage at market rates each billing period, even if the Company does not consume the minimum usage (See also Note 16).

(Expressed in United States Dollars Unless Otherwise Noted)

11. MANAGEMENT OF CAPITAL

The Company manages its cash, common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business.

To facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. To maximize ongoing operations, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest-bearing US or Canadian bank account.

The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. There were no changes in the Company's approach to capital management during the year ended December 31, 2020.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these consolidated financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at December 31, 2020, the classification of the financial instruments, as well as their carrying values and fair values, are shown in the table below:

	LEVEL	FVTPL	AMORTIZED COST	TOTAL FAIR VALUE
Financial assets				
Cash and cash equivalents	1	$ 265,961	$ -	$ 265,961
Accounts receivable	2	$ -	$ 1,553,921	$ 1,553,921
Deposits	2	$ 424,844	$ -	$ 424,844
Investments	1	$ 268,672	$ -	$ 268,672
Financial liabilities				
Line of credit	2	$ -	$ 4,418,067	$ 4,418,067
Accounts payable and accrued liabilities	2	$ -	$ 917,172	$ 917,172
Current portion of lease liability	2	$ -	$ 444,939	$ 444,939
Lease liability	2	$ -	$ 473,945	$ 473,945
Current portion of long-term debt	2	$ -	$ 1,145,476	$ 1,145,476
Long-term debt	2	$ -	$ 4,752,870	$ 4,752,870

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

At December 31, 2020, the Company's financial instruments which are measured at fair value on a recurring basis are cash and cash equivalents, deposits and investments. The carrying values of the Company's financial investments at amortized cost were a reasonable approximation of fair value due to the short-term nature of their maturities.

The Company is exposed to potential loss from various risks including commodity price risk, interest rate risk, currency risk, credit risk and liquidity risk. Based on the Company's operations the liquidity risk and commodity price risk are considered the most significant. There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

There have been no transfers between levels for the year ended December 31, 2020.

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist of cash and cash equivalents and accounts receivable. Cash and cash equivalents are maintained with financial institutions of reputable credit and may be redeemed on demand.

Accounts receivable are subject to counter-party risk of not being collected. The Company manages credit risk of accounts receivable through its credit and collection policies and established allowances for doubtful accounts as required at each reporting period.

The Company had sales to one major customer (2019 – three major customers) of approximately 82% (2019 – 90%) of total sales for the year ended December 31, 2020. Approximately 84% (2019 – 71%) of outstanding accounts receivable is from the one major customer at December 31, 2020.

b) Liquidity Risk

The liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk through careful management of its financial obligations in relation to its cash position. Using budgeting processes, the Company manages its liquidity requirements based on expected cash flow to ensure there are adequate funds to meet the short-term obligations during the year.

During the 2020 and 2019 years, the Company was able to maintain its liquidity position through cash flow from operations and cash on hand, as well as bank loans. As at December 31, 2020, the Company had a cash balance of $265,961 (2019 - $1,151,323) to settle current liabilities of $6,925,654 (2019 - $3,075,320). The Company's accounts payable and accrued liabilities generally have maturities of less than 90 days.

(Expressed in United States Dollars Unless Otherwise Noted)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

c) Commodity Price Risk

Market prices for silica sand products historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators.

d) Interest Rate Risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the $5-million line of credit, which bears a floating interest rate of 5.25% per annum. As a result, the Company is subject to a moderate level of interest rate risk. All other financial assets and liabilities are non-interest bearing or bear interest at fixed rates (see also Note 16).

13. SUPPLEMENTARY DISCLOSURES

a) For the year ended December 31, 2020, employee compensation included in cost of goods sold amounted to $1,736,853 (2019 - $1,511,434).

b) The Company calculates the basic and diluted loss per common share using the weighted average number of common shares outstanding during each year and diluted (loss) earnings per share assumes that the outstanding vested stock options and share purchase warrants had been exercised at the beginning of the year unless they are anti-dilutive. For the year ended December 31, 2020, diluted loss per share does not include the effect of 4,995,000 vested stock options (2019 – 5,045,000) as the effect would be anti-dilutive.

	Year Ended December 31, 2020	Year Ended December 31, 2019
Issued common shares beginning of year	**88,563,316**	88,563,316
Weighted average issuances	**-**	-
Basic weighted average common shares	**88,563,316**	88,563,316

c) Supplemental Cash Flow Information and Non-Cash Investing and Financing Transactions:

		Year Ended December 31, 2020		Year Ended December 31, 2019
Cash received for interest	**$**	**4,371**	$	32,129
Cash paid for interest	**$**	**297,098**	$	97,924
Non-cash trade-in value of equipment	**$**	**57,000**	$	-
Cash paid for income taxes	**$**	**-**	$	-
Right of use assets capitalized	**$**	**-**	$	1,397,895

d) During the year ended December 31, 2019, the Company determined to derecognize its deferred income taxes asset balance ($1,754,361 as of January 1, 2019) due to the ongoing economic uncertainty of its frac sand sales (see also Note 1).

(Expressed in United States Dollars Unless Otherwise Noted)

13. SUPPLEMENTARY DISCLOSURES (Continued)

e) During the year ended December 31, 2020, the Company actively pursued relief programs such as sick leave supplements and the Paycheck Protection Program loans available through the Small Business Administration in the USA as a result of the COVID-19 Pandemic (See also Note 1). In April 2020, the Company received $416,153 from the Payroll Protection Program available in the USA (the "PPP Loan" - see also Note 8). During the fourth quarter of 2020, the Company was advised by its lending institution that it had successfully met all of the criteria necessary to have its PPP Loan forgiven. As a result, the Company has recorded a gain on extinguishment of debt of $416,153 on the PPP Loan for the year ended December 31, 2020.

f) A legal claim against the Company, its CEO and former COO was filed in 2018. During the year ended December 31, 2019, the legal claim was settled by all parties. The terms of the settlement remain confidential as of the date of this report, but were not material to the Company.

14. SEGMENTED DISCLOSURE

All of the Company's assets, liabilities, revenues and comprehensive loss are located in Canada and the USA as follows:

December 31, 2020	Canada	USA	Total
Cash and cash equivalents	$ 45,401	$ 220,560	$ 265,961
Accounts receivable	9,236	1,544,685	1,553,921
Inventory	-	2,941,717	2,941,717
Prepaid expenses	41,229	49,211	90,440
Investments	268,672	-	268,672
Total current assets	**$ 364,538**	**$ 4,756,173**	**$ 5,120,711**
Deposits	$ -	$ 424,844	$ 424,844
Right-of-use assets	-	896,830	896,830
Property, plant and equipment	-	14,242,603	14,242,603
Total non-current assets	**$ -**	**$ 15,564,277**	**$ 15,564,277**
Total assets	**$ 364,538**	**$ 20,320,450**	**$ 20,684,988**
Line of credit	$ -	$ 4,418,067	$ 4,418,067
Accounts payable and accrued liabilities	55,495	861,677	917,172
Current portion of lease liability	-	444,939	444,939
Current portion of long-term debt	-	1,145,476	1,145,476
Decommissioning liability	-	78,100	78,100
Lease liability	-	473,945	473,945
Long-term debt	-	4,752,870	4,752,870
Total liabilities	**$ 55,495**	**$ 12,175,074**	**$ 12,230,569**
Revenue for the year ended December 31, 2020	**$ -**	**$ 9,701,216**	**$ 9,701,216**
Comprehensive loss for the year ended December 31, 2020	**$ (18,620)**	**$ (2,921,974)**	**$ (2,940,594)**

(Expressed in United States Dollars Unless Otherwise Noted)

14. SEGMENTED DISCLOSURE (Continued)

	December 31, 2019		
	Canada	**USA**	**Total**
Cash and cash equivalents	$ 52,264	$ 1,099,059	$ 1,151,323
Accounts receivable	3,827	18,013	21,840
Inventory	-	1,954,065	1,954,065
Prepaid expenses	26,295	121,911	148,206
Total current assets	**$ 82,386**	**$ 3,193,048**	**$ 3,275,434**
Deposits	$ -	$ 292,895	$ 292,895
Right-of-use assets	-	1,321,021	1,321,021
Property, plant and equipment	-	11,592,514	11,592,514
Total non-current assets	**$ -**	**$ 13,206,430**	**$ 13,206,430**
Total assets	**$ 82,386**	**$ 16,399,478**	**$ 16,481,864**
Line of credit	$ -	$ 628,125	$ 628,125
Accounts payable and accrued liabilities	73,152	797,082	870,234
Current portion of lease liability	-	424,191	424,191
Current portion of long-term debt	-	1,152,770	1,152,770
Decommissioning liability	-	78,100	78,100
Lease liability	-	897,280	897,280
Long-term debt	-	1,036,151	1,036,151
Total liabilities	**$ 73,152**	**$ 5,013,699**	**$ 5,086,851**
Revenue for the year ended December 31, 2019	**$ -**	**$ 4,360,617**	**$ 4,360,617**
Comprehensive loss for the year ended December 31, 2019	**$ (2,806,148)**	**$ (6,488,898)**	**$ (9,295,046)**

(Expressed in United States Dollars Unless Otherwise Noted)

15. INCOME TAXES

a) Deferred Income Taxes

The Company's provision (recovery) for income taxes for the years ended December 31, 2020 and 2019 differs from the amounts computed by applying the statutory income tax rates to the loss before income taxes as a result of the following:

		Year Ended December 31, 2020		Year Ended December 31, 2019
Statutory combined federal and provincial rate		**27%**		27%
Expected income tax recovery at statutory rates	**$**	**(784,000)**	$	(2,498,000)
Non-deductible items		**(357,000)**		871,000
Change in estimates and other		**921,000**		263,376
Change in unrecognized deferred tax assets		**220,000**		3,121,000
Income tax expense	**$**	**-**	$	1,757,376

b) Deferred Income Tax Assets

The estimated tax effect of the significant components within the Company's deferred tax assets were as follows:

		December 31, 2020		December 31, 2019
Exploration resource deductions	**$**	**755,000**	$	755,000
Non-capital losses carried forward		**4,330,000**		3,163,000
Equipment		**(1,157,000)**		(883,000)
Share issue costs		**-**		44,000
Capital losses carried forward		**41,000**		41,000
Other		**374,000**		1,000
Unrecognized deferred tax assets		**(4,343,000)**		(3,121,000)
Net deferred income tax assets	**$**	**-**	**$**	**-**

The Company's non-capital losses in the approximate amount of $16,541,000 begin to expire in 2034.

16. SUBSEQUENT EVENTS

Disposal of Investments

During January 2021, the Company disposed of its Investments in White Gold and E3 Metals (see Note 5) for net proceeds of $361,623.

Stock Options Expired

On January 26, 2021, a total of 500,000 stock options expired unexercised.

Stock Option Plan Approved

At the Company's Special and General Annual Meeting held February 10, 2021, the Company's stock option plan received approval from shareholders (see Note 9d).

16. SUBSEQUENT EVENTS (Continued)

Renewal of Line of Credit

During February 2021, the Company renewed its $5,000,000 line of credit until February 20, 2022. Interest payable on the Line of Credit will be fixed at 4.75% for the new term. The Line of Credit requires interest-only payments during the next 12 months, after which the balance outstanding will be converted into a loan.

Winter Storm Impact On Operations

During the month of February 2021, the Company's operations in Arkansas were hit by a severe winter storm. During this time, the Company was forced to cease operations. As a result of the storm and the extended period of extremely low temperatures, physical gas and power infrastructure was severely impaired. At the same time, demand for natural gas was higher than normal due to increased heating demand during the extremely cold weather. This considerable increase in demand, coupled with a severe reduction in supply, resulted in extremely high natural gas market prices during the period of the storm.

As a result of this winter storm event, the Company received a bill for its February 2021 natural gas consumption of $373,043 where the bill was only $49,548 in February 2020 (see also Note 10). The Company did not consume any natural gas during the winter storm, because it was unable to operate due to the storm. Furthermore, the Company received a notice to curtail its natural gas consumption from its natural gas supplier during this same period and yet was still charged for the minimum monthly usage. As a result of the foregoing, the Company is disputing the amount of the February 2021 invoice. The natural gas supplier has agreed not to interrupt supply while the Company goes through the dispute process. The Company is currently seeking legal advice with respect to this matter.