



**CANADIAN PREMIUM SAND INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the three and nine months ended**

**June 30, 2021**

**Dated July 28, 2021**

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*This Management's discussion and analysis ("MD&A") dated July 28, 2021, should be read in conjunction with the unaudited interim condensed financial statements and related notes for the three and nine months ended June 30, 2021 and the audited financial statements and related notes for the year ended September 30, 2020. Financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's accounting policies have been applied consistently to all periods presented unless otherwise stated. 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 Quarry 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. ("CPS")**

The Company was formed under the Business Corporations Act (Ontario) on September 21, 2005 by articles of incorporation and continued under the Canada Business Corporations Act in 2019. The Company is presently a "Venture Issuer" as defined in National Instrument 51-102 and trades under the trading symbol "CPS." The registered head office of the Company is in Calgary, Alberta.

The Company is evaluating the potential to manufacture high clarity flat glass through a Company owned facility in the greater Winnipeg area. It is currently evaluating several facility configurations and sizes to determine the most commercially viable production scenario and product offering.

The Company has 41 contiguous quarry leases located approximately 160 kilometers north of Winnipeg, Manitoba, that grant the Company the exclusive right to quarry silica sand ("Wanipigow Sand Quarry"). Laboratory testing of this quartzite sand deposit has confirmed the sand to be of very high silica content with low iron contamination. This combination of physical properties makes the sand very well suited for use as the base material to formulate low iron, high clarity glass.

The Company's silica sand deposit is extensive as detailed in a National Instrument 43-101 ("NI 43-101") compliant Technical Report dated March 20, 2020. This report and the associated economics were based primarily on quarrying silica sand to be sold as proppant to the oil and gas industry. The typical silica sand mass requirements of a single flat glass plant are substantially less than the extraction rate used in the March 20, 2020 Technical Report which means the Company would have ample silica sand supply to pursue other industrial market opportunities.

The Company has separate economic participation agreements with Hollow Water First Nation and the Incorporated Community of Seymourville which reflect the parties' commitment and support for the Wanipigow Sand Quarry.

A Conditional Use Order has been granted to the Company by the Incorporated Community of Seymourville (the "Conditional Use Order"), approving the conditional use of lands within its jurisdictional boundaries for the Wanipigow Sand Quarry. This includes accessory uses, buildings and structures. The Company has also secured an environmental license with respect to operating the Wanipigow Sand Quarry, Environment Act License No. 3285: <https://www.gov.mb.ca/sd/eal/registries/5991wanipigow/index.html>.

## Operational Highlights

The Company has devoted its time and resources during the three and nine months ended June 30, 2021, to developing and refining its flat glass manufacturing business strategy. These efforts include:

- Closing a non-brokered private placement of 20,799,200 common shares at \$0.25 per share, for gross proceeds of \$5,199,800 in June 2021.
- Performing additional laboratory testing of the Company's silica sand to further refine the Company's knowledge of the sand deposit to optimise the approach to quarry operations in support of the manufacture of extra clear flat glass.
- Understanding and quantifying the North American market for general flat glass through data gathering and analysis including direct customer engagement.
- Conducting a detailed study into the market potential and logistics dynamics related to low-iron, extra clear glass in solar panel and energy efficient architectural glass applications.
- Developing internal financial forecasts and models in anticipation of construction and operation of a flat glass manufacturing facility.
- Building the Company's understanding of flat glass plant design and operation through engagement with industry expertise in equipment and technology.

## Subsequent Events

Subsequent to the period ended June 30, 2021, the Company announced it has completed the following activities:

- Engaged CM Project Ing GmbH, a firm recognized in the flat glass industry as global experts, to conduct a Front-End Engineering and Design study for the Company's proposed flat glass manufacturing facility.
- Entered into a contract with AECOM's Winnipeg based team to assist the Company with its environmental and regulatory applications process with respect to the flat glass manufacturing facility.
- Completed a non-brokered private placement of 3,572,000 common shares at a price of \$0.35 per share, for gross proceeds of \$1,250,200.
- Expanded the senior management team to include Alasdair Knox, Vice President, Project Engineering.

## COVID-19 Impact and Our Response

During the COVID-19 pandemic, the Company has followed public health requirements and guidelines that focused on the health and safety of its staff, contractors and stakeholders and is continuing to do so as requirements change. The COVID-19 pandemic has resulted in a slowdown of the global economy and significant volatility in the financial markets. Despite the strained financial market conditions, the Company successfully closed a private placement of common shares for gross proceeds of \$5,199,800 in June 2021 to fund the development of the flat glass manufacturing facility and an additional \$1,250,200 in July 2021. 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 and Markets

On February 3, 2021, the Company announced a shift in the direction of the Company's business strategy to focus on the construction of a sustainable flat glass manufacturing facility in the greater Winnipeg area that utilizes the high-quality silica sand from the Wanipigow Sand Quarry.

Based on a detailed study performed by GlassGlobal GmbH, North America currently has a manufacturing supply deficit for architectural flat glass and solar grade flat glass. Establishing a flat glass facility in Canada using responsibly sourced local silica sand and Canadian renewable energy creates a unique opportunity to provide much needed sustainably manufactured flat glass to Canadian and USA markets in an environmentally responsible manner. The greater Winnipeg area presents an opportunity for significant long-term manufacturing cost and logistics advantages for a flat glass facility

focused on energy efficient products like architectural glass and solar glass. The proposed facility would be designed to utilize the best available technology with a focus on sustainability initiatives such as waste heat recovery and optimizing use of Manitoba's abundant and inexpensive renewable electricity to set a new standard for capital efficient, low-carbon footprint glass manufacturing.

The Company expects during the second half of 2021 to confirm site selection, facility design, site layout, along with forecasting associated capital and operating costs. The Company will also initiate offtake discussions in concurrence with the Front-End Engineering and Design study. The Company plans to secure funding and commence construction of the flat glass facility in 2022.

## Review of Operations for the Three and Nine Months Ended June 30, 2021 and 2020

### Overall Performance and Share Capital

	Three months ended June 30,		Nine months ended June 30,	
	2021	2020	2021	2020
Net loss and comprehensive loss	<b>\$(690,275)</b>	\$(400,548)	<b>\$(1,483,936)</b>	\$(984,054)
Loss per share – basic and diluted	<b>\$(0.03)</b>	\$(0.02)	<b>\$(0.07)</b>	\$(0.05)
Weighted average shares outstanding – basic and diluted	<b>23,758,649</b>	21,244,460	<b>22,082,523</b>	21,244,460

The Company will continue to incur losses based on the level of activity, until it achieves commercial viability. As noted in the Liquidity, Capital Resources and Going Concern section of this MD&A, the Company remains dependent on external financing to fund its activities and will need to seek additional funding to complete all activities required to complete the evaluation and construction of a flat glass manufacturing facility.

At July 28, 2021, the issued and outstanding common shares are 45,615,660.

### Exploration and Evaluation Expenditures

The exploration and evaluation expenditures relate to the development of the Wanipigow Sand Quarry and are broken down by category as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Advance royalty payments	<b>50,000</b>	50,000	<b>100,000</b>	100,000
Acquisition and participation costs	<b>25,866</b>	25,708	<b>50,760</b>	28,358
Permitting and environmental	<b>1,949</b>	3,139	<b>2,585</b>	18,316
Logistics	-	6,944	-	24,823
Silica sand feasibility	<b>17,607</b>	3,712	<b>88,432</b>	89,637
Field office expenses	<b>1,393</b>	5,566	<b>2,186</b>	71,009
Labour	<b>33,491</b>	30,503	<b>94,828</b>	347,975
Equipment rental and site supplies	<b>520</b>	6,399	<b>4,124</b>	266,151
Quarry design	<b>(2,834)</b>	-	<b>(2,834)</b>	10,008
Depreciation	<b>3,627</b>	9,641	<b>12,585</b>	34,112
Decommissioning	-	16,162	<b>(16,846)</b>	16,162
<b>Total exploration and evaluation expenditures</b>	<b>131,619</b>	157,774	<b>335,820</b>	1,006,551

The costs incurred during the three and nine months ended June 30, 2021 primarily relate to core sample lab testing and industrial applications research along with related labour at the site and quarry lease payments. In the three and

nine months ended June 30, 2020, the majority of the costs primarily relate to brush clean-up, trail closure activities and quarry lease payments.

Wage and rent subsidies are netted in exploration and evaluation expenditures for the three and nine months ended June 30, 2021 of \$10,987 and \$44,269 (three and nine months ended June 30, 2020 were \$10,164 and \$10,164) received as part of the Canada Emergency Wage and Rent Subsidy ("CEWS" and "CERS") programs.

The cumulative exploration and evaluation expenditures at June 30, 2021 are \$19,712,279.

#### Development Expenditures

	Three months ended June 30,		Nine months ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Plant feasibility	29,890	-	88,804	-
Labour, equipment & supplies	33,750	-	33,750	-
Permitting & Environmental	9,300	-	27,900	-
<b>Total development expenditures</b>	<b>72,940</b>	<b>-</b>	<b>150,454</b>	<b>-</b>

In February 2021, the Company announced a change in strategic direction to focus on the construction of a sustainable flat glass manufacturing facility in the greater Winnipeg area that utilizes the high-quality silica sand from the Wanipigow Sand Quarry. Expenses incurred for the development of the flat glass manufacturing facility for the three and nine months ended June 30, 2021, are detailed in the table above by category.

#### Selling, General & Administrative Expenditures

	Three months ended June 30,		Nine months ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Employee compensation and benefits	82,404	51,278	199,893	226,941
Professional fees	140,828	111,332	335,987	438,532
Office	32,502	18,992	56,901	105,991
Shareholder information	21,856	1,296	61,259	35,028
<b>Total selling, general and administrative expenditures</b>	<b>277,590</b>	<b>182,898</b>	<b>654,040</b>	<b>806,492</b>

In early 2020, the Company took measures to lessen the impact of the economic slowdown due to COVID-19 which included reducing executive compensation, reducing consulting and legal fees, negotiating rent reductions on office space and decreasing travel and office expenditures. During the three months ended June 30, 2021, the Company reinstated certain executive salaries back to pre-COVID rates, redesigned its website and incurred additional professional fees related to the ramp up of activity related to capital markets engagement and further development of plans for the flat glass manufacturing facility.

Wage and rent subsidies are netted in selling, general & administrative expenses for the three and nine months ended June 30, 2021 of \$21,944 and \$79,464 (three and nine months ended June 30, 2020 were \$20,328 and \$20,328) received as part of the CEWS and CERS programs.

## Sand Sales Operations

	Three months ended June 30		Nine months ended June 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Sand sales revenue	-	-	-	1,143,918
Cost of sales	-	-	-	1,044,056
<b>Gross profit</b>	-	-	-	<b>99,862</b>
<b>Volumes in metric tonnes</b>	-	-	-	<b>13,335</b>

During the early part of 2020, the Company sold 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 COVID-19 pandemic. There were no third-party sand sales for the Company during the three and nine months ended June 30, 2021.

## Share-Based Compensation

Share-based compensation expense for the three and nine months ended June 30, 2021, are \$147,133 and \$198,577 (three and nine months ended June 30, 2020, were \$13,135 and \$220,989). Share-based compensation expense is based on the value and timing of grants of stock options. There were options granted of 1,190,000 on June 25, 2021. During the nine months ended June 30, 2021, 420,000 options expired and 10,000 were forfeited. During the nine months ended June 30, 2020, 350,000 options were granted and 120,000 were forfeited.

## Foreign Exchange (Gain) Loss

There was a foreign exchange gain for the three and nine months ended June 30, 2021, of \$(12,890) and \$(72,939), (three and nine months ended June 30, 2020, there was a foreign exchange gain of \$(68,971) and foreign exchange loss of \$67,924). 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 in 2020.

## Net Finance Costs

The Company had net finance costs for the three and nine months ended June 30, 2021, of \$73,883 and \$209,617, (three and nine months ended June 30, 2020 of \$62,459 and \$77,324). The increase in net finance costs is primarily attributable to accrued interest on the convertible debentures issued in February 2020.

## Selected Quarterly Financial Data

	June 31, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
		\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>	-	-	-	208,807	-	912,813	231,105	-
<b>Gross profit (loss)</b>	-	-	-	(19,214)	-	79,449	20,413	-
<b>Net (loss) income</b>	<b>(690,275)</b>	(394,127)	(399,536)	(132,133)	(400,548)	131,883	(715,389)	(1,542,055)
<b>Net (loss) income per share</b>	<b>\$(0.03)</b>	\$(0.02)	\$(0.02)	\$(0.01)	\$(0.02)	\$0.01	\$(0.03)	\$(0.07)
<b>Total assets<sup>1</sup></b>	<b>4,474,054</b>	659,210	1,006,146	1,553,741	2,041,568	2,626,823	1,474,152	2,244,459

<sup>1</sup>The change in net (loss) income and total assets quarter over quarter is primarily a result of the timing and amount of exploration and evaluation expenditures incurred. 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.

## Liquidity, Capital Resources and Going Concern

The 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 June 30, 2021 the Company had a deficit of \$29,046,143 (September 30, 2020 of \$27,562,207), cash of \$4,427,553 (September 30, 2020 of \$1,262,485), accounts payable and accruals and current lease liabilities of \$1,569,854 (September 30, 2020 of \$2,607,850), and commitments for the acquisition of quarry leases and participation agreements for the twelve-month period to June 30, 2021 of \$158,500.

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 developing the Wanipigow Sand Quarry to support a sustainable flat glass manufacturing facility and successful pursuit of additional financing to fund future operations. 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 has successfully closed two private placements in June and July 2021 for aggregate gross proceeds of \$6,450,000 to fund the Front-End Engineering and Design for a glass manufacturing facility in the greater Winnipeg area, initiate permitting applications and other key activities to progress the business plan, as well as for general working capital purposes. Once the Company has completed its evaluation of the flat glass manufacturer facility and Wanipigow sand quarry, it will pursue funding to construct the glass manufacturing facility and quarry. 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 global economic slowdown 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 future 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 Company's Directors and Officers as at June 30, 2021 are as follows:

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

Related party transactions during the periods presented are as follows:

The Company completed a private placement for an aggregate of 20,799,200 common shares (the "Common Shares") at a price of \$0.25 per Common Share for gross proceeds of \$5,199,800, on June 15, 2021. The Company's significant shareholder, Paramount Resources Ltd. and certain directors and officers participated in the private placement and subscribed for an aggregate of 5,050,700 Common Shares for gross proceeds of \$1,262,675.

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 on February 26, 2020, thereby making the Offering a “related party transaction” as defined under Multilateral Instrument 61-101.

During the three and nine months ended June 30, 2020, the Company sold third party sand in the amount of \$nil and \$1,043,527, to a company in which Director Todd Garman, is the President. There have been no sales of third-party sand in 2021.

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.

## 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 June 30, 2021	Payments due by period		
	Less than 1 year	1-3 years	4 -5 years
	\$	\$	\$
Quarry lease agreements <sup>1</sup>	58,500	175,500	117,000
Royalty and participation agreements <sup>2</sup>	100,000	425,000	-
<b>Total commitments</b>	<b>158,500</b>	<b>600,500</b>	<b>117,000</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>Certain of the royalty and participation agreements require payments to be made prior to the commencement of commercial production. Once commercial production commences, royalty and participation payments are based on tonnes sold, less any reductions related to advanced royalty payments already made as described in further detail below.

### a) Royalty and Economic Participation Agreement Commitments

The Company has economic participation agreements with respect to the Wanipigow Sand Quarry with Hollow Water First Nation and the Incorporated Community of Seymourville (together, the "Economic Participation Agreements"). The Company has also entered into various contractual agreements relating to the acquisition of title for 18 of its quarry leases.

Certain of the royalty and participation agreements entered into, required payments to be made prior to the commencement of commercial production as noted in the table above. A portion of the payments made to date, plus applicable accrued interest, are considered advance royalty payments (\$2,272,366 at June 30, 2021 compared to \$2,034,280 at June 30, 2020) which can be offset against specified future royalty payments owing when commercial production commences.

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

## **b) 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 if the Timmins properties achieve commercial production. The NSR payable to the Company is capped at \$5,000,000.

## **FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL AND OTHER RISK**

### **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 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. At June 30, 2021, the fair value of the convertible debentures is \$2.5 million.

### **b) Credit and interest rate risk**

The Company's credit risk is primarily attributable to cash and cash equivalents and trade and other receivables included in current assets. Cash and cash equivalents consist of bank deposits, which are held by a Canadian chartered bank. At June 30, 2021 the Company holds interest-bearing cash balances of \$4,318,112 (September 30, 2020 was \$1,080,402). The Company has collected the trade and other receivables balance in full, subsequent to the period end.

### **c) 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. For the nine months ended June 30, 2021, 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 in aggregate by approximately \$120,000. Included in accounts payable and accruals at June 30, 2021 is USD \$837,533 and EUR \$nil (September 30, 2020 was USD \$974,110 and EUR \$4,950).

## **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

## **Critical Accounting Estimates**

The preparation of the interim condensed 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.

A description of the significant accounting judgments, estimates and assumptions are set out in annual audited financial statements for the year ended September 30, 2020.

## **New Accounting Policies and Future Accounting Pronouncements**

The significant accounting policies adopted in the preparation of these interim condensed financial statements are the same as those set out in the annual audited financial statements for the year ended September 30, 2020 except as noted below. Unless otherwise stated, these policies have been consistently applied to all periods presented.

During the nine months ended June 30, 2021, the Company announced a shift in strategic direction and incurred expenses related to the development of a flat glass manufacturing facility. These development costs are expensed as incurred in the statement of loss and comprehensive loss.

At the Company's annual general meeting of shareholders held on March 30, 2021, shareholders approved a new restricted share unit plan ("RSU Plan"). The RSU Plan permits the Company to either redeem RSUs for cash or issue common shares of the Company from treasury to satisfy all or any portion of a vested RSU award. The fair value of restricted share units is expensed over the vesting period. At each reporting date between grant date and settlement, the fair value of the liability is re-measured with any changes in fair value recognized in the statement of loss and comprehensive loss.

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 development of a flat glass manufacturing facility 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 business conditions 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. 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 and its lasting impact on the Company's ability to execute on its strategic plans with efficiency due to; inhibited access to capital, restrictions on travel and in person meetings and difficulties recruiting and re-locating potential staff members.

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

The Company does not own any assets that are in commercial production nor does it have a history of operations. As such, the Company is dependent on further external financing to continue to develop the flat glass manufacturing facility and associated sand quarry. In order to carry out the planned development 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, finance, construct and generate future revenue profits and cash flow from a flat glass manufacturing facility.

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 evaluation, development and construction and activities of the Company required to achieve commercial production will require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of a sustainable flat glass manufacturing facility. 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.

### **Industry Risks**

The Company is subject to numerous risk factors that may affect its business prospects in the future. These include risks inherent to the development and operation of the sand quarry and flat glass facility, dependence on key personnel, raw material input prices, product sales prices, 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**

The development of the flat glass manufacturing facility and associated quarry involves a high degree of risk. There is no assurance that the Company's development 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 program. The development of the flat glass manufacturing facility and associated quarry 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 raw materials input costs, labour costs, revisions to processing plant plans, production waste, quality and other characteristics of the flat glass produced, risks and hazards associated with the operations, unexpected labor shortages or strikes, equipment failures and other interruptions in production capabilities. Production costs may also be affected by 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.

### **Price Risk**

The price of the Company's common shares, its financial results, and development activities have been, or may in the future be, adversely affected by changes in the price of raw materials used in manufacturing and the external market price of the products produced and sold. These 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, market speculation activities, improved production methods, international economic and political trends and the entrance of new competitors in the business. The effect of these factors on the input costs and price of the Company's products, and therefore the economic viability of the Company, 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**

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.

### **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 unaudited condensed interim 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 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 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 flat glass manufacturing facility and associated sand quarry; the ability to transport raw materials to the flat glass manufacturing facility and the ultimate products sold; 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; 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 flat glass manufacturing 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 flat glass manufacturing facility and associated sand quarry; no material capital project and financing cost overrun or delay related to the construction of the facility; 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 raw material input cost prices; product market 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; 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 glass products; 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; the supply and demand and future projected growth of the markets in which the Company operates 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 glass products and raw materials input costs; 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 flat glass manufacturing and sand quarry industries, 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 products; 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.