

# **CANADIAN PREMIUM SAND INC.**

**(Formerly Claim Post Resources Inc.)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the years ended September 30, 2019 and 2018**

**Dated December 12, 2019**

# CANADIAN PREMIUM SAND INC.

(Formerly Claim Post Resources Inc.)

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*This Management's discussion and analysis ("MD&A") is dated December 12, 2019 and is management's assessment of the operations and the financial results together with future prospects of Canadian Premium Sand Inc. (the "Company" or "CPS") as at September 30, 2019 and for the three months and year ended in comparison to the same periods in 2018. This MD&A should be read in conjunction with the audited financial statements and related notes for the year ending September 30, 2019 and 2018 and related notes, prepared in accordance with International Financial Reporting Standards ("IFRS").*

*All figures are in Canadian dollars unless stated otherwise.*

*This MD&A contains "forward-looking statements" or "forward-looking information" within the meaning of applicable Canadian securities laws (collectively, "forward-looking statements") based on the Company's current expectations and projections. For information on the material risk factors and assumptions underlying such forward-looking statements, refer to "Forward-Looking Statements" included at the end of this MD&A.*

*Any technical information contained in this MD&A has been extracted or summarized based on the information contained in the independent Preliminary Feasibility Study ("PFS", the "Study" or the "Technical Report") and Mineral Resource update of Wanipigow Sand Project, reviewed and approved by Roy Eccles, P. Geol. of APEX Geoscience Ltd. and Robert Farmer P. Eng. of John T. Boyd Company, each of whom is independent of the Company and a "qualified person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). Readers are cautioned not to solely rely on the summary of this information in the Presentation, but should read the PFS in its entirety which is available for review on the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).*

## **Description of Business**

The Company was formed under the Business Corporations Act (Ontario) as Claim Post Resources Inc. on September 21, 2005 by articles of incorporation. On November 15, 2018, the Company changed its name to Canadian Premium Sand Inc. and consolidated its outstanding common shares 15:1. The Company continues to trade on the TSX-V under the trading symbol "CPS". During the year the registered head office of the Company moved to Alberta and the Company was continued under the Canada Business Corporations Act. The Company is a reporting issuer in the provinces of Ontario, Alberta and British Columbia.

## **About Canadian Premium Sand Inc. and its Wanipigow Sand Project**

The Company is an exploration stage company that is seeking to commercially develop a high grade silica sand deposit located approximately 160 kilometers northeast of Winnipeg, Manitoba primarily within the jurisdictional boundaries of the Incorporated Community of Seymourville and is adjacent to Hollow Water First Nation reserve lands (the "Wanipigow Sand Project"). A small portion of the site area of the Wanipigow Sand Project subsists within the Community of Manigotagan.

The Wanipigow Sand Project consists of 41 contiguous quarry leases covering 2,159 hectares of land that grant the Company exclusive right to mine quarry minerals.

On May 16, 2019, the Company was issued an environmental license for the Wanipigow Sand Project, Environment Act License No. 3285, subject to commercially reasonable terms and conditions. On June 12, 2019, the Company released the results of an independent NI 43-101 Technical Report and Pre-Feasibility study.

In order to exploit the silica sand resource, the Company will need to source funding to design, construct, commission, staff and operate a year-round silica sand extraction and processing facility at its silica sand quarry near Seymourville, Manitoba. Details on the Wanipigow Sand Project can be found in the Technical Report available for review on the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Upon completion of the Wanipigow Sand Project facilities, silica sand will be extracted from the quarry and moved to the on-site processing plant where it will be pre-screened and washed then transported to a second facility where it will be dried, screened for size and then transported to market. The silica sand in the quarry is a high-purity quartz that is durable with round uniform grains. This high quality allows for a broad range of uses including glassmaking, metal casting and production, paint and coatings, ceramics and refractories, water filtration, and fracture proppant for oil and gas recovery.

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The final investment decision ("FID") to proceed with the Wanipigow Sand Project is dependent upon the Company's ability to raise the necessary external debt and/or equity capital to fund the design, construction, commissioning and staffing of the project.

## Operational Highlights

With the Environmental License in place and the NI 43-101 Technical Report and pre-feasibility study complete, the Company has completed two significant steps to advance the Wanipigow Sand Project.

Management is engaged in a thorough review of the plant design and logistics with a view to refining the operational effectiveness of the plant design and optimizing the capital required to bring the Wanipigow Sand Project into operation. Upon completion of this review process the Company will seek funding.

Current activities at the Wanipigow Sand Project site are focused on site clearing, brush disposal and closure of the trails utilized for the Company's core hole program. The Company is also engaging with the investment community providing updates and exploring avenues for project funding.

In October of 2019, the Company started sales of Northern White Sand sourced from Wisconsin to customers in Western Canada, aiding in development of a customer-base and generating revenue for the upcoming fiscal year while supporting the business case for developing the Wanipigow Sand Project. Management expects to continue sales into Western Canada in 2020 and is collaborating with a Wisconsin supplier in order to set and achieve sales targets.

## Economic Participation Agreements and Environmental Licenses

The Company has entered into economic participation agreements with respect to the Wanipigow Sand Project with the Hollow Water First Nation and with the Incorporated Community of Seymourville (together, the "Economic Participation Agreements").

The Economic Participation Agreements are for the life of the Wanipigow Sand Project and reflect the parties' commitment and support for the Wanipigow Sand Project. The Company is currently in discussion to develop an economic participation agreement with the Community of Manigotagan. These discussions have no impact on the permitting process of the Wanipigow Sand Project.

The aggregate financial impact of the Economic Participation Agreements, combined with other contractual arrangements, are disclosed under the Commitments and Contingencies note in the financial statements for the year ended September 30, 2019.

In connection with the economic participation agreement entered into with the Incorporated Community of Seymourville, on May 9, 2019, the Incorporated Community of Seymourville issued a Conditional Use Order to the Company, approving the conditional use of lands within its jurisdictional boundaries for the Wanipigow Sand Project, including accessory uses, buildings and structures.

On May 16, 2019, the Company was issued an environmental license for the Wanipigow Sand Project, Environment Act License No. 3285, subject to commercially reasonable terms and conditions. A copy of License No. 3285 can be found at <https://www.gov.mb.ca/sd/eal/registries/5991wanipigow/index.html>.

The Company received a letter from the Federal Minister of the Environment dated May 17<sup>th</sup>, 2019 stating the department has decided not to designate the Project (Wanipigow Sand Project) for an environmental assessment under subsection 14(2) of the Canadian Environmental Act, 2012 as the Environment Act (Manitoba) adequately addresses the potential environmental effects of this Project in areas of federal jurisdiction.

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## Markets for the Company's Products

Given the geographic location of the Wanipigow Sand Project, the oil and gas industry in the Western Canadian Sedimentary Basin and the Bakken in North Dakota are anticipated to be the Company's primary and secondary market respectively for its silica sand. Each of these markets use silica sand as fracture proppant that is similar in quality to the Company's silica sand.

In addition to the silica sand fracture proppant markets, which the Company expects will absorb the majority of its production, the qualities of the Company's sand is also suited to numerous other applications that require high purity silica sand which the Company is in the process of evaluating. These markets include industrial applications of silica sand such as foundry, sandblasting, concrete and bedding sand use in the construction industry, and general applications such as sand water filters, golf courses and countertop manufacturing.

## Business Outlook

At this time, the Company is continuing to advance the Wanipigow Sand Project to position itself to make a final investment decision by focusing its efforts on: reducing the capital cost estimates for the construction of the processing facility, reducing operating costs such as transportation costs between wet and dry-plant and utility costs; identifying potential offtake partners or customers; determining transportation and terminal logistics for the silica sand to end-users; and initiating discussions with capital providers and strategic partners for the purposes of funding the construction and operation of the processing facility.

Oil and gas drilling and well completion activity forecasts for 2020 for the Western Canadian Sedimentary Basin ("WCSB") remains challenged with activity forecasts predicting a reduction in wells drilled from 2019 levels. Consumption of fracture proppant will follow this trend however management estimates that the new wells completed in 2020 and wells drilled in 2019 to be completed in 2020 will consume about 5.5 million metric tons of fracture proppant with at least 60% of that premium grade. Looking further out, the addition of critical pipeline capacity and LNG export facilities on the west coast of British Columbia will drive the need for continued drilling and completions of wells in the Company's target market areas. As such, the timing of the Company's resource development is expected to align with a recovery in WCSB activity levels providing support for the volume of frac proppant the Company will bring to market and a return to more favorable pricing environment for oilfield service and supply.

## Review of Operations for the three months and years ended September 30, 2019 and 2018

The following paragraphs provide an analysis of the financial condition of the Company, results of its operations, trends, events, uncertainties and industry and economic factors that affect the Company's performance for the three months and years ended September 30, 2019 and 2018.

## Overall Performance and Share Capital

	<i>For the year ended September 30, 2019</i>	<i>For the year ended September 30, 2018</i>	<i>For the three months ended September 30, 2019</i>	<i>For the three months ended September 30, 2018</i>
Net loss and comprehensive loss	<b>\$(13,511,154)</b>	\$(3,091,365)	<b>\$(1,542,055)</b>	\$(1,804,909)
Loss per share – basic and diluted <sup>1</sup>	<b>\$(0.636)</b>	\$(0.278)	<b>\$(0.073)</b>	\$(0.085)
Issued and outstanding common shares <sup>1</sup>	<b>21,244,460</b>	21,244,460	<b>21,244,460</b>	21,244,460

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<sup>1</sup> On November 15, 2018, the Company consolidated its outstanding common shares on a 15:1 basis. All share data presented herein has been adjusted to give effect to this share consolidation.

The Company had a net loss and comprehensive loss of \$13,511,154 or \$0.636 per share for the year ended September 30, 2019 and \$1,542,055 or \$0.073 per share for the three months ended September 30, 2019 (\$3,091,365 or \$0.278 per share for the year ended September 30, 2018 and \$1,804,909 or \$0.085 per share for the three months ended September 30, 2018).

The increase in the net loss and comprehensive loss for the year ended September 30, 2019 compared to September 30, 2018 is due to a significant increase in evaluation activities related to obtaining necessary permits, completion of the NI 43-101 Technical Report and pre-development activities including engineering design, geo-technical assessment of the access road and plant site and quarry development, strategic planning as well as an associated increase in administrative costs to support the evaluation activities undertaken during the year.

Management is currently engaged in a thorough review of the plant design and logistics with a view to refining the operational effectiveness of the plant design and optimizing the capital required to bring the Wanipigow Sand Project into operation. Upon completion of this review process and formal approval from the Company's Board of Directors, the Company will seek funding. The Company has historically relied on equity financing to raise capital and will continue its attempts to do so. See additional discussion in liquidity and capital resources section below.

There has been no new capital raised during the year ended September 30, 2019.

On December 5, 2019, the Company announced that it intends to conduct a non-brokered private placement (the "**Offering**") of secured convertible debentures (the "**Convertible Debentures**") for total gross proceeds of up to \$10 million at a price of \$1,000 and integral multiples thereof per Convertible Debenture. The Convertible Debentures will bear interest at 12% per annum, compounded quarterly from their date of issuance and payable in arrears on maturity. No interest payments will be made until such date. The Debentures will mature on the date that is four (4) years from the date of issuance (the "**Maturity Date**"). The Convertible Debentures and accrued Interest thereon are convertible into common shares ("**Common Shares**"), at the holder's option, at a price of \$1.25 per Common Share (the "**Conversion Price**"), subject to adjustment in certain events, at any time prior to the Maturity Date.

As at December 12, 2019 the issued and outstanding common shares are 21,244,460. In addition, on December 12, 2019, the Board approved the issuance of 350,000 options under the existing stock option plan. 260,000 of these options will be granted to key management personnel defined as directors and named executive officers.

## Trends

There are significant challenges in raising new capital through the equity and debt markets, especially for companies at the exploration stage of development such as the Company. It is uncertain how long this trend will continue. Otherwise and other than the risks disclosed elsewhere herein, the Company believes that there are no unusual trends, events or uncertainties presently known or identifiable to management that are reasonably expected to have a material effect on the Company's business, financial condition or results of operations.

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## Administrative Expenses

	<i>For the year ended September 30, 2019</i>	<i>For the year ended September 30, 2018</i>	<i>For the three months ended September 30, 2019</i>	<i>For the three months ended September 30, 2018</i>
Professional fees	<b>864,283</b>	463,899	<b>369,037</b>	92,190
General and administrative	<b>586,767</b>	107,677	<b>195,519</b>	37,152
Share based payments	<b>646,642</b>	365,118	<b>228,723</b>	47,051
Shareholders' information	<b>49,356</b>	31,899	<b>13,571</b>	10,309
Investor relations and travel	<b>45,855</b>	29,984	<b>23,058</b>	13,267
	<b>\$2,192,903</b>	\$998,577	<b>\$829,908</b>	\$199,969

Professional fees were \$864,283 and \$369,037 for the year and three months ended September 30, 2019 compared to (\$463,899 and \$92,190 for the year and three months ended September 30, 2018). These fees relate to routine professional services such as legal advice, accounting and audit fees. The increase primarily relates to legal fees incurred with respect to the Company name change, share consolidation, continuance under the Canada Business Corporations Act and preparation of various agreements entered into as part of progressing the Wanipigow Sand Project.

General and administrative costs were \$586,767 and \$195,519 for the year and three months ended September 30, 2019 compared to (\$107,677 and \$37,152 for the year and three months ended September 30, 2018). The increase is due to the ramp up of activity at the Wanipigow Sand Project site as well as moving the head office to Calgary and hiring a President and Chief Executive Officer and a Vice President of Business Development.

Share based payments were \$646,642 and \$228,723 for the year and three months ended September 30, 2019 compared to (\$365,118 and \$47,051 for the year and three months ended September 30, 2018). This is a non-cash expense related to stock options issued to directors and employees of the Company. The increase in expense is impacted by the number of options, exercise price, volatility and interest rate as well the remaining contractual life of the options. Details of these factors are disclosed in the capital stock note 15(c) to the financial statements. The options outstanding at September 30, 2019 were 1,036,666 compared to 586,666 as at September 30, 2018.

Shareholders' information and investor relations costs combined for year ended September 30, 2019 have increased by \$33,328 and \$13,053 for the year and three months ended September 30, 2019 compared to 2018 due to increases in transfer agent fees and the electronic filing of disclosure documents on SEDAR as a result of the increase in the activity during the year and as well as the name change and the 15:1 consolidation of the Company's common shares.

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## Exploration and Evaluation Expenditures

The exploration and evaluation expenditures of the Company are detailed as follows:

	Year ended		Cumulative to date
	September 30, 2019	September 30, 2018	
	\$	\$	\$
<b>Wanipigow Sand Project</b>	<b>11,464,188</b>	2,217,458	<b>18,219,855</b>
<b>Timmins Area Project Claims</b>	-	(345,880)	<b>3,876,929</b>
<b>Exploration and evaluation costs</b>	<b>11,464,188</b>	1,871,578	<b>22,096,784</b>

The exploration and evaluation expenditures of the Company are broken down by category as follows:

	<i>For the year ended September 30, 2019</i>	<i>For the year ended September 30, 2018</i>	<i>For the three months ended September 30, 2019</i>	<i>For the three months ended September 30, 2018</i>
Advance royalty payments	<b>\$100,000</b>	\$1,400,000	-	\$1,300,000
Acquisition and Participation	<b>574,364</b>	-	<b>7,749</b>	-
Sale of Timmins property <sup>1</sup>	-	(350,000)	-	-
Consulting <sup>2</sup>	<b>1,428,734</b>	522,789	<b>43,236</b>	468,789
Environmental consulting	<b>1,294,642</b>	16,207	<b>4,832</b>	16,207
Field offices	<b>273,948</b>	9,090	<b>12,677</b>	7,090
Labour	<b>346,861</b>	-	<b>89,895</b>	-
Accommodation	<b>208,372</b>	6,500	<b>21,971</b>	6,500
Plant Design, Drilling, Feasibility	<b>4,114,455</b>	167,861	<b>127,637</b>	167,861
Site Preparation	<b>2,403,374</b>	-	<b>418,139</b>	-
Site Supplies	<b>471,604</b>	51,933	<b>31,560</b>	51,933
Electrical and Internet Upgrade	<b>151,521</b>	-	<b>(37,721)</b>	-
Decommissioning	<b>78,399</b>	-	<b>78,399</b>	-
Other	<b>17,914</b>	47,198	<b>4,826</b>	2,673
	<b>\$11,464,188</b>	\$1,871,578	<b>\$803,200</b>	\$2,021,053

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<sup>1</sup>On January 8, 2018, the Company completed the sale of its Timmins mineral exploration properties to Central Timmins Exploration Corp. ("CTEC"), for a cash consideration payable at closing of \$350,000 and a Net Smelter Royalty (the "NSR") payable to the Company that varies from 1% to a maximum of 2%, depending upon the claims and the pre-existing NSR burden. See further details in related party and commitment and contingencies sections below.

<sup>2</sup>Includes amounts paid to a related party as disclosed in further detail in related party section below.

Total exploration and evaluation costs increased by \$9,592,610 for the year ended September 30, 2019 to a cumulative total of \$22,096,784 compared to a cumulative total of \$10,632,596 at September 30, 2018. The increase is related to the costs incurred to obtain title to 16 additional quarry leases, necessary permits, completion of the NI 43-101 Technical Report and pre-feasibility study, core hole drilling and hydrological studies and associated decommissioning provision, engineering design, geo-technical assessment of the access road, plant site and quarry strategic planning with respect to advancing the Wanipigow Sand Project.

## Other income (expenses)

	<i>For the year ended September 30, 2019</i>	<i>For the year ended September 30, 2018</i>	<i>For the three months ended September 30, 2019</i>	<i>For the three months ended September 30, 2018</i>
Depreciation	<b>(5,505)</b>	-	<b>(2,753)</b>	-
Foreign exchange gain	<b>83,496</b>	-	<b>83,496</b>	-
Interest income	<b>67,946</b>	-	<b>10,310</b>	-

There was depreciation of \$5,505 and \$2,753 for the year and three months ended September 30, 2019 compared to nil in the prior year, relating to the purchase of two Kubota tractors in 2019.

There was a foreign exchange gain for the year and three months ended September 30, 2019 of \$83,496 relating to US dollar denominated expenses compared to nil in the prior year.

The Company had interest income of \$67,946 and \$10,310 for the year and three months ended September 30, 2019 compared to nil in prior periods. This interest relates to demand deposits with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

## Selected Annual Information

The following is additional financial information regarding the Company.

	<i>For the year ended September 30, 2019</i>	<i>For the year ended September 30, 2018</i>	<i>For the year ended September 30, 2017</i>
Net loss and comprehensive loss <sup>1</sup>	<b>\$ (13,511,154)</b>	\$ (3,091,365)	\$ (1,552,638)
Loss per share – basic and diluted <sup>1</sup>	<b>\$ (0.636)</b>	\$ (0.278)	\$ (0.186)
Total assets <sup>2</sup>	<b>\$ 2,244,459</b>	\$10,623,302	\$604,859

<sup>1</sup>The Company incurred \$11.5 million in exploration and evaluation expenditures progressing the Wanipigow Sand Project which contributed to the net loss in the year and the decrease in total assets

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<sup>2</sup>Total assets comprise cash and cash equivalents, receivables, prepaid expenses and property, plant and equipment.

## Selected Quarterly Financial Data

(unaudited)

	<i>September</i>	<i>June</i>	<i>March</i>	<i>December</i>	<i>September</i>	<i>June</i>	<i>March</i>	<i>December</i>
	<i>30, 2019</i>	<i>30, 2019</i>	<i>31, 2019</i>	<i>31, 2018</i>	<i>30, 2018</i>	<i>30, 2018</i>	<i>31, 2018</i>	<i>31, 2017</i>
	\$	\$	\$	\$	\$	\$	\$	\$
Interest Income	10,310	23,704	16,170	17,762	-	-	-	-
Net loss and comprehensive loss <sup>1</sup>	(1,542,055)	(6,137,574)	(3,482,849)	(2,348,676)	(1,804,909)	(247,916)	(1,079,773)	41,233
Net loss per share basic and diluted <sup>1</sup>	\$(0.073)	\$(0.289)	\$(0.164)	\$(0.111)	\$(0.085)	\$(0.027)	\$(0.123)	\$0.005
Total assets <sup>1</sup>	2,244,459	3,604,808	6,572,512	8,950,300	10,623,302	106,794	265,451	695,023

<sup>1</sup>The change in net loss and total assets quarter over quarter is a result of the timing of exploration and evaluation expenditures incurred to progress the Wanipigow Sand Project.

## Liquidity and Capital Resources

The Company is in the exploration and evaluation phase of its Wanipigow Sand Project and as a result, the Company has no source of operating cash flow.

These financial statements have been prepared in accordance with IFRS on the basis of accounting principles applicable to a going concern, which assume the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those presented in these financial statements.

Substantially all of the Company's efforts have been devoted to the financing, exploration and evaluation of the Company's resource properties, and securing regulatory authority to carry out the Wanipigow Sand Project. The Company released the NI 43-101 Technical Report and pre-feasibility study in June 2019. Management is currently engaged in a thorough review of the plant design and logistics with a view to refining the operational effectiveness of the plant design and optimizing the capital required to bring the Wanipigow Sand Project into operation. Upon completion of this review process and with approval from the Board of Directors, the Company will seek funding.

As at September 30, 2019, the Company had a deficit of \$26,446,020 (September 30, 2018 - \$12,934,866), cash of \$1,834,466 (September 30, 2018 - \$10,547,859), trade and other payables of \$4,571,866 (September 30, 2018 - \$164,596), and commitments for office space, vehicles and other contractual obligations relating to the acquisition of quarry leases and participation agreements for the twelve month period to September 30, 2020 of \$240,670. For further details see Commitments and Contingencies section below and Going Concern Note 1.2 in the financial statements.

The Company's continued existence is dependent upon the preservation of its interest in the Company's properties, enhancement of the economic feasibility of those properties and successful pursuit of additional financing to fund future operations of the Wanipigow Sand Project. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. Management's intention is to pursue additional financing in the future to fund the further development of the Wanipigow Sand Project. 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 and adjustments would be necessary to the carrying value

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of assets and liabilities and reported expenses. Such adjustments could be material.

## Transactions with Related Parties

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 year and arose as a result of transactions entered with the related parties in the ordinary course of business. As at December 12, 2019; the directors and officers of the company are:

John Assman	Director
Todd Garman	Director
Lowell Jackson	Executive Chairman & Director
Thomas MacInnis	Director
Rodrigo Sousa	Director
Richard D. Williams	Corporate Secretary and Director
Glenn Leroux	President & Chief Executive Officer
Anshul Vishal	Vice President of Business Development

The following outlines transactions during the years ended September 30, 2019 and 2018 with related parties.

As at September 30, 2019, the trade and other payables balance includes unpaid related party amounts relating to travel and other expense reimbursements of \$1,708 (September 30, 2018 - \$32,232).

The Company incurred \$nil for the year ended September 30, 2019 (September 30, 2018 - \$33,000) in management consulting fees to an individual who is related to Charles Gryba, the former President and CEO of the Company.

The Company entered into consulting arrangements with a one-year term, to provide specific services related to progressing the Wanipigow Sand Project, with entities that are wholly owned by Robert Archibald, former Chief Operating Officer of the Company, for fees based on market value, totalling USD \$1.2 million. These arrangements were terminated effective June 12, 2019. Fees paid to these entities total CDN \$1,104,136 for the year ended September 30, 2019 (September 30, 2018 - CDN \$268,000).

The Company also incurred \$23,989 for the year ended September 30, 2019 (September 30, 2018– \$38,920) in legal fees related to quarterly filings to Blaney McMurtry LLP where Nadim Wakeam, former Assistant Corporate Secretary, is a partner. The fees are based on normal market rates. The former Assistant Corporate Secretary resigned effective August 13, 2019.

On January 8, 2018 the Company closed the sale of its Timmins mineral exploration property to Central Timmims Exploration Corp (“CTEC”) for a cash consideration of \$350,000 and a net smelter royalty (“NSR”) payable to CPS that varies from 1% to a maximum of 2% depending upon the claims of the pre-existing net smelter royalty burden. The NSR provides CTEC the option to buy CPS’s NSR for cash consideration of \$1,500,000 within 24 months of closing, and if the buyout is not fully exercised, the NSR payable to CPS is capped at \$5,000,000. The Company determined that the transaction was considered to be a related party transaction as defined by Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”) as the Company’s former President and a director, Charles Gryba, informed the Company at the time that he had a business relationship with certain of the principal shareholders of CTEC and was to become a director and a shareholder of CTEC on completion of the transaction.

On April 4, 2018, the Company subleased office space based on market value at the time, to CTEC of which the former President, Charles Gryba, is now a director. The sublease term is until July 31, 2020 which coincides with the date the head lease expires and the payments to be received by the Company are \$48,000 per year.

On August 2, 2018, the Company completed a non-brokered private placement of 8,666,667 common shares priced at \$1.50 per share for total proceeds of \$13 million (the “Offering”). Certain directors of the Company, being Lowell Jackson, Thomas MacInnis and Rodrigo Sousa, participated in the Offering in the aggregate amount of \$350,000.

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## Compensation of Key Management Personnel of the Company

The remuneration of Directors, President and Chief Executive Officer, former Chief Operating Officer, Chief Financial Officer, and Vice-President, Business Development (collectively, the key management personnel) during the years ended September 30, 2019 and 2018 were as follows:

	Year ended September 30,	
	2019	2018
Salaries, consulting fees and short-term benefits	\$ 391,161	\$ 117,513
Share-based compensation <sup>1</sup>	618,604	365,118

<sup>1</sup>Share based compensation represents a non-cash expense relating to stock options granted to related parties.

Under the terms of the key management agreements, the Company has committed to an aggregate pay-out of \$175,000 related to a change of control or termination of the officers.

## Commitments and Contingencies

The Company's exploration activities are subject to various federal, provincial, municipal and international laws and statutory instruments governing the use of lands and protection of the environment, which may be modified from time to time. The Company believes its operations are materially in compliance with all applicable laws and statutory instruments. The Company has made, and expects to make in the future, expenditures to comply with such laws and statutory instruments.

The Company is committed to payments under the terms of lease and royalty and participation agreements. The aggregate payments per fiscal year are as follows:

	Lease agreements <sup>1</sup>	Royalty and participation agreements <sup>2</sup>	Total commitments
	\$	\$	\$
October 1, 2019 to September 30, 2020	140,670	100,000	240,670
October 1, 2020 to September 30, 2021	83,683	325,000	408,683
October 1, 2021 to September 30, 2022	82,982	-	82,982
October 1, 2022 to September 30, 2023	62,972	-	62,972
October 1, 2023 to September 30, 2024	58,280	-	58,280

<sup>1</sup>Beyond five years, the Company is committed to annual quarry lease payments of \$27 per hectare. The Company currently has 2158.51 hectares under lease.

<sup>2</sup>Once commercial production commences, quarterly royalty and participation payments commence as described below less any reductions related to advanced royalty payments already made.

### Lease agreements

Operating lease agreements are comprised of office space, vehicle and quarry leases.

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## Royalty and economic participation agreement commitments

During the year ended September 30, 2019, the Company also entered into economic participation agreements with respect to the Wanipigow Sand Project with Hollow Water First Nation and the Incorporated Community of Seymourville (together, the "Economic Participation Agreements"). The Economic Participation Agreements are for the life of the Wanipigow Sand Project and reflect the parties' non-financial commitment and support for the Wanipigow Sand Project. The Company has agreed to certain participation payments over the life of the project. In prior periods, the Company entered into various contractual agreements relating to the acquisition of title of quarry leases that included advance and future royalty payments. Participation and advance royalty payments made during the year are recorded in exploration and evaluation expenditures.

The commitments that the Company has made in respect of the participation and quarry lease agreements include advance royalty and participation payments totaling \$100,000 in fiscal year ending September 30, 2020 and \$325,000 in the fiscal year in which commercial production commences which is currently projected for fiscal year 2021.

These royalty and participation agreements also commit the Company to quarterly payments once production commences, totaling \$3.30 per tonne silica sand sold as fracture proppant, \$2.80 per tonne of silica sand sold and \$0.50 per tonne of construction aggregates sold. There is a further royalty payment to be made once production commences, of \$1.00 per tonne of silica sand sold as fracture proppant, \$0.50 per tonne of silica sand sold and \$0.50 per tonne for construction aggregates sold relating to tonnes mined and sold on the nine quarry leases acquired from Gossan Resources Limited.

## Reduction in future royalty commitments

The Company entered an agreement with Char Crete Ltd. and a number of third parties in the prior year to purchase title to nine quarry leases for \$1.5 million plus a production royalty. An additional \$1.3 million was paid upon the legal transfer of title to the Company. Upon the Company attaining commercial production, the Company is entitled to recover the additional \$1.3 million payment plus interest at 9% compounded annually before the production royalty owing to Char Crete Ltd. commences.

The Company entered agreements with Gossan Resources Limited in prior years to purchase title to nine quarry leases for cash, shares and a production royalty. It was further agreed that the Company would pay Gossan a semi-annual advance royalty payment of \$50,000 prior to initial production starting December 18, 2015. This advance royalty payment can be deducted from future production royalties owing once commercial production commences. The Company can re-acquire 50% of the production royalty for \$1,500,000 any time.

## Future royalty income

On January 8, 2018, the Company completed the sale of its Timmins mineral exploration properties to Central Timmins Exploration Corp. ("CTEC"), for a cash consideration payable at closing of \$350,000 and a Net Smelter Royalty (the "NSR") payable to the Company that varies from 1% to a maximum of 2%, depending upon the claims and the pre-existing NSR burden. The NSR provides CTEC the option to buy the Company's NSR for cash consideration of \$1,500,000 by January 7, 2020, and if the buyout is not fully exercised, the NSR payable to the Company is capped at \$5,000,000, excluding any buy out payments.

## Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

## Financial Instruments and Management of Financial and Other Risk

### Fair value of Financial Instruments

The Company classifies financial instrument fair values in a hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

- Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The fair value of cash and cash equivalents are based on level 1 measurements and approximate it's carrying amount.

As at September 30, 2019, the carrying value approximates the fair value amounts of the Company's receivables and trade and other payables due to the short-term nature of the items.

Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price if one exists.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

#### **i) Credit risk**

The Company's credit risk is primarily attributable to cash and cash equivalents and receivables and other assets included in current assets. The Company has no material concentration of credit risk arising from operations. Cash and cash equivalents consist of bank deposits, which are held by a Canadian chartered bank, and management believes the risk of loss is remote. The Company's receivables and other assets are normally collected within a 60-90-day period. The Company has not experienced any significant collection issues to September 30, 2019.

The Company's maximum exposure to credit risk as at September 30, 2019 is the carrying value of cash and cash equivalents and receivables of \$2,181,947 (2018 - \$10,596,123).

#### **ii) 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 September 30, 2019, the Company had a deficit of \$26,446,020 (September 30, 2018 - \$12,934,866), cash of \$1,834,466 (September 30, 2018 - \$10,547,859), trade and other payables of \$4,571,866 (September 30, 2018 - \$164,596), and commitments for office space, vehicles and other contractual obligations relating to the acquisition of property and participation agreements for the twelve month period to September 30, 2020 of \$240,670. All the Company's financial trade liabilities have contractual maturities of less than one year and are subject to normal trade terms. For further details see liquidity and capital resources section above and Going Concern Note 1.2 in the financial statements.

#### **iii) Interest rate risk**

The Company's interest rate risk relates to interest-bearing cash deposits. At September 30, 2019 the Company holds interest-bearing cash balances of \$1,785,800 (2018 - \$10,003,226).

#### iv) 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.

As at September 30, 2019, with other variables unchanged, a 10% strengthening (weakening) of Canadian dollars against U.S dollars would have decreased (increased) net loss by approximately \$220,000.

Included in trade and other payables at September 30, 2019 is USD \$1,673,044 (2018 - USD \$20,901)

#### Critical Accounting Estimates

The preparation of financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

The Company's critical accounting estimates relate to, but are not limited to, the following:

- The accounting policy for exploration and evaluation expenditures as an expense and the determination of technical feasibility and commercial viability which results in the transfer of assets from exploration and evaluation ("E&E") to PP&E, is subject to judgment;
- The calculation of the fair value of share-based payments requires the use of estimates of inputs in the Black-Scholes option pricing valuation model;
- Amounts used to estimate deferred income tax assets or liabilities and deferred income tax expense or recovery is subject to management's best estimate of the timing of the reversal of temporary differences and the ability to generate sufficient future taxable income to utilize income tax loss carry forward amounts;
- The amounts recorded for decommissioning liabilities are based on the Company's exploration and evaluation activities and management's assessment as to when a legal or constructive obligation has occurred as well as the estimated costs to reclaim the land, the estimated time period in which these costs will be incurred in the future and the discount and inflation rates. Any changes to these estimates could change the amount of the decommissioning liability and associated exploration and evaluation expenditures; and
- The accounting for convertible debenture as a hybrid investment measured at fair value.

Further details of the assumptions and factors specific to these estimates and judgements can be found in the related notes to the financial statements.

#### Adoption of new and revised standards and interpretations

The Company adopted IFRS 9, Financial instruments in the year as follows:

IFRS 9 – Financial instruments. The Company adopted the new accounting standard IFRS 9, Financial instruments, which sets out requirements for recognition and measurement, impairment, derecognition, and general hedge accounting, as well as a new impairment model for financial assets. On initial application of the new standard, the Company reclassified its financial assets, including cash as amortized cost from fair value through profit and loss ("FVTPL"), and receivables as amortized cost from loans and receivables. The adoption of IFRS 9 did not have any impact on the carrying value of the Company's financial instruments or

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the valuation of the Company's financial assets under the new expected credit loss model. Accordingly, comparative information for prior periods has not been restated.

## Future accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee ("IFRSIC") that are mandatory and will be applicable to the Company for annual periods on or after October 1, 2019. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 16 – Leases. The standard was issued by the IASB on January 13, 2016, and will replace IAS 17, "Leases". IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied. The transition to IFRS 16 will result in increases to assets and liabilities recognized in the statement of financial position as well as increases in depreciation and finance costs and reductions in operating costs in the statement of loss.

## Risks and Uncertainties

### *General Risks*

At the present time, the Company does not hold any interest in any property which is in commercial production. The Company's viability and potential successes lie in its ability to develop, exploit and generate revenue out of the Wanipigow Sand Project. Revenues, profitability and cash flow will be dependent on the Company's ability to successfully finance, construct and operate the Wanipigow Sand Project and will then be influenced by the demand and price for silica sand which are affected by numerous factors beyond the Company's control.

The Wanipigow Sand Project is in the exploration stage. As such, the Company is dependent on further external financing to continue to advance the Project. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and attempt to raise additional funds as needed.

The development of the Wanipigow Sand Project is subject to a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future.

### *No History of Operations*

The Company is an exploration stage company and has no history of operations. The Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on an investment for investors in the common shares and the Company's likelihood of success must be considered in light of its early stage of operations.

There can be no assurance that the Wanipigow Sand Project will be successfully placed into production, produce silica sand in commercial quantities or otherwise generate operating earnings. Advancing projects from the exploration stage into development and commercial production requires significant capital and time and will be subject to the successful completion of further technical studies, permitting requirements and the construction of the quarry, processing plant, roads and related works and infrastructure. The Company will continue to incur losses until quarry-related operations successfully reach commercial production levels and generate sufficient revenue to fund continuing operations.

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## *Failure to Meet Production Targets and Cost Estimates*

The development of the Wanipigow Sand Project is premised on future production and capital cost estimates. If commercial production commences, actual production and costs may vary from the estimates for a variety of reasons such as estimates of grade, recovery, tonnage, dilution, waste, quality and other characteristics of the actual silica sand quarried, revisions to quarry or processing plant plans, risks and hazards associated with quarry operations, adverse weather conditions, unexpected labour shortages or strikes, equipment failures and other interruptions in production capabilities. If commercial production begins, production costs may also be affected by increased stripping costs, labour costs, raw material costs, inflation and fluctuations in currency exchange rates. Failure to achieve production targets or cost estimates could have a material adverse impact on the Corporation's sales, profitability, cash flow and overall financial performance.

## *Industry Risks*

The Company is subject to numerous risk factors that may affect its business prospects in the future. These include risks inherent to exploration, development and processing companies, dependence on key personnel, commodity prices, and availability of capital, environmental, regulatory and permitting risks, acquisition risks, competition and potential risks relating to land titles.

There are certain risk factors that could have material effects on the Company that are not quantifiable at present due to the nature of the Company's stage of operation, industry segment and other considerations.

## *Additional Capital*

The exploration, development and processing activities of the Company will require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of the Wanipigow Sand Project. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financings will be favourable to the Company. In addition, low commodity prices or lack of demand for silica sand may affect the Company's ability to obtain financing.

## *Development and Operating Risk*

The development of new projects and ultimate operation of new projects such as the Wanipigow Sand Project involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to development and processing, any of which could result in work stoppages, damage to property, and possible environmental damage. Development of the Company's mineral properties will follow FID and if deemed a prudent financial investment, successfully obtaining financing. Mineral development and processing involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral development and processing activities will result in successful operations. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its development programs, which may be affected by a number of factors.

## *Business Risk*

The success of the operations and activities of the Company is dependent to a significant extent on the efforts and abilities of its management, outside contractors, experts and other advisors. Investors must be willing to rely to a significant degree on management's discretion and judgment, as well as the expertise and competence of the outside contractors, experts and other advisors. The Company does not have a formal program in place for succession of management and training of management. The loss of one or more of the key employees or contractors, if not replaced on a timely basis, could adversely affect the Company's operations and financial performance.

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## *Commodity Prices*

The price of the Company's common shares, its financial results, and exploration and development activities have been, or may in the future be, adversely affected by declines in the price of oil and gas and/or silica sand. Oil, natural gas and silica sand prices fluctuate widely and are affected by numerous factors beyond the Company's control such as the sale or purchase of commodities by various central banks, financial institutions, expectations of inflation or deflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, international supply and demand, speculative activities and increased production due to new project developments, improved production methods and international economic and political trends. The Company's revenues, if any, are expected to be in large part derived from mining and from the sale of silica sand utilized by the oil and natural gas industry or interests related thereto. The effect of these factors on the price of silica sand, and therefore the economic viability of any of the Company's Wanipigow Sand Project cannot accurately be predicted.

## *Environmental and Permitting*

All phases of the Company's operations are subject to various federal, provincial, municipal, and international laws and statutory instruments governing the use of lands and protection of the environment, which may be modified from time to time. These laws, among other things, govern air and water quality standards, land reclamation requirements, transportation, storage and the disposal of hazardous waste. Environmental legislation may over time require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

To the Company's knowledge, there are no material liabilities to date which relate to environmental risks or hazards.

## *Silica Sand Business Risks*

An increase in the supply of silica sand, having similar characteristics as the silica sand the Company plans to produce, could make it more difficult for the Company to execute contracts on favourable terms or at all.

Federal, provincial and local legislative and regulatory initiatives relating to hydraulic fracturing and the potential for related litigation could result in increased costs, additional operating restrictions or delays for our customers.

Changes in technology or legislation could cause a decline in the demand for silica sand and negatively impact our business, financial condition and results of operations.

## *Risks Related to Environmental, Quarry Operations and Other Regulations*

The Company and its prospective customers are subject to extensive environmental, health and safety regulations that impose, and will continue to impose, significant costs and liabilities. In addition, future regulations, or more stringent enforcement of existing regulations, could increase those costs and liabilities, which could adversely affect the Company's results of operations.

Silica-related legislation, health issues and litigation could have a material adverse effect on the Company's business, reputation or results of operations.

## *Competition*

The silica sand industry is intensely competitive in all its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself. Competition in the silica sand business could adversely affect the Company's ability to acquire suitable producing properties or prospective properties for mineral exploration and development in the future.

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## *Land Title*

The Company has not sought formal title opinions on its quarry lease interests in Canada. Any of the Company's properties may be subject to prior unregistered agreements or transfers or Indigenous land claims and title may be affected by undetected defects. The Company has no present knowledge of any material defect in the title of any of the properties in which the Company has or may acquire an interest.

## *Limitation of Controls and Procedures*

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements, and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate do not make any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## *Forward-Looking Statements*

Certain statements contained in this MD&A constitute forward-looking statements relating to, without limitation, expectations, intentions, plans and beliefs, including information as to the future events, results of operations and the Company's future performance (both operational and financial) and business prospects. In certain cases, forward-looking statements can be identified by the use of words such as "expects", "estimates", "forecasts", "intends", "anticipates", "believes", "plans", "seeks", "projects" or variations of such words and phrases, or state that certain actions, events or results "may" or "will" be taken, occur or be achieved. Such forward-looking statements reflect the Company's beliefs, estimates and opinions regarding its future growth, results of operations, future performance (both operational and financial), and business prospects and opportunities at the time such statements are made, and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or circumstances should change. Forward-looking statements are necessarily based upon a number of estimates and assumptions made by the Company that are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Forward-looking statements are not guarantees of future performance. In particular, this MD&A contains forward-looking statements pertaining, but not limited, to: the design and operation of the Wanipigow Sand Project; the

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ability to transport silica sand to market from the Wanipigow Sand Project and the ultimate uses of such sand; the benefits to be derived from the Economic Participation Agreements including anticipated economic and social benefits and opportunities, including employment, contracting and training initiatives; the plans with respect to financing ongoing operating activities; the timing and approval or permitting process with respect to the Wanipigow Sand Project; the intention to use cash on hand and proceeds from future equity issuances to fund the Company's operations and future development plans; industry activity levels; industry conditions pertaining to the silica sand industry; the ability of and manner by which the Company expects to meet its capital needs; and the Company's objectives, strategies and competitive strengths.

By their nature, forward-looking statements involve numerous current assumptions, known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to differ materially from those anticipated by the Company and described in the forward-looking statements.

With respect to the forward-looking statements contained in this MD&A, assumptions have been made regarding, among other things: the ability to obtain the necessary stakeholder, regulatory and environmental approval and external funding to advance the development of the Wanipigow Sand Project; no material capital project and financing cost overrun or delay related to the construction of the Wanipigow Sand Project; the ability to continue to consult with, and address feedback received from interested stake holders including the Hollow Water First Nation and surrounding communities; environmental risks and regulations; future global economic and financial conditions; future commodity prices; operating costs; that the regulatory environment in which the Company operates will be maintained in the manner currently anticipated by the Company; future exchange and interest rates; geological and engineering estimates in respect of the Company's silica sand quantities; the recoverability of the Company's silica sand and its quality as Tier 1 sand; the accuracy and veracity of information and projections sourced from third parties respecting, among other things, future industry conditions and product demand; demand for horizontal drilling and hydraulic fracturing and the maintenance of current techniques and procedures, particularly with respect to the use of silica sand; the Company's ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the regulatory framework governing royalties, taxes and environmental matters in the jurisdictions in which the Company conducts its business and any other jurisdictions in which the Company may conduct its business in the future; future capital expenditures to be made by the Company; future sources of funding for the Company's capital program; the Company's future debt levels; the impact of competition on the Company; and the Company's ability to obtain financing on acceptable terms.

A number of factors, risks and uncertainties could cause results to differ materially from those anticipated and described herein including, among others: the effects of competition and pricing pressures; effects of fluctuations in the price of proppants; risks related to indebtedness and liquidity, including the Company's capital requirements; risks related to interest rate fluctuations and foreign exchange rate fluctuations; changes in general economic, financial, market and business conditions in the markets in which the Company operates; changes in the technologies used to drill for and produce oil and natural gas; the Company's ability to obtain, maintain and renew required permits, licenses and approvals from regulatory authorities; the stringent requirements of and potential changes to applicable legislation, regulations and standards; the ability of the Company to comply with unexpected costs of government regulations; liabilities resulting from the Company's operations; the results of litigation or regulatory proceedings that may be brought against the Company; uninsured and underinsured losses; risks related to the transportation of the Company's products, including potential rail line interruptions or a reduction in rail car availability; the geographic and customer concentration of the Company; the ability of the Company to retain and attract qualified management and staff in the markets in which the Company operates; labour disputes and work stoppages and risks related to employee health and safety; general risks associated with the oil and natural gas industry, loss of markets, consumer and business spending and borrowing trends; limited, unfavourable, or a lack of access to capital markets; uncertainties inherent in estimating quantities of mineral resources; sand processing problems; and the use and suitability of the Company's accounting estimates and judgments.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in its forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will materialize or prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Readers should not place undue reliance on forward-

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looking statements. These statements speak only as of the date of this MD&A. Except as may be required by law, the Company expressly disclaims any intention or obligation to revise or update any forward-looking statements or information whether as a result of new information, future events or otherwise.

Any financial outlook and future-oriented financial information contained in this MD&A regarding prospective financial performance, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action based on management's assessment of the relevant information that is currently available. Projected operational information contains forward-looking information and is based on a number of material assumptions and factors, as are set out above. These projections may also be considered to contain future oriented financial information or a financial outlook. The actual results of the Company's operations for any period will likely vary from the amounts set forth in these projections and such variations may be material. Actual results will vary from projected results. Readers are cautioned that any such financial outlook and future-oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein. The forward-looking information and statements contained in this document speak only as of the date hereof and the Company does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.