

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS NINE MONTHS ENDED SEPTEMBER 30, 2020

The following Interim Management's Discussion and Analysis ("**MD&A**") of the financial condition and results of operations of Whitemud Resources Inc. ("**Whitemud**" or the "**Company**") has been prepared by management of Whitemud and should be read in conjunction with the Company's unaudited condensed interim financial statements for the nine months ended September 30, 2020 (the "**Financial Statements**"). The Company has prepared this MD&A in accordance with the provisions of Section 2.2.1 of Form 51-102F1 - *Management's Discussion and Analysis*.

The Financial Statements and accompanying notes of the Company have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and require management to make estimates and assumptions that affect amounts reported and disclosed in the Financial Statements and related notes.

The Board of Directors, on recommendation of the Audit Committee, approved the contents of this MD&A on November 12, 2020. Disclosure contained in this document is current to this date, unless otherwise stated. Some of the statements made herein contain "forward-looking information". Please see "*Cautionary Notes Regarding Forward-Looking Statements*". Additional information on Whitemud is available on the Company's profile through the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

GENERAL BUSINESS DESCRIPTION

The Company developed kaolin resources in the Wood Mountain area of southern Saskatchewan for the production and marketing of metakaolin. Metakaolin is a high performance supplementary cementing material used as a performance enhancing additive to concrete. Metakaolin can replace up to 20% of the cement used to make concrete while enhancing performance and reducing cost.

Midstream Energy Partners division of Whitemud was formed with the intention of diversifying the Company's revenue streams through the marketing of liquefied petroleum gas ("**LPG**") commodities in addition to its kaolin and metakaolin products. Commodity marketing contracts are subject to a bidding process with contracts usually entered into for terms of one year.

COMPANY OUTLOOK AND GOING CONCERN

The Financial Statements were prepared by management in accordance with IFRS applicable to a going concern entity, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The uncertainty in the use of the going concern assumption is impacted by the factors described below. The Financial Statements do not reflect any adjustments relating to the recoverability and classification of recorded assets or liabilities that may be necessary should the Company be unable to continue as a going concern. Nor do these Financial Statements reflect any adjustments linked to significant declines in crude oil spot prices and the impact of the Coronavirus pandemic. The Company continues to work on forecasts in light of these conditions.

In the fourth quarter of 2019, the Company prepared a Filing Statement to reclassify Whitemud from a Mining Issuer to a Tier 2 Industrial Issuer as a result of the growth of the Company's LPG business through its Midstream Energy Partners division. The division was created in an effort to diversify its business.

As at September 30, 2020, the Company had a working capital deficiency of \$15,123,153 (December 2019 – \$16,598,615). For the period then ended, the Company had net income of \$1,038,555 (2019 – \$1,702,615) and operating cash flow of \$657,958 (2019 – \$80,159) with a resulting accumulated deficit of \$99,006,625 (December 2019 – \$100,045,180). In order for the Company to continue operations for the longer term, including generating sufficient cash flows and ultimately attaining profitable operations, additional financing must be obtained.

Additionally, the Company requires the continuing support of its creditors, Kasten Resources Inc. ("**Kasten**") and Petrogas Energy Corp. ("**Petrogas**" and together with Kasten the "**Creditors**"). To that

end, the Creditors forgave all interest accrued on the notes payable in 2018, and provided an undertaking to extend the maturity date of the loan to December 31, 2020, not demanding repayment without providing prior written notice to the Company and the TSX Venture Exchange. There is a debt repayment plan whereby the Company contemplates making quarterly principal payments of \$250,000 against the secured debt subject to sufficient earnings and cash flow. The Company has reduced the notes payable by \$2,000,000 since the interest forgiveness took place.

To achieve profitability from future metakaolin operations management believes that the Company must gain market acceptance for the Company's product to improve sales revenues and promote the ongoing support of the Creditors. This will require significant capital expenditures. Customer demand to date and economic conditions have not supported making these enhancing capital expenditures at this time.

Management anticipates that the Company has sufficient inventory to meet demand for the Company's metakaolin during the 2020 fiscal year. The Company continues to provide metakaolin to customers by truck and rail from its storage facility and management does not believe that any change to the distribution procedures of the product is necessary.

Management anticipates that metakaolin revenue generation in 2020 will continue to be challenging for customers in the oilfield services industry, a significant market for the Company's product, which will negatively affect the Company's metakaolin revenue for the 2020 fiscal year. Metakaolin sales were 51% less than the same period of 2019.

As a result of the going concern circumstances described above and in notes 1 and 8 of the annual audited financial statements, an impairment of \$400,000 (2019-\$500,000) was recorded against metakaolin buildings and equipment assets in 2020. The Company estimated internally generated future cash flows discounted to their present value using a risk adjusted interest rate of 14.20%. The cash flows did not support the carrying amount of the assets. In determining fair value, the Company considered current costs, the long term view of the uses for its products and recent sales volumes. The Company estimated the net recoverable amounts of the assets to be approximately \$500,000 for the land, buildings and equipment pertaining to metakaolin assets.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to a revised estimate of its recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

The LPG marketing business is dependent upon commodity price, access to and cost of transportation, risks associated with product supply, risks of customer demand, weather related demand conditions and the ability of customers to pay for LPG's delivered to them. There is no assurance that contracts may be obtained, extended or re-negotiated under commercially acceptable terms. See "*Risks and Uncertainties*".

In summary and without limiting the foregoing, the ability of the Company to continue as a going concern and realize the carrying value of its assets and discharge its liabilities when due, is dependent on the Company's ability to generate improved market acceptance for the Company's product, increase sales, secure financing, receive the ongoing support of the Creditors and enhance its operations. There is no certainty that these or any other strategies that may be identified by management will be sufficient to permit the Company to continue beyond the immediate future as such strategies are contingent upon the conduct and behavior of parties over which the Company has no control, namely new equity or debt funds from shareholders, investors and lenders, improved industry conditions and market acceptance for the Company's products. For additional risks and uncertainties relating to the Company see "*Risks and Uncertainties*".

RESULTS OF OPERATIONS

For the three months ended September 30, 2020, the Company had net income (loss) of \$(131,383) (\$0.00 per share) compared to a net income of \$613,336 (\$0.002 per share) for the three months ended September 30, 2019. The net income for the nine months ended September 30, 2020 was \$1,038,555 compared to \$1,702,615 for the same period of 2019. Note 15 of the interim unaudited financial statements provides a breakdown of operations by division.

Metakaolin Division

Revenue

Revenue from the sale of metakaolin decreased 51.1% to \$68,020 for the nine months ended September 30, 2020 compared to \$139,347 for the same period in 2019. This was a result of a decrease in revenue from sales to customers in the oilfield services industry. The net loss for the three months ended September 30, 2020 was \$580,792 compared to a net loss of \$309,118 for the three months ended September 30, 2019. An impairment charge of \$400,000 contributed to the increased loss in 2020. The Company has reduced general and administrative costs .

At September 30, 2020, there were 2,174 tonnes (2019 – 2,502 tonnes) of finished metakaolin in bulk inventory available for sale.

Operating Expenses

Operating expenses for the nine months ended September 30, 2020 were \$531,708 (2019 - \$640,423). General and administration expenses for the nine months ended September 30, 2020 were \$85,155 (2019 - \$201,263). Professional fees for preparation and submission of a Filing Statement to change the reclassification of the Company on the TSX Venture Exchange to a Tier 2 issuer accounted for expenditures of \$32,179 in the first nine months of 2020 compared to \$147,088 in 2019.

Finance charges for the nine months ended September 30, 2020 were \$10,320 (2019 - \$5,086). The lenders have forgiven all interest accrued on notes payable, made the notes non-interest bearing, and extended the maturity date of the loan to December 31, 2020.

Depreciation expense for the three months ended September 30, 2020 was \$13,750 (2019 - \$43,332). The reduction in expense is due to impairments taken between 2018 and 2020 leaving less assets to depreciate.

Impairment

As a result of the going concern circumstances noted in note 1 of the financial statements, the economic uncertainties surrounding the oil and gas industry, the impacts of COVID - 19 and the inability of the Company to increase the uses for its products, an impairment was recorded in 2020 in the amount of \$400,000 (2019- \$500,000).

Midstream Energy Partners Division

For the nine months ended September 30, 2020 Midstream Energy Partners division had net revenue in the amount of \$2,249,065 (2019 - \$2,995,446). Net butane revenue decreased by \$448,939 however there were no propane sales in 2020 (2019 - \$297,442). The division contributed net income of \$2,249,065 to the Company in 2020 compared to \$2,532,203 in the first half of 2019.

There have been no exploration expenditures, research and development expenses or other material costs that would need to be disclosed that have not been reflected in the audited financial statements or this document.

LIQUIDITY

At September 30, 2020, the Company had a working capital deficiency of \$15,123,153 (2019 – \$16,598,615). The Financial Statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards, which assumes Whitemud will realize its assets and discharge its liabilities and commitments in the normal course of business. The application of the going concern concept is dependent upon the ability of the Company to raise additional capital to support ongoing activities, gain market acceptance for its metakaolin and achieve profitable operations. The Creditors have agreed to forgive all accrued interest on the notes payable, make the notes non-interest bearing, and have agreed not to demand repayment of the notes until December 31, 2020 without providing prior written notice to the Company and the TSX Venture Exchange. Operations have been funded through loan facilities provided by the Creditors as described below under “*Capital Resources - Current Loan*

Facilities". The Company does not have the ability to fund development or operating costs from operations and requires the ongoing support of the Creditors.

CAPITAL RESOURCES

Current Loan Facilities

In connection with a forbearance agreement entered into between the Company and its principal lender in October 2010, Deloitte and Touche (the "**Receiver**") was appointed Receiver and Manager of the Company. In July 2011, the Receiver filed a proposal to the creditors of the Company, which was approved by the various classes of creditors (the "**Proposal**"). In August, 2011, the Proposal was ratified by the Court of Queen's Bench of Alberta in a court order (the "**Court Order**") and a new Board of Directors was appointed which in turn appointed new management of the Company. Following the Proposal, the Company entered into an agreement with parties previously related to directors and officers of Whitemud to establish two borrowing facilities as follows:

The Company has the following notes payable:

	September 30, 2020	December 31, 2019
Kasten Energy Inc. ^{(a), (c)}	\$1,139,561	\$1,139,561
Petrogas Energy Corp. ^{(b), (c)}	\$21,500,000	\$23,000,000
	\$22,639,561	\$24,139,561

Notes:

- (a) Kasten provided operational and Proposal funding of \$1,139,561 during receivership.
- (b) Petrogas Energy Corp. provided operational and proposal funding during receivership of \$15,984,062 and operational funding of \$7,515,938 (2019-\$7,515,938) after receivership to recommence operations.

Capital Expenditures

There were capital expenditures of \$11,278 (2019 - \$nil) for the period ended September 30, 2020.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements at the time of this management discussion and analysis.

FINANCIAL AND OTHER INSTRUMENTS

The Company's cash and cash equivalents and restricted cash are measured at fair value through profit or loss. The Company does not have a hedge or other risk control strategy in place.

OUTSTANDING COMMON SHARES

The Company is authorized to issue an unlimited number of Class A voting and an unlimited number of Class B non-voting common shares. The Company has issued 34,026,300 Class A common shares and 326,499,700 Class B non-voting common shares as at September 30, 2020.

TRANSACTIONS BETWEEN RELATED PARTIES

As disclosed in Note 14 of the financial statements, the Company had significant transactions with Petrogas Energy Corp and Petrogas Inc, related parties. In 2020, the Company generated LPG sales of \$14,200,892 (2019 - \$15,681,768) to Petrogas entities. The cost of goods sold was \$12,432,656 (2019- \$6,565,196). The Company intends to continue with its marketing and distribution initiatives in an attempt to generate income and stabilize the Company financially.

RECENT AND FUTURE ACCOUNTING PRONOUNCEMENTS

The Financial Statements, including comparatives, are presented in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committees (“IFRIC”).

The following are standards or amendments to existing standards as well as future accounting pronouncements that are relevant to the Company’s financial statements:

- IFRS 16 - Leases

The Company has adopted these standards. The adoption of these standards had no impact on the amounts recorded in the Company’s Financial Statements.

CRITICAL ACCOUNTING ESTIMATES

Whitemud prepares its financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (“IASB”). In doing so, management is required to make various estimates and judgments in determining the reported amounts of assets and liabilities, revenues and expenses for each year presented and in the disclosure of commitments and contingencies. Management bases its estimates and judgments on its own experience, guidelines established by the Canadian Institute of Mining, Metallurgy and Petroleum and various other factors believed to be reasonable under the circumstances. In reference to the Company’s significant accounting policies as described in note 3 to the Financial Statements, management believes the following critical accounting policies reflect its more significant estimates and judgments used in the preparation of the Financial Statements.

Inventories are valued at the lower of weighted average production cost and net realizable value, while consumable supplies and spares are valued at the lower of weighted-average cost and replacement cost. Determination of realizable value or replacement costs requires estimates to be made for costs to complete and sell inventory. Management periodically makes estimates regarding whether an allowance is necessary for slow moving or obsolete consumable supplies and spares inventories.

In 2016, the Company changed the rate of depreciation to better reflect the useful lives of the processing plant and equipment. Under IFRS, this change is considered a change in accounting estimate and accounted for prospectively by amortizing the cumulative changes over the remaining useful life of the related assets. Mobile equipment and other administrative-type assets are depreciated according to the declining balance or straight-line method, based on an estimate of their useful lives.

Significant decommissioning and reclamation activities are often not undertaken until substantial completion of the useful lives of productive assets. Regulatory requirements and alternatives with respect to these activities are subject to change over time. A significant change to either the estimated costs or recoverable reserves would result in a material change in the amount charged to earnings.

If it is determined that carrying values of property, plant and equipment cannot be recovered, then the asset is written down its recoverable amount. Any excess of book value over recoverable amount is charged to income in the period in which the impairment is determined. Recoverability and fair value assessments are dependent upon assumptions and judgments regarding future prices, costs of production, sustaining capital requirements and economically recoverable reserves and resources. A material change in assumptions may significantly impact the potential impairment of these assets.

The Company uses the liability method of accounting for deferred income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities, calculated using the currently enacted or substantively enacted tax rates anticipated to apply in the period that the temporary differences are expected to reverse. Deferred income tax inflows and outflows are subject to estimation in terms of both timing and amount of future taxable earnings. Should these estimates change the carrying value of income tax assets or liabilities may change.

Grants under Whitemud's stock-based compensation plans are accounted for in accordance with the fair-value-based method of accounting. For stock-based compensation plans that will settle through the issuance of equity such as stock options, the fair value of stock options is estimated using the Black-Scholes option pricing model. These valuation models require the input of certain assumptions including expected share price volatility.

RISKS AND UNCERTAINTIES

The continued operation, development and exploitation of the Company's kaolin resources and operation of its processing plant involve a high degree of financial risk. The risk factors which should be taken into account in assessing the Company's activities include, but are not limited to, those set out below and described under "*Cautionary Note Regarding Forward Looking Statements*". These risks are not presented in any order of priority. Any one or more of these risks could have a material effect on the operations and financial condition of the Company and should be taken into account in assessing the Company's activities.

The Company may not be able to continue as a going concern.

The Financial Statements have been prepared on a going concern basis in accordance with IFRS, which assume Whitemud will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The application of the going concern concept is dependent upon the ability of the Company to raise additional capital to support ongoing activities, receive continued support of its creditors, and achieve profitable operations. To date, the Company's main source of cash resources has been through the issuance of equity and debt. This dependence on the private and public market to fund cash flow needs of the Company has resulted in management including a "Nature of the Organization and Future Operations" note in the Financial Statements.

The Company is subject to risks of commodity marketing and distribution

Commodity marketing contracts are subject to a bidding process with contracts usually entered into for terms of one year. The LPG marketing business is dependent upon commodity price, access to and cost of transportation, risks associated with product supply, risks of customer demand, weather related demand conditions and the ability of customers to pay for LPG's delivered to them. There is no assurance that contracts may be obtained, extended or re-negotiated under commercially acceptable terms.

The Company's revenue does not cover its expenses.

To date, the Company has not earned significant revenues and is developing markets for metakaolin. Whitemud does not have formal sales contracts and the Company has not exhibited consistent quality of product on a commercial scale including the fact that the process has not been proven at the large production levels projected. The Company's funds from operations are insufficient to fund current operations, meet obligations and provide the required working capital. As a result, additional capital investment is required.

The Company depends on the support of the Creditors to continue operations.

The Creditors have extended the maturity date of the loan to December 31, 2018 and there is no assurance that demand for payment will not be made at that date. Should financing not be readily available, market acceptance not achieved or support from the Creditors not obtained, the Company will face a severe lack of liquidity that could lead to a further cessation of operations.

The Company facilities are subject to operating risks.

Construction of the Company's processing facility and mine is complete and the Company has completed commissioning and testing of the plant. Risks include, without limitation, equipment failures, labour disputes, work stoppages and equipment delivery delays, all of which may have an adverse effect on the Company's ongoing operations and financial condition. Additionally, the Company must enhance the efficiency of its operations and achieve consistent quality product which it has not been able to do.

The Company operates in a competitive market and is not a market leader.

The cement products industry is competitive and prospective customers in the markets that the Company is targeting are frequently using lower priced inferior products in many instances to produce concrete. As a result the Company may not secure the sufficient metakaolin sales volumes to improve its financial condition.

The continuing economic downturn in the oil and gas industry hurts the Company.

The oil and gas industry is a key industry that the Company targets for the sale of its kaolin and metakaolin products. The continuing depression in oil and gas prices and development activity amongst oil and gas producers has negatively impacted the Company's ability to develop its customer base and market position. Without an improvement in the level of development activity in the oil and gas industry the Company may not achieve its sales objectives or improve its financial condition.

Mining and production of metakaolin is subject to numerous risks.

Mining involves a high degree of risk and the Company has a limited history of metakaolin operations. The Company currently depends on a single property with a kaolin resource. The Company's operations are subject to environmental risks and the actual costs of reclamation for the property are subject to regulatory body guidelines. Changes in government regulations could impact Whitemud's future financial performance.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements made herein contain "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company, government approvals, the costs and timing of the development and commissioning of the project and the Company's liquidity and capital resources. Without limiting the generality of the foregoing, the Company has made materially forward-looking statements: (i) under the heading "General Business Description" with regard to the replacement of up to 20% of the cement used and ability to negotiate commercially acceptable commodity marketing contracts; (ii) "Liquidity and Capital Resources", regarding the sufficiency of working capital; and the necessity for additional financing; (iii) under the heading "Company Outlook and Going Concern" with regard to the improvement of operational efficiency and enhanced production process; and (iv) under the heading "Company Outlook and Going Concern", the assumption that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business, the uncertainty about the appropriateness of the going concern assumptions, the anticipated requirement for additional financing, generate improved market acceptance for the Company's product. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes", or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Material risk factors that could cause results to differ materially from any future results include the following risk factors: "Whitemud has no material operating revenue, history of Metakaolin or Kaolin project development or operations," is applicable to the forward-looking statements identified in (i) through (iv) above; "The Metakaolin market Whitemud is targeting is underdeveloped," is applicable to the forward-looking statements identified in (i)

and (iv) above; “Whitemud may not achieve sales volumes and sales prices for products,” is applicable to the forward-looking statements identified in (i) through (iv) above; “Whitemud does not have formal sales contracts,” is applicable to the forward-looking statements identified in (i) through (iv) above; “the Company has not exhibited consistent quality of product on a commercial scale” is applicable to the forward looking statements identified in (i) through (iv) above; “the process has not been proven at the large production levels projected,” is applicable to the forward-looking statements identified in (i) and (iv) above; “Mining/quarrying operations are subject to a high degree of risk,” is applicable to forward-looking statements made in (i) through (iv) above; “Government regulation may adversely affect Whitemud,” is applicable to forward-looking statements made in (iv) above; and “Whitemud’s distribution and sales of its products face uncertainty,” is applicable to forward-looking statements made in (i) and (iii) above. “No assurance that new business ventures will develop on a profitable and sustained basis or that the Company will have the necessary contractual commitments, resources, and working capital to continue with the new business ventures” is applicable to forward-looking statements made in (iii). The forgoing list of risk factors is not exhaustive. Additional information on risk factors is included under the heading “Risks and Uncertainties” in this MD&A, as well as general business, economic, competitive, political and social uncertainties; the actual results of exploration activities; actual results of reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of metakaolin and kaolin; possible variations of kaolinized ore deposit composition and qualities; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining government approvals or in obtaining sufficient debt or equity financing if required, or in the completion of development or construction activities, including the potential expansion of the plant. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. In making its forward-looking statements, the Company used, among others, the following material factors or assumptions to develop forward-looking information enumerated above: the target market for Whitemud will accept Whitemud’s metakaolin for its stated purpose, use of metakaolin remains economic, government regulations governing Whitemud’s title to mineral properties, its permits and plant operations will not change, the economic conditions will improve to an extent where the current suppressed concrete industry will improve to levels experienced prior to the economic downturn and that the various independent reviews conducted on the Company’s products and resources are accurate. Forward-looking statements contained herein are made as of the date hereof subject to the requirements of applicable securities legislation and except as otherwise required by law, the Company assumes no obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, the reader is cautioned not to place undue reliance on forward-looking statements.

OTHER INFORMATION

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com and at the Company’s website at www.whitemudresources.com.