

**CANADIAN  
PREMIUM  
SAND** INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the year ended September 30, 2020**

**Dated December 3, 2020**

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*This Management's Discussion and Analysis ("MD&A") is dated December 3, 2020 and should be read in conjunction with the audited Financial Statements and notes of Canadian Premium Sand Inc. (the "Company" or "CPS") as at and for the year ended September 30, 2020.*

*All financial information is reported in Canadian dollars unless stated otherwise and has been prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain figures have been reclassified to conform to the current year presentation in this MD&A.*

*The Company's accounting policies have been applied consistently to all periods presented except for changes as a result of adopting IFRS 16 - Leases which was done using the modified retrospective approach; therefore, comparative information has not been restated. Refer to the New Accounting Policies section of this MD&A.*

*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 the Forward-Looking Statements Section of this MD&A.*

*Any technical information contained in this MD&A related to the Company's Wanipigow reserves 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 dated March 19, 2020, 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 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 the Wanipigow Sand Project**

The Company was formed under the Business Corporations Act (Ontario) on September 21, 2005 by articles of incorporation and continued under the Canada Business Corporations Act in 2019. The Company is presently a "Venture Issuer" as defined in NI51-102 and trades under the trading symbol "CPS." The registered head office of the Company is in Calgary, Alberta.

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" or "Project"). A small portion of the site area of the Wanipigow Sand Project is within the Community of Manigotagan.

The Wanipigow Sand Project consists of 41 contiguous quarry leases covering 2,148 hectares of land that grant the Company exclusive right to mine quarry minerals.

The Company has 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 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.

The Company was granted a Conditional Use Order from the Incorporated Community of Seymourville (the "Conditional Use Order"), approving the conditional use of lands within its jurisdictional boundaries for the Wanipigow Sand Project. This includes accessory uses, buildings and structures and an environmental license for the Wanipigow Sand Project, Environment Act License No. 3285 (the "Environmental License"), subject to commercially reasonable terms and conditions. A copy of License No. 3285 can be found at the following link: <https://www.gov.mb.ca/sd/eal/registries/5991wanipigow/index.html>.

To develop the silica sand resource, the Company will need to secure funding to design, construct, commission, staff and operate its silica sand extraction and processing facilities. The silica sand in the quarry is a durable, high-purity quartz with rounded uniform grains and low iron content. The high silica quality facilitates a broad range of uses including fracture proppant for oil and gas recovery, glassmaking, metal casting and production, paint and coatings, ceramics and refractories, and water filtration. Technical details on the Wanipigow Sand Project can be found in the independent NI 43-101 Technical Report and Pre-Feasibility study (the "Technical Report") available for review on the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Key Activities for the year ended September 30, 2020**

With the Environmental License and Conditional Use Order, the Economic Participation Agreements and the updated Technical Report complete, the Company has achieved three significant milestones to advance the Wanipigow Sand Project. Other key de-risking activities completed during the year ended September 30, 2020 are:

- Completed a convertible debenture financing for total gross proceeds of \$1,975,000.
- Completed the clean-up of land cleared for the processing facility and haul road at the Wanipigow Sand Project site including delivery of non-commercial wood to local communities.
- Updated the logistics plan to transport sand by barge from the site to a dry plant located elsewhere on Lake Winnipeg or the Red River.
- Continued exploring locations and land parcels suitable for locating the dry plant and/or other industrial processing facilities.
- Performed an engineering study to support an alternative concept to offload barges and transport the sand to the dry plant should barges be employed in the logistics process.
- Excavated a bulk sample of Lower Black Island raw sand and shipped it to a potential customer in Asia.
- Conducted extensive laboratory work at two independent facilities in both Australia and Germany to determine specific industrial applications for which the Wanipigow sand is best suited.

## **COVID - 19 Impact and Our Response**

At the start of the COVID-19 pandemic, the Company put measures in place based on public health requirements and guidelines that focused on the health and safety of its staff, contractors and stakeholders. This resulted in some minor delays in completing certain de-risking tasks relating to the inability of management to travel, limited access to the Company's offices and Project site and the inability to hold in person meetings with various stakeholders. The Company has effectively managed these initial challenges and has continued to progress its de-risking activities while proactively responding to changes in health and safety guidelines as the COVID-19 pandemic continues.

The COVID-19 pandemic has resulted in a slowdown of the global economy and significant volatility in the financial markets. These strained financial market conditions combined with the collapse in oil prices, has resulted in delays to the Company's efforts to raise additional financing to fund the development of the Wanipigow Sand Project (refer to Liquidity, Capital Resources and Going Concern section of this MD&A. It has also negatively impacted the Company's ability to generate gross profit from third-party silica sand sales over the past six months. The Company's financial response to these conditions has included cost management efforts such as reducing salaries, consultants and other general and administrative costs, as well applying for various government support programs that include receiving \$40,000 interest free loan under the Canada Emergency Business Account ("CEBA") program and \$73,849 in Canada Emergency Wage Subsidy ("CEWS") benefits as at September 30, 2020.

The course of the COVID-19 pandemic and its ultimate impact on the economy and the Company remain highly uncertain. See further discussion in the Risks and Uncertainties section of this MD&A.

## Business Outlook

Sustained low oil and gas prices combined with the COVID-19 pandemic has resulted in a dramatic decline in oil and gas operations and the need for fracture proppant in Western Canada. Management believes the oil and gas sector will eventually recover to levels where fracture proppant supply will present a valid business opportunity to the Company in the future. However, because the recovery timeline is not predictable, the Company has shifted its focus to investigating industrial applications for its high-grade silica sand.

## Review of Operations for the three months and year ended September 30, 2020

### Overall Performance and Share Capital

	<i><b>For the three months ended September 30, 2020</b></i>	<i>For the three months ended September 30, 2019</i>	<i><b>For the year ended September 30, 2020</b></i>	<i>For the year ended September 30, 2019</i>
Net loss and comprehensive loss	<b>\$(132,133)</b>	\$(1,542,055)	<b>\$(1,116,187)</b>	\$(13,511,154)
Loss per share – basic and diluted	<b>\$(0.01)</b>	\$(0.07)	<b>\$(0.05)</b>	\$(0.64)
Issued and outstanding common shares	<b>21,244,460</b>	21,244,460	<b>21,244,460</b>	21,244,460

The Company had a net loss and comprehensive loss of \$132,133 or \$0.01 loss per share for the three months ended September 30, 2020 (\$1,542,055 or \$0.07 loss per share for the three months ended September 30, 2019) and a net loss and comprehensive loss of \$1,116,187 or \$0.05 loss per share for the year ended September 30, 2020 (\$13,511,154 or \$0.64 loss per share for the year ended September 30, 2019). The net loss and comprehensive loss for the three months and year ended September 30, 2020 compared to September 30, 2019 has largely decreased because a significant proportion of the site evaluation activities were completed in 2019. The year ended September 30, 2020, also benefitted from other income of \$1,469,253 relating to the renegotiation of trade payables and favorable resolution of accrued liabilities.

On February 26, 2020 the Company announced it had closed its convertible debenture offering and proceeds of \$1,975,000 were received. Certain directors of the Company, being Lowell Jackson, John Assman, and Glenn Leroux, as well as its two largest shareholders, being Paramount Resources Ltd. and David Wilson, directly or indirectly participated in the Offering in the aggregate amount of \$1.975 million, thereby making the Offering a “related party transaction” as defined under Multilateral Instrument 61-101.

On December 12, 2019, the Board approved the issuance of 350,000 options under the existing stock option plan of which 260,000 of these options were to be granted to key management personnel defined as directors and named executive officers. These options were granted in March 2020.

As at December 3, 2020, the issued and outstanding common shares are 21,244,460.

### Sand Sales Operations

	<i><b>For the three months ended September 30, 2020</b></i>	<i>For the three months ended September 30, 2019</i>	<i><b>For the year ended September 30, 2020</b></i>	<i>For the year ended September 30, 2019</i>
			\$	.
Sand sales revenue	<b>208,807</b>	-	<b>1,352,725</b>	-
Cost of sales	<b>228,021</b>	-	<b>1,272,077</b>	-
<b>Gross (loss) profit</b>	<b>(19,214)</b>	-	<b>80,648</b>	-
<b>Volumes in metric tonnes</b>	<b>2,292</b>	-	<b>15,627</b>	-

During the year ended September 30, 2020, the Company commenced selling silica sand purchased from a Wisconsin mine, into the Western Canadian market. The Company's third-party silica sand sales were negatively impacted by the significant decline in oil prices and COVID-19 pandemic which resulted in the Company recording sand in inventory as at March 31, 2020. There were no sand sales for the Company between March and August 2020. The sand held in inventory during 2020 was sold in September 2020 for a slight loss. If economically viable, the Company will continue to sell third party silica sand in 2021 to generate gross profit.

### Selling, General and Administrative Expenses

The following table disaggregates the selling, general and administrative expenses for the three months and year ended September 30, 2020.

	Three months ended September 30,		Years ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Employee compensation and benefits	40,961	134,827	267,902	386,284
Professional fees	101,133	369,037	539,665	864,283
Office	21,287	83,750	127,278	246,338
Shareholder information	1,261	13,571	36,289	49,356
<b>Total selling, general and administrative expenses</b>	<b>164,642</b>	<b>601,185</b>	<b>971,134</b>	<b>1,546,261</b>

Selling, general and administrative expenses were \$164,642 and \$971,134 for the three months and year ended September 30, 2020 compared to \$601,185 and \$1,546,261 for the three months and year ended September 30, 2019, respectively. The Company has taken measures to lessen the impact of the current economic environment which includes reducing executive compensation, reducing consulting and legal fees, negotiating rent reductions on office space and decreasing travel and office expenditures.

### Exploration and Evaluation Expenditures

The exploration and evaluation expenditures of the Company during the periods presented, relate solely to the Wanipigow Sand Project and are broken down by category as follows:

	Three months ended September 30,		Years ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Advance royalty payments	-	-	100,000	100,000
Acquisition and participation costs	7,749	8,387	36,257	575,002
Environmental & logistics consulting	18,586	48,067	61,575	2,723,375
Field office expenses	9,868	55,858	80,877	921,617
Labour	19,774	89,895	367,749	346,861
Plant design, drilling, feasibility	75,025	545,776	161,867	6,517,829
Equipment rental and site supplies	9,120	14,539	275,271	49,584
Electrical and internet upgrade	-	(37,721)	12,803	151,521
Depreciation	7,131	2,753	41,243	5,505
Decommissioning	(2,705)	78,399	13,457	78,399
<b>Total Wanipigow Sand Project expenditures</b>	<b>144,548</b>	<b>805,953</b>	<b>1,151,099</b>	<b>11,469,693</b>

The cumulative exploration and evaluation expenditures for the Wanipigow Sand Project are \$19,376,459.

Total exploration and evaluation costs were lower for the three months and year ended September 30, 2020 compared to 2019 due to lower activity in the current year. The current period costs primarily relate to an optimization review of the capital and operating costs of the Wanipigow Sand Project including updating the Technical Report as well as timber and brush clean-up activities relating to clearing the site and access road for future operations. The prior period costs related to obtaining acquisition and participation agreements, environmental permitting, logistics consulting, the initial NI 43-101 Technical Report and Pre-Feasibility study, core hole drilling and hydrological studies with respect to advancing the Wanipigow Sand Project.

### **Share-Based Compensation**

Share-based compensation expense was \$38,590 for the three months ended September 30, 2020 and \$259,579 for the year ended September 30, 2020 (\$228,723 for the three months ended September 30, 2019 and \$646,642 for the year ended September 30, 2019). Share-based compensation expense is based on the value and timing of grants of stock options. There were 350,000 new option grants and 120,000 options forfeited in the year ended September 30, 2020 compared to no new grants or forfeitures for the three months ended September 30, 2020.

### **Foreign Exchange (Gain) Loss**

There was a foreign exchange gain of \$32,231 for the three months ended September 30, 2020 and a \$35,693 foreign exchange loss for the year ended September 30, 2020 compared to \$83,496 foreign exchange gain for the three months and year ended September 30, 2019. These foreign exchange fluctuations relate to US dollar, Australian dollar and Euro denominated accounts payable and expenses as well as US dollar denominated revenue relating to silica sand sales.

### **Net Loss on Disposal of Assets**

The Company disposed of a Kubota utility vehicle and two vehicle leases resulting in a loss on disposal, net of the gain on settlement of the lease liability, of \$nil and \$21,118 for the three months and year ended September 30, 2020 compared to \$nil in the prior period.

### **Impairment**

The sales price of silica sand has steadily declined since March 2020 due to a decrease in drilling activity in Western Canada as a result of the significant decline in oil prices and the COVID-19 pandemic. Therefore, the Company recognized an impairment of its silica sand inventory of \$46,131 and \$81,674 for the three months and year ended September 30, 2020 (\$nil for the three months and year ended September 30, 2019).

### **Other Income**

Other income of \$1,469,253 (\$nil for year ended September 30, 2019), is comprised of \$1,152,025 relating to a negotiated reduction of a trade payable with a major supplier and a reduction of certain accrued liabilities totalling \$317,228 based on management's assessment of new information available as at September 30, 2020.

### **Net Finance Costs (Income)**

The Company had net finance costs of \$68,467 and \$145,791 for the three months and year ended September 30, 2020, (\$10,310 and \$67,946 net finance income for the three months and year ended September 30, 2019). The increase in net finance costs is attributable to accrued interest on the convertible debentures issued in February 2020 as well as a decrease in interest rates earned on demand deposits as a result of the COVID-19 pandemic.

### **Income Taxes**

Deferred tax assets are recognized only to the extent that it is probable that those assets will be recoverable. At September 30, 2020, the Company had \$26,615,000 (2019 - \$26,211,000) of deductible temporary differences where no deferred tax asset was recognized. These deductible temporary differences include non-capital loss carry

forwards of \$8,991,000 which expire between 2026 and 2040 and tax pools of \$17,624,000 that are available to reduce future taxable income.

## Selected Quarterly Financial Data

(unaudited)	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>	<b>208,807</b>	-	912,813	231,105	-	-	-	-
<b>Gross (loss) profit</b>	<b>(19,214)</b>	-	79,449	20,413	-	-	-	-
<b>Net (loss) income and comprehensive (loss) income<sup>1</sup></b>	<b>(132,133)</b>	(400,548)	131,883	(715,389)	(1,542,055)	(6,137,574)	(3,482,849)	(2,348,676)
<b>Net (loss) income per share basic and diluted</b>	<b>\$(0.01)</b>	\$0.02	\$0.01	\$(0.03)	\$(0.07)	\$(0.29)	\$(0.16)	\$(0.11)
<b>Total assets<sup>1</sup></b>	<b>1,553,741</b>	2,041,568	2,626,823	1,474,152	2,244,459	3,604,808	6,572,512	8,950,300

<sup>1</sup>The change in net (loss) income and comprehensive (loss) income and total assets quarter over quarter is primarily a result of the timing and amount of exploration and evaluation expenditures incurred to progress the Wanipigow Sand Project. There was net income for the quarter ended March 31, 2020 as a result of a \$1.152 million negotiated settlement of accounts payable with one of its suppliers.

## Selected Annual Information

The following is a summary of certain financial information concerning the Company for each of the last three most recently completed financial years.

Years ended September 30,	2020	2019	2018
	\$	\$	\$
<b>Revenue</b>	<b>1,352,725</b>	-	-
<b>Gross profit</b>	<b>80,648</b>	-	-
<b>Net loss and comprehensive loss</b>	<b>(1,116,187)</b>	(13,511,154)	(3,091,365)
<b>Net loss per share basic and diluted</b>	<b>\$(0.05)</b>	\$(0.64)	\$(0.28)
<b>Total assets</b>	<b>1,553,741</b>	2,244,459	10,623,302

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

## Liquidity, Capital Resources and Going Concern

The Company is in the exploration and evaluation phase of its Wanipigow Sand Project (the "Project") and remains dependent on external financing to fund its activities. The COVID-19 pandemic has resulted in a slowdown of the global economy and significant volatility in the financial markets which could have an adverse impact on the Company's ability to secure additional financing to continue to develop the Wanipigow Sand Project.

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.

As at September 30, 2020, the Company had a deficit of \$27,562,207 (September 30, 2019 - \$26,446,020), cash of

\$1,262,485 (September 30, 2019 - \$1,834,466), accounts payable and accruals and current lease liabilities of \$2,607,850 (September 30, 2019 - \$4,571,866), and commitments for the acquisition of quarry leases and participation agreements for the twelve-month period to September 30, 2021 of \$158,280. For further details see Commitments and Contingencies Section of this MD&A.

To date, the Company's efforts have been devoted to the financing, exploration and evaluation of the Company's Wanipigow Sand Project, and securing the necessary permits and regulatory approvals to make a final investment decision. The Company is currently focused on refining the logistics, design and associated operational elements of a producing silica sand quarry. The Company is also performing additional laboratory testing of the silica sand as part of a process to explore broader industrial uses and markets for its silica sand.

The Company's continued existence is dependent upon the preservation of its interest in the Company's quarry leases, continued enhancement of the economic feasibility of the Project and successful pursuit of additional financing to fund future operations of the Wanipigow Sand Project. These material uncertainties lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company intends to actively pursue funding in the next year to complete the evaluation and permitting activities required for the Company to be positioned to make a final investment decision to develop the Wanipigow Sand Project. There is no assurance that these initiatives will be successful. Significant challenges in raising new capital through the equity and debt markets exist, compounded by the unprecedented business climate created by the COVID-19 pandemic. It is uncertain how long these events will continue to impact the economy and the Company's ability to secure financing. If the Company is unsuccessful in obtaining additional sources of financing when needed and on acceptable terms, the going concern assumption may not be appropriate. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

## 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 into with the related parties in the ordinary course of business.

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

Director, Tom MacInnis, resigned effective March 30, 2020 to pursue other opportunities.

Related party transactions during the three months and year ended September 30, 2020 are as follows:

- Certain directors of the Company, being Lowell Jackson, John Assman, and Glenn Leroux, and its two largest shareholders, being Paramount Resources Ltd. and David Wilson, directly or indirectly participated in the Offering of Convertible Debentures in the aggregate amount of \$1,975,000, thereby making the Offering a "related party transaction" as defined under Multilateral Instrument 61-101.
- The Company commenced purchasing frac sand from a third party and selling to a Company in which Director Todd Garman, is the President. For the three months and year ended September 30, 2020, revenue recorded is

\$nil and \$1,048,371, (three months and year ended September 30, 2019 - \$nil). There is \$nil balance receivable in relation to this sand sales revenue as at September 30, 2020.

- On April 4, 2018, the Company subleased office space based on market value of \$48,000 per year at that date, to Central Timmins Exploration Corp., now P2 Gold Inc. Charles Gryba, the Company's former President, was a director of Central Timmins Exploration Corp. at that time. The sublease term expired July 31, 2020 which coincided with the date the head lease expired.
- In 2018, 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 were wholly owned by Robert Archibald, former Chief Operating Officer of the Company. These arrangements were terminated effective June 12, 2019. Fees paid to these entities for the year ended September 30, 2020 total \$nil (\$1,104,136 for the year ended September 30, 2019).
- In 2019, the Company paid legal fees based on normal market rates of \$23,989 to Blaney McMurtry LLP where Nadim Wakeam, former Assistant Corporate Secretary, is a partner. There were no fees paid to Blaney McMurtry in the year ended September 30, 2020.

## Commitments and Contingencies

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

As at September 30, 2020	Total	1 year	2- 3 years	4-5 years
	\$	\$	\$	\$
Quarry lease agreements <sup>1</sup>	291,400	58,280	116,560	116,560
Royalty and participation agreements <sup>2</sup>	425,000	100,000	325,000	-
<b>Total commitments</b>	<b>716,400</b>	<b>158,280</b>	<b>441,560</b>	<b>116,560</b>

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

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

### Royalty and Economic Participation Agreement Commitments

The Company has 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 Company has also entered into various contractual agreements relating to the acquisition of title of eighteen of its quarry leases. Certain of the royalty and participation agreements entered into required payments to be made prior to the commencement of commercial production. These upfront payments are disclosed in the table above.

The royalty and participation agreements combined with the royalty due under Manitoba Provincial statutes, have varying future payments once commercial production commences based on a number of factors including the quarterly extraction rate of the quarried mineral, the location of the extraction, the type of mineral extracted and the sale point end use of the mineral extracted. Due to the variability in the royalty and participation obligations, the Company's future commitment ranges from a maximum of \$4.80 per tonne sold to a minimum of \$3.80 per tonne sold. In addition, if the Company extracts construction aggregates on its quarry leases the royalty is \$1.00 per tonne sold.

The Company has an option to acquire 50% of the production royalty under one agreement for \$1,500,000 within the first three years of achieving initial production. This option can be extended a further two years by increasing

the payment to \$2,000,000. This would reduce the maximum royalty per tonne sold to \$4.30 and the minimum royalty per tonne sold to \$3.55.

### Reduction in Future Cash Royalty Payments

The Company is required to make semi-annual advance royalty payments of \$50,000 under one of its royalty agreements and under another agreement, prepaid a lump sum of \$1.3 million which accrues interest at 9% per annum. The total accrued interest plus cash payments is \$2,066,619 as at September 30, 2020, (\$1,837,265 as at September 30, 2019). These prepaid royalties will reduce future cash payments required under the royalty agreements, once production commences, and will continue to reduce cash payments for a number of years, depending on the annual mineral extraction rate.

### Future Royalty Income

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

### Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

### Fair Value of Financial Instruments

#### (a) Fair value

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

The fair value of the capital lease obligations, long-term borrowings and the liability component of the convertible debentures is determined based on discounted cash flows, including interest at current rates for similar instruments.

The Company analyzes financial instruments carried at fair value by valuation method. The different levels have been defined 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.

As at September 30, 2020	Carrying amount	Fair Value		
		Level 1	Level 2	Level 3
	\$	\$	\$	\$
Financial liabilities at amortized cost <sup>1</sup> :				
Long-term borrowings	40,000	-	35,838	-
Convertible debentures	1,961,575	-	1,706,892	-

<sup>1</sup> Comparatives are \$nil for the prior year as at September 30, 2019.

## (b) Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and trade and other receivables included in current assets. For the year ended September 30, 2020, the Company had sales to two customers which exceeded ten percent of revenue. Sales to such customers totaled \$1,048,371 and \$201,754 respectively (\$nil revenue for the year ended September 30, 2019).

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 considers its accounts receivable to be aged as follows:

<b>As at September 30,</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Less than 30 days	<b>223,413</b>	89,154
31 to 60 days	<b>10,161</b>	-
61 to 90 days	-	-
Greater than 90 days	-	258,327
<b>Total trade and other receivables<sup>1</sup></b>	<b>233,574</b>	<b>347,481</b>

<sup>1</sup> Subsequent to the respective year ends, the Company collected the total trade and other receivables in full.

## (c) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due and ensuring an adequate supply of funds to enable the Company to carry out its intended programs. As at September 30, 2020, the Company had a cash balance of \$1,262,485 (September 30, 2019 - \$1,834,466) to settle current liabilities of \$2,607,850 (September 30, 2019 - \$4,571,866) and commitments for the 12-month period to September 30, 2021 of \$158,280. All the Company's accounts payable and accruals have contractual maturities of less than one year and are subject to normal trade terms. See Going Concern Note 1(b) in the Financial Statements.

The timing of undiscounted cash outflows relating to financial liabilities, including estimated interest payments, are outlined in the table below:

<b>As at September 30, 2020</b>	<b>Total</b>	<b>1 year</b>	<b>2- 3 years</b>	<b>4-5 years</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Accounts payable and accruals	<b>2,581,854</b>	2,581,854	-	-
Lease liabilities <sup>1</sup>	<b>51,292</b>	24,500	26,792	-
Long-term borrowings	<b>40,000</b>	-	40,000	-
Convertible debentures <sup>1</sup>	<b>3,169,295</b>	-	-	3,169,295
<b>Total</b>	<b>5,842,441</b>	<b>2,606,354</b>	<b>66,792</b>	<b>3,169,295</b>

<sup>1</sup> Principal and interest payments.

## (d) Interest rate risk

The Company's interest rate risk relates to interest-bearing cash deposits. At September 30, 2020 the Company holds interest-bearing cash balances of \$1,080,402 (September 30, 2019 - \$1,785,800).

## (e) Foreign currency risk

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

As at September 30, 2020, with other variables unchanged, a 10% strengthening (weakening) of the Canadian dollar

against the US dollar, Australian dollar and Euro would have decreased (increased) net loss by approximately \$130,000.

Included in accounts payable and accruals at September 30, 2020 is USD \$974,110 (September 30, 2019 - USD \$1,673,044) and EUR \$4,950 (September 30, 2019 – EUR \$nil).

## **Critical Accounting Estimates**

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the reported assets, liabilities, revenues, expenses and the disclosure of contingencies. Actual results may differ significantly from these estimates.

The COVID-19 pandemic could have a significant impact on estimates and their underlying assumptions as the course of the COVID-19 pandemic remains highly uncertain. The extent to which COVID-19 impacts the Company's accounting estimates and judgments will depend on future developments which are currently unknown, including, but not limited to; the duration and severity of the pandemic, the impact of the pandemic on economic growth, commodity prices, financial and capital markets, and government responses and restrictions. The adverse impacts of the COVID-19 pandemic may be more significant in upcoming financial periods as compared with the year ended September 30, 2020. Even after the COVID-19 pandemic has subsided, the Company may continue to experience materially adverse effects as a result of the pandemic's global economic impact.

Estimates and assumptions are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the year in which the estimates are revised.

The following is a description of the accounting judgments, estimates and assumptions that are considered significant:

### **Impairment of Inventory**

Inventory is evaluated to ensure it is carried at the lower of cost and net realizable value based on the sales price for similar quality silica sand in the existing market. Significant or unanticipated changes in business conditions affecting demand and silica sand prices could impact the magnitude and timing of impairment recognized.

### **Exploration and evaluation expenditures**

Exploration and evaluation expenditures are recognized as an expense until the determination of technical feasibility and commercial viability which is subject to judgment. Once commercial viability is reached the Company will move out of the exploration and evaluation phase and into the Project development phase.

### **Right-of-use assets and lease liabilities**

Right-of-use assets lease terms consider the non-cancellable period along with facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Lease liabilities incremental borrowing rate is based on judgements about the economic environment in which the Company operates. Actual results could differ significantly as a result of these estimates and judgments.

### **Convertible debentures**

The fair value of the liability component of the convertible debentures utilizes observable market data, including interest rates. As a result of changes in key assumptions, actual amounts may vary significantly from estimated amounts.

## **Decommissioning liabilities**

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.

## **Share-based compensation**

The fair value of share-based compensation is estimated at the grant date using the Black-Scholes option pricing model, which includes underlying assumptions related to volatility, interest rates, dividends yields, and expected life of the options. By their nature, these inputs are subject to measurement uncertainty and require management to exercise judgment.

## **Income taxes**

The amounts recorded for deferred income taxes are based on estimates as to the timing of the reversal of temporary differences and tax rates substantively enacted. Tax regulations and legislation are subject to change and differing interpretations require management judgment. Income tax filings are subject to audits, reassessments and changes in facts, circumstances and interpretations of the standards may result in a material change in the Company's provision for income taxes.

## **New Accounting Policies**

The Company adopted the following new accounting policies during the year ended September 30, 2020:

- 1) The Company adopted IFRS 16, Leases ("IFRS 16" or the "New Standard") effective October 1, 2019 which replaced IAS 17, Leases ("IAS 17"). The New Standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Company elected the modified retrospective transition approach, which provides lessees a method for recording existing leases at adoption with no restatement of prior period financial information. Under this approach, a lease liability was recognized at October 1, 2019 in respect of leases previously classified as operating leases, measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate where the implicit rate in the lease is not readily determinable at transition. The right-of-use assets were measured at amounts equal to the respective lease liabilities, subject to certain adjustments allowed under IFRS 16. The Company elected to utilize practical expedients permitted under the New Standard for low-value asset leases and short-term leases which are expensed as incurred.

Adoption of the new standard at October 1, 2019 resulted in the recording of right-of-use assets and lease liabilities of \$101,684 related to property and vehicles. The implicit and incremental borrowing rate used to determine the lease obligation at adoption is approximately 8%. The right-of-use assets recognized were measured at amounts equal to the lease obligation. The new standard did not materially impact net loss or cashflows for the year ended September 30, 2020.

The new lease accounting standard IFRS 16 resulted in the following new accounting policies:

Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Company.

Lease liabilities are initially measured at the present value of unpaid lease payments, less any lease incentives. Lease payments include fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. Lease payments are discounted using the Company's incremental borrowing rate where the rate implicit in the lease is not readily determinable. Payments are applied against the lease obligation and interest expense is recognized on the lease obligations using the effective interest method.

Right-of-use assets are initially measured at the amount of the lease liability, plus any lease payments made at or before the commencement date, any initial direct costs, and estimated cost for dismantling or restoring the asset. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and impairment losses and adjusted for certain measurements of the lease liability.

Lease payments on short-term leases or leases on which the underlying asset is of low value are accounted for as expenses on a straight-line basis in net loss.

- 2) During the year ended September 30, 2020, the Company commenced selling silica sand into the Western Canadian market, resulting in inventory, revenue, and cost of goods sold. The following policies were adopted during the year ended September 30, 2020 in relation to this new sales activity:

#### **Inventory**

Sand inventory is stated at the lower of cost or net realizable value using the average cost method. The net realizable value of inventory is the estimated selling price in the ordinary course of business less estimated costs of completion and costs to sell. Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. The key assumptions require the use of management judgment regarding reliability of evidence available and are reviewed on a quarterly basis. Write-downs of inventory resulting from net realizable value impairments are reported as a component of operating expenses.

#### **Revenue recognition**

Sand sales revenue consists of the selling of silica sand into the Western Canadian market. The Company's performance obligations relate primarily to the delivery of these products to our customers, with each separate shipment representing a separate performance obligation. Revenue is recognized at the point in time when the customer obtains control of the product. Control is achieved when the shipment reaches the destination transload facility, the Company has a present right to payment for the product, significant risks and rewards of ownership have transferred to the customer according to contract terms and there is no unfulfilled obligation that could affect the customer's acceptance of the product.

- 3) During the year ended September 30, 2020, the Company adopted the following accounting policy as a result of qualifying for the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Business Account ("CEBA") programs:

#### **Government assistance**

Government grants are recognized when there is reasonable assurance that the relevant conditions of the grant are met and that the grant will be received. The Company records the grant in net loss as a reduction of the

cost of related expenditures in the period in which eligible costs are incurred. Where government grants are provided in the form of a forgivable loan, proceeds are recorded as a financial liability and not recognized as a reduction of the cost of the related expenditures incurred until reasonable assurance of forgiveness has been obtained.

## **Future Accounting Pronouncements**

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

## **Risks and Uncertainties**

The COVID-19 pandemic and general uncertainty in the financial and geopolitical realm, increases the Company's exposure to many of the risks described below including, but not limited to, the ability to obtain sufficient financing to advance the Project and remain a going concern.

There is a risk that the COVID-19 pandemic and the response thereto, may result in a prolonged continuation of adverse commodity prices affecting the Company's plans, increased volatility in financial markets and foreign currency exchange rates, significantly depressed share prices, health restrictions or guidelines adversely affecting the ability of the Company or third parties to efficiently conduct operations and/or an overall slowdown in the Canadian and global economies. These and other risks associated with the COVID-19 pandemic could result in events and circumstances that have a material adverse impact on the Company's business, financial condition and results of operations.

The course of the COVID-19 pandemic remains highly uncertain. The extent to which COVID-19 impacts the Company's business, financial condition and results of operations will depend on future developments which are currently unknown, including, but not limited to; the duration and severity of the pandemic, the impact of the pandemic on economic growth and commodity prices and financial and capital markets and government responses and restrictions. The adverse impacts of the COVID-19 pandemic may be more significant in upcoming financial periods as compared with the year ended September 30, 2020. Even after the COVID-19 pandemic has subsided, the Company may continue to experience materially adverse effects as a result of the pandemic's global economic impact.

### **General Risks/No History of Operations**

The Company is an exploration stage company and does not hold any interest in any property which is in commercial production nor does it have a history of operations. 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 Company's viability lies in its ability to develop 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.

There is no assurance that the Company will be successful in achieving a return on an investment in common shares and the Company's likelihood of success must be considered in light of its early stage of operations.

### **Capital Risk**

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 favorable to the Company. In addition, low commodity prices or lack of demand for silica sand may affect the Company's ability to obtain financing.

### **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 other 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

### **Development Risks**

Mineral development and processing involve a high degree of risk. There is no assurance that the Company's silica sand 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. 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 labor shortages or strikes, equipment failures and other interruptions in production capabilities. Production costs may also be affected by increased stripping costs, labor 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 Company's future cash flow and overall financial performance

### **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 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 Price Risk**

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 silica sand. Silica sand prices fluctuate and are affected by numerous factors beyond the Company's control, such as 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 effect of these factors on the price of silica sand, and therefore the economic viability of any of the Company's Wanipigow Sand Project are speculated but cannot accurately be predicted.

### **Environmental Risk**

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.

### **Regulatory Risks Related to Silica Sand Quarry Operations**

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.

### **Land Title Risk**

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 annual 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 annual 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 and consistent quality of the Company's silica sand; the accuracy and veracity of information and projections sourced from third parties respecting, among other things, future industry conditions; demand for the Company's silica sand 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 silica sand for the various technical applications; 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; 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; labor 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, unfavorable, 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.