



**Management's Discussion and Analysis**  
**For three and nine months ended June 30, 2019 and 2018**

**Dated August 27, 2019**

*This Management's discussion and analysis ("MD&A") is dated August 27, 2019 and is management's assessment of the operations and the financial results together with future prospects of Canadian Premium Sand Inc. (the "Company"). This MD&A should be read in conjunction with the unaudited interim condensed financial statements and related notes for the three and nine months ending June 30, 2019 and 2018 and the audited financial statements and related notes for the fiscal years ending September 30, 2018 and 2017, 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, on the Company's 100% owned Ordovician silica sand deposit in southeastern Manitoba, 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 CPS 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).*

### **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. 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>. 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 100% owned 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 washed, 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.

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 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 compliance with the requirements of the

environmental license such as 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.

### **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 a similar 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 in Note 14 of the financial statements.

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.

### **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.

### **Business Plans**

At this time, the Company is continuing to advance the Wanipigow Sand Project to position itself to make a FID by focusing its efforts on: reducing the capital cost estimates for the construction and operation of the processing facility; identifying potential offtake partners or customers; determining transportation 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.

**Review of Operations for the Three and Nine Months Ended June 30, 2019 and 2018**

**Share Capital**

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.

<b>Outstanding share data</b>	<b>As at June 30, 2019</b>	<b>As at June 30, 2018</b>
Issued and outstanding common shares	<b>21,244,460</b>	12,547,793

There has been no change in issued and outstanding common shares for the nine months ended June 30, 2019.

**Net Loss and Comprehensive Loss and Loss per Share**

The Company had a net loss and comprehensive loss of \$6,137,669 or \$0.289 per share for the three months ended June 30, 2019 (\$247,916 or \$0.027 per share for the three months ended June 30, 2018) and a net loss and comprehensive loss of \$11,969,099 or \$0.563 per share for the nine months ended June 30, 2019 (\$1,286,546 or \$0.146 per share for the nine months ended June 30, 2018). The increase in the net loss is due to increased exploration and evaluation costs related to obtaining necessary permits, completion of the NI 43-101 Technical Report and pre-feasibility study, and pre-construction activities such as engineering design, geo-technical assessment of the access road and plant sight and quarry development strategic planning.

**Administrative Expenses**

<b>Administrative Expenses</b>	<b>For the three months ended June 30, 2019</b>	<b>For the three months ended June 30, 2018</b>	<b>For the nine months ended June 30, 2019</b>	<b>For the nine months ended June 30, 2018</b>
Interest income	<b>\$(23,704)</b>	\$ -	<b>\$(57,636)</b>	\$ -
Professional fees	<b>116,872</b>	71,533	<b>495,246</b>	371,709
General and administrative	<b>199,157</b>	13,043	<b>391,248</b>	70,525
Depreciation	<b>2,752</b>	-	<b>2,752</b>	-
Share based payments	<b>211,678</b>	-	<b>417,919</b>	734,180
Shareholders' information	2,294	2,288	35,785	21,590
Investor relations and travel	<b>8,429</b>	12,031	<b>22,797</b>	16,717
	<b>\$ 517,478</b>	\$ 98,895	<b>\$ 1,308,111</b>	\$ 1,214,721

The Company had interest income of \$23,704 for the three months ended June 30, 2019 and \$57,636 for the nine months ended June 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.

Professional fees were \$116,872 for the three months ended June 30, 2019 (\$71,533 for the three months ended June 30, 2018) and \$495,246 for the nine months ended June 30, 2019 (\$371,709 for the nine months ended June 30, 2018). These fees relate to routine professional services such as legal advice and audit fees. The increase primarily relates to legal fees incurred with respect to environmental permitting and preparation of various agreements entered into as part of progressing the Wanipigow Sand Project.

General and administrative costs were \$199,157 for the three months ended June 30, 2019 (\$13,043 for the three months ended June 30, 2018) and \$391,248 for the nine months ended June 30, 2019 (\$70,525 for the nine months ended June 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 \$211,678 for the three months ended June 30, 2019 (\$nil for the three months ended June 30, 2018) and \$417,919 for the nine months ended June 30, 2019 (\$734,180 for the nine months ended June 30, 2018). This is a non-cash expense related to stock options issued to directors and employees of the Company. The decrease 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 Note 13 of the June 30, 2019 financial statements. The options outstanding at June 30, 2019 were 1,081,111 compared to 770,000 as at June 30, 2018.

Shareholders' information for the three months ended June 30, 2019 was \$2,294 (\$2,289 for the three months ended June 30, 2018) and \$35,785 for the nine months ended June 30, 2019 (\$21,590 for the nine months ended June 30, 2018) for stock exchange fees, transfer agent fees and the electronic filing of disclosure documents on SEDAR. The increase in costs for the nine months ended June 30, 2019 over the prior period is due to the cost of filing additional disclosure documents relating to the 15:1 consolidation of the Company's common shares.

Investor relations and travel for the three months ended June 30, 2019 was \$8,429 (\$12,031 for the three months ended June 30, 2018) and \$22,797 for the nine months ended June 30, 2019 (\$16,717 for the nine months ended June 30, 2018). The change is largely related to travel expenses incurred to attend meetings.

### Exploration and Evaluation Expenditures

Total exploration and evaluation costs increased by \$10,660,988 for the nine months ended June 30, 2019 to a cumulative total of \$21,293,584 from \$10,632,596 in September 30, 2018. The increase is related to the costs incurred to obtain necessary permits, completion of the NI 43-101 Technical Report and pre-feasibility study, and pre-construction activities such as engineering design, geo-technical assessment of the access road, site preparation and plant site and quarry development strategic planning with respect to advancing the Wanipigow Sand Project.

	<i>For the nine months ended June 30, 2019</i>	<i>For the nine months ended June 30, 2018</i>
<b>Exploration and evaluation expenditures</b>		
Acquisition and Participation costs	\$ 623,245	\$ 100,000
Sale of Timmins property <sup>2</sup>	-	(350,000)
Consulting <sup>1</sup>	1,385,498	54,000
Environmental consulting	1,289,810	-
Field offices	261,271	2,000
Preconstruction labour	256,966	-
Accommodation	186,401	-
Quarry leases	43,370	-
Plant Design, Drilling, Feasibility	3,986,818	-
Site preparation	1,985,235	-
Supplies and equipment	440,044	-
Electrical and Internet Upgrade	189,242	-
Other exploration and evaluation expenditures	13,088	44,525
<b>Total exploration and evaluation expenditures</b>	<b>\$ 10,660,988</b>	<b>(149,475)</b>

<sup>1</sup>Includes amounts paid to a related party. See transactions with related parties in Note 11 of the June 30, 2019 financial statements.

<sup>2</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. The NSR provides CTEC the option to buy the Company'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 the Company is capped at \$5,000,000 (excluding any buy out payments). No finder's fees were payable in connection with the transaction.

### Additional Disclosure for Venture Companies without Significant Revenue

The following is additional financial information for the period regarding the Company.

	<i>For the nine months ended June 30, 2019</i>	<i>For the nine months ended June 30, 2018</i>
Exploration and evaluation expenditures	<b>\$ 10,660,988</b>	\$ (149,475)
Total Administrative expenses	<b>\$ 1,308,111</b>	\$ 1,214,721
<b>Total assets<sup>1</sup></b>	<b>\$ 3,604,808</b>	<b>\$ 106,794</b>

<sup>1</sup>Total assets comprise cash and cash equivalents, receivables and other assets and property, plant and equipment.

### Selected Quarterly Financial Data

	<i>June</i>	<i>March</i>	<i>December</i>	<i>September</i>	<i>June</i>	<i>March</i>	<i>December</i>	<i>September</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>	<i>30, 2017</i>
	\$	\$	\$	\$	\$	\$	\$	\$
Interest Income	23,704	16,170	17,763	-	-	-	-	-
Net loss and comprehensive loss	(6,137,669)	(3,482,849)	(2,348,676)	(3,091,365)	(247,916)	(1,079,773)	41,233	(1,552,638)
Net loss per share basic and diluted	(\$0.289)	(\$0.164)	(\$0.111)	(\$0.278)	(\$0.027)	(\$0.123)	\$0.005	(\$0.186)
<b>Total assets</b>	<b>3,604,808</b>	<b>6,572,512</b>	<b>8,950,300</b>	<b>10,623,302</b>	<b>106,794</b>	<b>265,451</b>	<b>695,023</b>	<b>604,859</b>

### 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. The Company is now in a position to finalize its resource development plan and seek funding for the Wanipigow Sand Project. As at June 30, 2019, the Company had a deficit of \$24,903,965 (September 30, 2018 - \$12,934,866), cash of \$3,256,851 (September 30, 2018 - \$10,547,859), trade and other payables of \$4,697,282 (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 fifteen month period to September 30, 2020 of \$430,535.

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 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 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 August 27, 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

In connection with the asset sale transaction by the Company to CTEC described above under the heading "Timmins Area Project Claims Sale", 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.

As at June 30, 2019, the trade and other payables balance includes unpaid related party amounts relating to travel and other expense reimbursements of \$6,634 (September 30, 2018 - \$32,232).

The Company incurred \$nil for the nine months ended June 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 nine months ended June 30, 2019 (September 30, 2018 - CDN \$268,000).

The Company also incurred \$16,403 for the nine months ended June 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.

**Compensation of Key Management Personnel of the Company**

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

	<i>Three months ended June 30,</i>		<i>Nine months ended June 30,</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Salaries, consulting fees and benefits	\$ 139,741	\$ -	\$ 276,649	\$ 63,000
Share-based compensation <sup>1</sup>	193,302	-	399,543	-

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

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 and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company is committed to monthly payments under the terms of operating agreements for the office space and vehicle leases. The aggregate remaining payments per fiscal year are as follows:

July 1, 2019 to September 30, 2019	\$ 23,145
October 1, 2019 to September 30, 2020	\$ 82,390
October 1, 2020 to September 30, 2021	\$ 25,403
October 1, 2021 to September 30, 2022	\$ 24,702
October 1, 2022 to September 30, 2023	\$ 4,692

Under various contractual agreements relating to the acquisition of property and participation agreements, the Company has committed to certain payments as follows:

October 1, 2019 to September 30, 2020	\$ 325,000
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These agreements also commit the Company to quarterly payments once production commences, totaling \$3.80 per tonne of silica sand sold as fracture proppant, \$3.30 per tonne of silica sand sold and \$1.00 per tonne of construction aggregate sold.

There is a further royalty payment to be made under an agreement relating to the acquisition of property, once production commences, based on the proportion of area to be mined on certain leases compared to the total area to be mined per the NI 43-101 Technical Report and pre-feasibility study. The maximum royalty to be paid would be \$1.00 per tonne of silica sand sold as fracture proppant, \$0.50 per tonne of silica sand sold and \$0.50 per tonne of construction aggregate sold.

### Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

### 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.

The capital-intensive nature of the Company's business including the significant construction costs relating to the Wanipigow Sand Project requires the Company to seek available financing alternatives to proceed with its business plan.

### Capital Management

The Company includes shareholders equity in the definition of capital.

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties and to ensure it continues as a going concern. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

All the properties in which the Company currently has an interest, are in the exploration stage with no operating revenues; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Company has historically relied on equity financing to raise capital and will continue its attempts to do so. Although the Company was successful in securing debt and equity financing in recent periods, there is no guarantee that future fund-raising attempts will be equally successful.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

### Significant Accounting Judgments and Estimates

The preparation of financial statements in conformity with IFRS 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.

The most significant estimates and judgments relate to, but are not limited to, the following:

- accounting policy for exploration and evaluation expenditures as an expense;
- 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; and
- accounting for convertible debenture as a hybrid investment measured at fair value.

### 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.

Cash and cash equivalents are classified as level 1.

As at June 30, 2019, the carrying value approximates the fair value amounts of the Company's receivables and other assets 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.

### Adoption of New and Revised Standards and Interpretations

No new relevant standards were applied for the first time during the period ended June 30, 2019.

### Future Accounting Pronouncements

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee ("IFRSIC") that are mandatory and would be applicable to Canadian Premium Sand 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 the old IASB standard, 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 Company is assessing the impact of this standard on the Company's financial statements.
- IFRS 2 – Share-Based Payments: In June 2016, the IASB issued an amendment to IFRS 2 addressing (i) certain issues related to the accounting for cash-settled awards, and (ii) the accounting for equity-settled awards that include a "net settlement" feature in respect of employee withholding taxes. This amendment is effective for annual periods beginning on or after January 1, 2019. The Company is currently reviewing the amendments to assess the impact it may have upon adoption.
- International Financial Reporting Interpretations Committee ("IFRIC") issued IFRIC 23 in June 2017. IFRIC 23, Uncertainty over income tax treatments was issued as a clarification to requirements under IASB standard, IAS 12 – Income taxes. IFRIC 23 clarifies the application of various recognition and measurement requirements when there is uncertainty over income tax treatments. This interpretation is effective for annual reporting periods beginning on or after January 1, 2019. The Company is currently assessing the impact IFRIC 23 may have on its consolidated financial statements.

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### 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 for 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 of development. 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.

#### *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.

### *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.

### *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.

### **Financial Risk Factors**

A summary of the Company's financial risk exposures is 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 June 30, 2019.

The Company's maximum exposure to credit risk as at June 30, 2019 is the carrying value of accounts receivable.

#### **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 June 30, 2019, the Company had a cash balance of \$3,256,851 (September 30, 2018 - \$10,547,859) to settle current liabilities of \$4,697,282 (September 30, 2018 - \$164,596) and commitments for the 15-month period from July 1, 2019 to the year ended September 30, 2020 of \$430,535. 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 Note 1.2 in the financial statements.

**iii) Interest rate risk**

The Company's interest rate risk related to interest-bearing obligations and deposits is as follows:

The interest incurred in the prior period on the convertible debentures is at a fixed interest rate and therefore not exposed to changes in market interest rates. The fair value of fixed-rate debt fluctuates with changes in the market interest-rate, but the related future cash flows do not change.

**iv) Currency risk**

The Company is exposed to foreign 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 June 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 \$450,000.

**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 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-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.