



**SELECT SANDS
CORP.**

Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2021 and 2020

(Unaudited)

(Expressed in United States Dollars)

NOTICE

No auditor review of these condensed consolidated interim financial statements

The accompanying unaudited condensed consolidated interim financial statements of Select Sands Corp. (“the Company”), for the three months ended March 31, 2021, have been prepared by management and have not been the subject of a review by the Company’s external auditors.

Select Sands Corp.
Consolidated Interim Statements of Financial Position
(Expressed in United States Dollars)
(Unaudited)

| | March 31, 2021 | December 31, 2020 |
|---------------------------------------------------|----------------------|----------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | \$ 187,634 | \$ 265,961 |
| Accounts receivable (Notes 8 and 12a) | 1,550,930 | 1,553,921 |
| Inventory (Note 4) | 3,509,512 | 2,941,717 |
| Prepaid expenses | 91,302 | 90,440 |
| Investments (Note 5) | - | 268,672 |
| Total Current Assets | 5,339,378 | 5,120,711 |
| Deposits | 424,844 | 424,844 |
| Right-of-use assets (Note 6) | 807,800 | 896,830 |
| Property, plant and equipment (Notes 6 and 8) | 13,981,482 | 14,242,603 |
| Total Assets | \$ 20,553,504 | \$ 20,684,988 |
| LIABILITIES | | |
| Current | | |
| Line of credit (Note 8) | \$ 4,366,951 | \$ 4,418,067 |
| Accounts payable and accrued liabilities (Note 7) | 1,424,076 | 917,172 |
| Current portion of lease liability (Note 6) | 429,481 | 444,939 |
| Current portion of long-term debt (Note 8) | 1,718,024 | 1,145,476 |
| Total Current Liabilities | 7,938,532 | 6,925,654 |
| Decommissioning liability | 78,100 | 78,100 |
| Lease liability (Note 6) | 381,730 | 473,945 |
| Long-term debt (Note 8) | 4,485,437 | 4,752,870 |
| Total Liabilities | 12,883,799 | 12,230,569 |
| EQUITY | | |
| Share capital (Note 9) | 34,803,135 | 34,803,135 |
| Share-based payment reserve | 5,509,628 | 5,509,628 |
| Accumulated other comprehensive income | 9,856 | 11,732 |
| Deficit | (32,652,914) | (31,870,076) |
| Total Equity | 7,669,705 | 8,454,419 |
| Total Liabilities and Equity | \$ 20,553,504 | \$ 20,684,988 |

These consolidated financial statements were authorized for issue by the Board of Directors on May 28, 2021. They are signed on the Company's behalf by:

"Zigurds Vitols"
Director

"John Kime"
Director

-- The accompanying notes are an integral part of these consolidated financial statements --

Select Sands Corp.

Consolidated Interim Statements of Operations and Comprehensive Loss

(Expressed in United States Dollars)

(Unaudited)

| | For the Three Months Ended | |
|------------------------------------------------------------------|----------------------------|-----------------------|
| | March 31, 2021 | March 31, 2020 |
| Revenue | \$ 3,561,940 | \$ 3,590,857 |
| Cost of Goods Sold (excluding depreciation and depletion) | 3,597,555 | 4,411,169 |
| Gross Loss | (35,615) | (820,312) |
| Operating Expenses | | |
| Compensation and consulting (Note 7) | 167,339 | 226,399 |
| Depreciation and depletion (Note 6) | 404,312 | 270,670 |
| Interest on long-term debt | 146,795 | 78,528 |
| Selling, general and administrative (Note 7) | 122,984 | 117,659 |
| Total Operating Expenses | 841,430 | 693,256 |
| Operating Loss | (877,045) | (1,513,568) |
| Other Income (Expense) | | |
| Interest income | 221 | 2,582 |
| Foreign exchange (loss) gain | (1,340) | 33,767 |
| Gain on disposal of investments | 68,034 | - |
| Unrealized gain on investments | 26,817 | - |
| Gain on sale of Property, plant and equipment | 475 | - |
| Total Other Income | 94,207 | 36,349 |
| Net Loss for the Period | (782,838) | (1,477,219) |
| Other Comprehensive (Loss) Income | | |
| Foreign currency translation adjustment | (1,876) | (27,586) |
| Comprehensive Loss for the Period | \$ (784,714) | \$ (1,504,805) |
| Basic and Diluted Loss per Share | \$ (0.01) | \$ (0.02) |
| Weighted Average Number of Shares Outstanding (Note 13) | 88,563,316 | 88,563,316 |

-- The accompanying notes are an integral part of these consolidated financial statements --

Select Sands Corp.
Consolidated Interim Statements of Changes in Equity
Three months ended March 31, 2021 and 2020
(Expressed in United States Dollars)
(Unaudited)

| | SHARE CAPITAL | | SHARE-BASED PAYMENT RESERVE | ACCUMULATED OTHER COMPREHENSIVE INCOME | DEFICIT | TOTAL EQUITY |
|--------------------------------|---------------------|----------------------|-----------------------------------|-------------------------------------------------|------------------------|---------------------|
| | NUMBER OF SHARES | AMOUNT | | | | |
| Balance, January 1, 2021 | 88,563,316 | \$ 34,803,135 | \$ 5,509,628 | \$ 11,732 | \$ (31,870,076) | \$ 8,454,419 |
| Net loss for the period | - | - | - | - | (782,838) | (782,838) |
| Other comprehensive loss | - | - | - | (1,876) | - | (1,876) |
| Balance, March 31, 2021 | 88,563,316 | \$ 34,803,135 | \$ 5,509,628 | \$ 9,856 | \$ (32,652,914) | \$ 7,669,705 |
| Balance, January 1, 2020 | 88,563,316 | \$ 34,803,135 | \$ 5,509,628 | \$ 47,677 | \$ (28,965,427) | \$ 11,395,013 |
| Net loss for the period | - | - | - | - | (1,477,219) | (1,477,219) |
| Other comprehensive loss | - | - | - | (27,586) | - | (27,586) |
| Balance, March 31, 2020 | 88,563,316 | \$ 34,803,135 | \$ 5,509,628 | \$ 20,091 | \$ (30,442,646) | \$ 9,890,208 |

-- The accompanying notes are an integral part of these consolidated financial statements --

Select Sands Corp.
Consolidated Interim Statements of Cash Flows
(Expressed in United States Dollars)
(Unaudited)

| | For the Three Months Ended | |
|--------------------------------------------------------------|----------------------------|--------------------|
| | March 31, 2021 | March 31, 2020 |
| Operating Activities | | |
| Net loss for the period | \$ (782,838) | \$ (1,477,219) |
| Adjustments for non-cash items: | | |
| Depreciation and depletion | 404,312 | 270,670 |
| (Gain) Loss on sale of equipment | (475) | 51,334 |
| Gain on disposal of investments | (68,034) | - |
| Unrealized gain on investments | (26,817) | - |
| Accretion on finance leases | 25,312 | - |
| Changes in non-cash operating assets and liabilities: | | |
| Accounts receivable | 2,991 | (2,121,594) |
| Inventory | (567,795) | (601,088) |
| Prepaid expenses | (862) | 61,921 |
| Accounts payable and accrued liabilities | 506,904 | 71,680 |
| Total Cash Used in Operating Activities | (507,302) | (3,744,296) |
| Investing Activities | | |
| Deposits | - | (301,157) |
| Proceeds from disposal of investments | 363,523 | - |
| Proceeds from disposal of equipment | 22,000 | 3,380 |
| Property, plant and equipment | (75,686) | (1,399,949) |
| Total Cash Provided by (Used in) Investing Activities | 309,837 | (1,697,726) |
| Financing Activities | | |
| Proceeds from line of credit | (51,116) | 2,181,794 |
| Proceeds from long-term debt | 572,548 | 2,665,756 |
| Principal repayments of long-term debt | (267,433) | - |
| Repayment of lease liability | (132,985) | - |
| Total Cash Provided by (Used in) Financing Activities | 121,014 | 4,847,550 |
| Effect of Exchange Rate Changes on Cash | (1,876) | (27,586) |
| Decrease in Cash and Cash Equivalents | (78,327) | (622,058) |
| Cash and Cash Equivalents, Beginning of Period | 265,961 | 1,151,323 |
| Cash and Cash Equivalents, End of Period | \$ 187,634 | \$ 529,265 |

Supplemental Cash Flow Information (Note 13c)

-- The accompanying notes are an integral part of these consolidated financial statements --

Select Sands Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in United States Dollars Unless Otherwise Noted)

(Unaudited)

1. CORPORATE INFORMATION AND GOING CONCERN

Select Sands Corp. (the “Company”) was incorporated in Canada on July 31, 2006 pursuant to the Business Corporations Act (British Columbia) (the “Act”). The Company is a public company listed on the TSX Venture Exchange (the “TSX.V”), trading under the “SNS” symbol and on the OTCQB Market trading under the “SLSDF” symbol. The address of the Company’s corporate office is Suite 310, 850 West Hastings Street, Vancouver, British Columbia, Canada, V6C 1E1. The Company’s registered and records office is 10th Floor, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5.

The Company’s primary business is an advanced stage silica sand quarry and production facilities located in Arkansas, USA and operational headquarters in Houston, Texas, USA. The Company is focused on developing this business to enable profitable commercial silica sand sales to industrial and energy customers.

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. For the three months ended March 31, 2021, the Company has continued to experience decreased demand for its sand products below its full production capacity resulting in sales of \$3,561,940 (2020 – \$3,590,857), a gross loss of \$35,615 (2020 – \$820,312), negative cash flow from operating activities of \$507,302 (2020 – \$3,744,296), a net loss of \$782,838 (2020 – \$1,477,219) and may not be able to continue to finance day to day activities through operations alone. The Company’s continuation as a going concern is dependent upon achieving higher levels of sales and gross margin to maintain profitable operations and generate funds therefrom and/or raising equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash from operations, cash on hand, loans from financial institutions and if necessary, private placement of common shares. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

During the year ended December 31, 2020, there was a global outbreak of a novel coronavirus identified as “COVID-19”. On March 11, 2020, the World Health Organization declared a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods (see also Note 13d).

Select Sands Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in United States Dollars Unless Otherwise Noted)

(Unaudited)

2. BASIS OF PRESENTATION

a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), and its interpretations, using accounting policies consistent with International Financial Reporting Standards ("IFRS") and accordingly, certain information and note disclosure included in the annual financial statements prepared in accordance with IFRS have been omitted or condensed. These condensed consolidated interim financial statements should be read in conjunction with the Company's December 31, 2020 audited annual consolidated financial statements.

b) Basis of Measurement and Presentation

These consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information. In the opinion of management, all adjustments (including normal recurring accruals), considered necessary for a fair presentation have been included. The accounting policies set out in Note 3 have been applied consistently to all periods presented in these consolidated financial statements.

c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Select Sands America Corp. (the "Subsidiary") incorporated in Delaware, USA. All intercompany transactions and balances have been eliminated on consolidation.

d) Foreign Currencies

These consolidated financial statements are presented in United States dollars. The Company's functional currency is the Canadian dollar. The Subsidiary's functional currency is the United States dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Canadian dollar amounts are denoted by the symbol CAD\$.

The functional currency of foreign subsidiaries is the currency of the primary economic environment in which the entity operates.

Translation of all assets and liabilities from the subsidiary's functional currency to the presentation currency are performed using the rate prevailing at the statement of financial position date. Income and expenses are translated at average exchange rates. The difference arising from translation from the functional currency to the presentation currency are recorded as currency translation adjustments in other comprehensive income and are held within accumulated other comprehensive income until a disposal or partial disposal of a subsidiary. A disposal or partial disposal will then give rise to a realized foreign exchange gain (loss) which is recorded in profit or loss.

Select Sands Corp.

Notes to the Condensed Consolidated Interim Financial Statements

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(Expressed in United States Dollars Unless Otherwise Noted)

(Unaudited)

2. BASIS OF PRESENTATION (Continued)

e) Significant Accounting Judgments and Estimates

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- Management determines costs for stock-based compensation using market-based valuation techniques. The fair value of the share awards was determined at the date of grant using the Black-Scholes option pricing model. Assumptions were made, and judgment was used in applying the valuation model. The assumptions and judgments on the estimated future volatility of the Company's stock price and the expected forfeiture rate may have a very high degree of estimation uncertainty. Such judgments and assumptions are inherently uncertain and as such the grant date fair value estimates of stock-based compensation can be materially different from the fair values of the stock options when the stock options are exercised or expire in the future.
- The Company uses significant judgment in its assessment of impairment indicators on its equity-accounted investment and its related estimate of the recoverable amount of the investment.
- The Company uses significant judgment in its allocation of costs between inventory and cost of goods sold. The Company measures its remaining inventory at the end of each quarter and uses drones to assist in estimating quantities.
- The Company uses significant judgment in recognizing and derecognizing deferred income tax assets. Management performs a "more likely than not" test to see if there is a greater than 50% chance that the Company will realize its deferred income tax assets in the future.
- The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

Select Sands Corp.

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been adopted and applied consistently to all periods presented in these consolidated financial statements.

a) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

b) Inventory

Sand inventory is stated at the lower of cost and net realizable value using the average cost method.

Inventory manufactured at the Company's plant facilities includes direct excavation costs, processing costs, overhead allocation, depreciation and depletion. Stockpile tonnages are estimated by measuring the area covered by stockpiles at the Company's facilities. Costs are calculated on a per ton basis and are applied to the stockpiles based on the number of tons in the stockpile and the percentage of completion in the production process.

Inventory transported for sale at the Company's terminal facilities includes the cost of manufactured sand, plus transportation and handling related charges. External freight costs to transport product to the end consumer are expensed and not included in the costs of inventory.

c) Investment in Associate

Associates are those entities where the Company has the ability to exercise significant influence, but not control, over the financial and operating policies of the Associate. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at fair value. The consolidated financial statements include the Company's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to \$Nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation to make, or has made, payments on behalf of the investee.

At each statement of financial position date, the investment in associate is assessed for indicators of impairment. An impairment loss in respect of an equity-method accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss and is reversed if there is a favourable change in the estimates used to determine the recoverable amount.

Select Sands Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in United States Dollars Unless Otherwise Noted)

(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Property, Plant, Equipment

Property, plant and equipment are recorded at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. This includes the purchase price, any other costs directly attributable to bringing the assets to a working condition for intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

Mining property and development includes mineral deposits and mine exploration and development costs. Mineral deposits are initially recognized at cost, which approximates the estimated fair value on the date of purchase. Mine exploration and development costs include engineering and mineral studies, drilling and other related costs to delineate an ore body, and the removal of overburden to initially expose an ore body for production.

The cost of removing overburden and waste materials to access the ore body at an open pit mine prior to the commercial production phase are referred to as "pre-stripping costs." Pre-stripping costs are capitalized during the development of an open pit mine. The production phase of an open pit mine commences when saleable minerals, beyond a '*de minimis*' amount, are produced. Stripping costs incurred during the production phase of a mine are variable production costs that are included as a component of inventory to be recognized in costs applicable to sales.

Depletion and amortization of mineral deposits and mine development costs are recorded as the minerals are extracted, based on units of production and engineering estimates of mineable resources or reserves. The impact of revisions to resource and reserve estimates is recognized on a prospective basis.

Where an item of plant and equipment comprises significant parts with useful lives that are significantly different from that of the asset as a whole, the parts are accounted for as separate items of plant and equipment and depreciated accordingly. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognizing an asset determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized through profit or loss.

Land is not depreciated. Land improvements, plant and equipment are depreciated over their estimated useful lives. Interest incurred during construction of facilities is capitalized and depreciated over the life of the asset. Costs for normal repairs and maintenance that do not extend economic life or improve service potential are expensed as incurred. Costs of improvements that extend economic life or improve service potential are capitalized and depreciated over the estimated remaining useful life.

Select Sands Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in United States Dollars Unless Otherwise Noted)

(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Property, Plant, Equipment (Continued)

The Company commences recording depreciation when the assets are in a working condition ready for use using the straight-line method at the following rates:

| | |
|----------------------|--------------------------|
| Land improvements | Mine life up to 20 years |
| Leased assets | Lease term |
| Plants and buildings | 10 – 20 years |
| Machinery | 5 – 20 years |
| Vehicles | 3 – 20 years |
| Office | 5-10 years |

The Company's sand properties are depreciated on a units of production basis. The sand properties are depreciated based on total tonnes of sand shipped as a percentage of estimated total tonnes available. 41,980,000 tonnes of sand were estimated to be available at the commencement of operations.

Leased assets

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Minimum lease payments made under finance leases are apportioned between finance expenses and the reduction of the outstanding liability using the effective interest method, so as to produce a constant periodic rate of interest on the remaining balance of the liability. Material operating leases, including land lease agreements are recognized on the Company's statement of financial position as right of use assets under IFRS 16 *Leases*. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Provisions for mine reclamation and decommissioning obligations

The Company recognizes the fair value of any liability for mine reclamation and decommissioning obligations, including environmental remediation liabilities when incurred, which is generally upon acquisition, construction or development and/or through the normal operation of the asset, if sufficient information exists to reasonably estimate the fair value of the liability. These obligations generally include the estimated net future costs of dismantling, restoring and reclaiming operating mines and related mine sites, in accordance with government, regulatory and land lease agreement requirements. The liability is accreted over time through periodic charges to earnings. In addition, the mine reclamation and decommissioning costs are capitalized as part of the asset's carrying value and amortized over the life of the related asset. Reclamation costs are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation and decommissioning costs.

Select Sands Corp.

Notes to the Condensed Consolidated Interim Financial Statements

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(Expressed in United States Dollars Unless Otherwise Noted)

(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial period-end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is recognized in the statement of operations, except to the extent they reverse gains previously recognized.

f) Share Capital

i) Non-monetary consideration

Agent's warrants issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Under this method, the proceeds are allocated first to share capital based on the fair value of the shares at the time the units are priced and any residual value is allocated to reserve.

ii) Share-based payments

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date, and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of operations and comprehensive loss over the remaining vesting period.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured indirectly at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

iii) Share issuance costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations.

Select Sands Corp.

Notes to the Condensed Consolidated Interim Financial Statements

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(Expressed in United States Dollars Unless Otherwise Noted)

(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current period and any adjustment to income taxes payable in respect of previous periods. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. Deferred income tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority.

h) Earnings Per Share

Basic earnings per share is computed by dividing the Company's earnings applicable to common shares by the weighted average number of shares outstanding for the relevant period.

Diluted earnings per share is computed by dividing the Company's earnings applicable to common shares, by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted at the beginning of the period unless the result is anti-dilutive.

i) Revenue Recognition

Revenue is recognized when the earnings process is complete, as evidenced by an agreement between the customer and the Company, when delivery has occurred, when the fee is fixed or determinable and when collection is reasonably assured. Amounts received from customers in advance of revenue recognition are deferred as deferred revenue liabilities. The Company presents revenues net of taxes collected from customers at the time of sale to be remitted to governmental authorities, including sales and use taxes. No element of financing is deemed present as the sales are made with credit terms standard for the market.

Select Sands Corp.

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Financial Instruments

i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of operations and comprehensive income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of operations and comprehensive income (loss) in the period in which they arise.

iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of operations and comprehensive income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

iv) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of operations and comprehensive loss.

Select Sands Corp.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Financial Instruments (Continued)

v) Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of operations and comprehensive loss.

k) Future accounting standards

The Company has performed an assessment of new standards issued by the IASB that are not yet effective. The Company has assessed that the impact of adopting these accounting standards on its financial statements would not be significant.

4. INVENTORY

Inventory includes the following:

| | | March 31, 2021 | | December 31, 2020 |
|-----------------|----|-------------------|----|----------------------|
| Raw Materials | \$ | 73,979 | \$ | 47,583 |
| Work-in-process | | 1,910,362 | | 1,896,856 |
| Finished Goods | | 1,525,171 | | 997,278 |
| | \$ | 3,509,512 | \$ | 2,941,717 |

Select Sands Corp.

Notes to the Condensed Consolidated Interim Financial Statements

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5. INVESTMENTS

Investment in Comstock Metals Ltd.

On September 13, 2016, the Company sold its La Ronge and Old Cabin mineral properties to Comstock Metals Ltd. ("Comstock") in exchange for 20,000,000 common shares of Comstock. Comstock's principal place of business activity is in Canada. On July 3, 2018, the Company participated in a private placement for Comstock and purchased 2,635,400 common shares for \$100,000. On May 26, 2020, Comstock consolidated its common shares on a 5 for 1 basis. As of March 31, 2021, the Company held 4,527,080 common shares (2020 – 4,527,080) equal to a 17.9% stake (2020 – 17.9%) in the issued and outstanding shares of Comstock and accounted for its investment using the equity method due to the Company having significant influence over Comstock. During the year ended December 31, 2019, the Company's share of Comstock's loss exceeded the carrying value of the investment and the Company has therefore reduced the investment carrying value to zero. For the three months ended March 31, 2021, the unrecognized share of losses for which the Company ceased to recognize when applying the equity method was \$12,778. For the year ended December 31, 2020, the unrecognized share of losses for which the Company ceased to recognize when applying the equity method was \$51,322. As at March 31, 2021, the cumulative unrecognized share of losses was \$595,803 (December 31, 2020 - \$583,025).

Displayed below is the unaudited summary financial information available for Comstock as at March 31, 2021 and December 31, 2020:

| | Three Months ended March 31, 2021 | Year ended December 31, 2020 |
|--------------------------|-----------------------------------------|------------------------------------|
| Cash | \$ 142,826 | \$ 202,132 |
| Receivables and prepaids | 19,604 | 15,670 |
| Non-current assets | 2,162,004 | 2,142,789 |
| Current liabilities | 16,982 | 47,014 |
| Comprehensive loss | 71,502 | 299,666 |

Investments in White Gold and E3 Metals

On November 13, 2020, Comstock distributed its investments in White Gold Corp. (WGO.V – "White Gold") and E3 Metals Corp. (ETMC.V – "E3 Metals") to its shareholders by way of return of capital. On November 27, 2020, the Company received 247,902 shares in White Gold and 178,683 shares in E3 Metals (the "Investments"). The Company recorded a gain on return of capital of \$280,300 on receiving the Investments. As of December 31, 2020, the Investments had a fair value of \$268,672 and the Company recorded an unrealized loss of \$25,307 for the year ended December 31, 2020.

During January 2021, the Company disposed of its Investments for net proceeds of \$361,623. The Company recorded an unrealized gain of \$26,817 and realized gain of \$68,034 on the disposal of its Investments.

Select Sands Corp.

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6. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

| | PLANTS AND BUILDINGS | MACHINERY AND VEHICLES | OFFICE | SAND PROPERTIES | TOTAL PROPERTY, PLANT AND EQUIPMENT |
|------------------------------------|----------------------------|------------------------------|------------------|---------------------|----------------------------------------------|
| Costs | | | | | |
| Balance, December 31, 2019 | \$ 4,407,798 | \$ 6,937,689 | \$ 31,563 | \$ 2,807,075 | \$ 14,184,125 |
| Reclassifications | 196,335 | (196,335) | - | - | - |
| Additions | 3,220,790 | 1,009,823 | - | - | 4,230,613 |
| Disposals | (80,000) | (873,248) | - | - | (953,248) |
| Balance, December 31, 2020 | \$ 7,744,923 | \$ 6,877,929 | \$ 31,563 | \$ 2,807,075 | \$ 17,461,490 |
| Additions | 75,686 | - | - | - | 75,686 |
| Disposals | - | (29,000) | - | - | (29,000) |
| Balance, March 31, 2021 | \$ 7,820,609 | \$ 6,848,929 | \$ 31,563 | \$ 2,807,075 | \$ 17,508,176 |

| | PLANTS AND BUILDINGS | MACHINERY AND VEHICLES | OFFICE | SAND PROPERTIES | TOTAL PROPERTY, PLANT AND EQUIPMENT |
|------------------------------------|----------------------------|------------------------------|--------------------|--------------------|----------------------------------------------|
| Accumulated Depreciation | | | | | |
| Balance, December 31, 2019 | \$ (740,799) | \$ (1,778,290) | \$ (10,917) | \$ (61,605) | \$ (2,591,611) |
| Depreciation | (289,218) | (824,109) | (4,509) | - | (1,117,836) |
| Depletion | - | - | - | (16,926) | (16,926) |
| Disposals | 40,000 | 467,486 | - | - | 507,486 |
| Balance, December 31, 2020 | \$ (990,017) | \$ (2,134,913) | \$ (15,426) | \$ (78,531) | \$ (3,218,887) |
| Depreciation | (106,853) | (205,072) | (1,127) | - | (313,052) |
| Depletion | - | - | - | (2,230) | (2,230) |
| Disposals | - | 7,475 | - | - | 7,475 |
| Balance, March 31, 2021 | \$ (1,096,870) | \$ (2,332,510) | \$ (16,553) | \$ (80,761) | \$ (3,526,694) |

| | PLANTS AND BUILDINGS | MACHINERY AND VEHICLES | OFFICE | SAND PROPERTIES | TOTAL PROPERTY, PLANT AND EQUIPMENT |
|------------------------------------|----------------------------|------------------------------|------------------|---------------------|----------------------------------------------|
| Carrying Value | | | | | |
| Balance, December 31, 2020 | \$ 6,754,906 | \$ 4,746,016 | \$ 16,137 | \$ 2,728,544 | \$ 14,242,603 |
| Balance, March 31, 2021 | \$ 6,723,739 | \$ 4,516,419 | \$ 15,010 | \$ 2,726,314 | \$ 13,981,482 |

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6. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (Continued)

Right-of-use assets

| | | |
|----------------------------------------------------------|-----------|----------------|
| Value of right-of-use asset as at December 31, 2019 | \$ | 1,321,021 |
| Depreciation | | (424,191) |
| Value of right-of-use assets as at December 31, 2020 | | 896,830 |
| Depreciation | | (89,030) |
| Value of right-of-use assets as at March 31, 2021 | \$ | 807,800 |

Lease liability

| | | |
|--------------------------------------------------------|-----------|----------------|
| Lease liability recognized as at December 31, 2019 | \$ | 1,321,471 |
| Lease payments | | (532,393) |
| Lease interest | | 129,806 |
| Lease liability recognized as at December 31, 2020 | | 918,884 |
| Lease payments | | 132,985 |
| Lease interest | | 25,312 |
| Lease liability recognized as at March 31, 2021 | \$ | 811,211 |

| | | March 31, 2021 | December 31, 2020 |
|---------------------|----|-------------------|----------------------|
| Current portion | \$ | 429,481 | \$ 444,939 |
| Non-current portion | | 381,730 | 473,945 |
| | \$ | 811,211 | \$ 918,884 |

Plant Reconfiguration Project and Completion of the Purchase of its Diaz Rail Facility

On January 15, 2020, the Company started a reconstruction project to optimize and consolidate processing assets to improve costs. The Company also completed the purchase of the Diaz Rail Loading Facility, located in Diaz Arkansas (the "Diaz Rail Facility"), for the remaining payment of \$968,747. Under the lease-to-purchase agreement, the total cost of the Diaz Rail Facility was \$2,050,000 with prior lease payments applied to the total purchase price (see also Note 8).

The Plant Reconfiguration Project includes installation of dry-process equipment at the Diaz Rail Facility, thereby increasing process efficiency by reducing inter-plant transportation costs. Dry processing at Diaz will immediately save approximately 16 miles of inter-plant transportation and over one hour in transload logistics. In addition, the Company has implemented a program to increase its own truck fleet. On a per mile basis, costs savings are estimated to be approximately 25% compared to outside contract trucking. Logistical improvements will also be carried out at the Company's Sandtown Quarry. No disruption to production or shipping are expected to be experienced during the Plant Reconfiguration Project.

The final payment for the Diaz Rail Facility and the Plant Reconfiguration Project was funded by a secured bank loan of up to \$4,500,000 being provided to the Company's wholly owned subsidiary Select Sands America Corp. The loan bears interest at a rate of 5.25% per annum, matures on July 9, 2023 and is secured by a general security agreement and guaranteed by the Company.

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7. DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The Company incurred the following related party transactions for the three months ended March 31, 2021 and 2020 and had the following balances with related parties outstanding as at March 31, 2021 and 2020:

- a) Remuneration of key management and directors were as follows:

| | Three Months Ended March 31, 2021 | Three Months Ended March 31, 2020 |
|----------------------------------------------------|------------------------------------------------------|--------------------------------------------|
| Short-term compensation and consulting | \$ 53,029 | \$ 60,423 |
| Total compensation of key management and directors | \$ 53,029 | \$ 60,423 |

- a) The Company shares office space with Comstock Metals Ltd. which has a common director and officer. During the three months ended March 31, 2021, the Company recovered \$3,890 in shared office costs (2020 - \$3,293).
- b) As at March 31, 2021, the Company had accounts payable and accrued liabilities to directors and officers in the amount of \$54,846 (2020 - \$14,417) for consulting fees and reimbursement of expenses.

The above transactions were in the normal course of operations and have been recorded at amounts agreed to by the related parties. All amounts either due from or due to related parties are non-interest bearing, unsecured and have no fixed terms of repayment.

Select Sands Corp.

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8. LOANS PAYABLE

Details of the Company's long-term debt are as follows:

| | March 31, 2021 | December 31, 2020 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|----------------------|
| Note payable, dated October 26, 2018, payable in monthly installments of \$6,010, including interest at 5.99%, outstanding amounts on this note are due in full on October 26, 2023, secured by equipment. | \$ 139,295 | \$ 153,100 |
| Note payable, dated November 28, 2018, payable in monthly installments of \$5,705, including interest at 5.99%, outstanding amounts on this note are due in full on November 28, 2023, secured by equipment. | 137,155 | 150,245 |
| Note payable, dated December 2, 2017, payable in monthly installments of \$6,657, including interest at 3.90%, outstanding amounts on this note are due in full on December 12, 2022, secured by equipment. | 97,480 | 113,181 |
| Note payable, dated November 13, 2017, payable in monthly installments of \$5,059, including interest at 4.75%, outstanding amounts on this note are due in full on November 13, 2021, secured by equipment. | 54,338 | 54,338 |
| Note payable, dated November 3, 2017, payable in monthly installments of \$4,583, including interest at 4.75%, outstanding amounts on this note are due in full on November 3, 2021, secured by equipment. | 49,225 | 62,279 |
| Note payable, dated November 3, 2017, payable in monthly installments of \$4,463, including interest at 4.75%, outstanding amounts on this note are due in full on November 3, 2021, secured by equipment. | 47,931 | 60,642 |
| Note payable, dated May 16, 2018, payable in monthly installments of \$2,660, including interest at 7.79%, outstanding amounts on this note are due in full on May 16, 2022, secured by equipment. | 56,649 | 63,435 |
| Note payable, dated December 26, 2017, payable in monthly installments of \$5,500, including interest at 5.17%, outstanding amounts on this note are due in full on January 10, 2022, secured by equipment. | 30,007 | 38,760 |
| Note payable, dated June 29, 2017, payable in monthly installments of \$4,890, including interest at 5.80%, outstanding amounts on this note are due in full on December 29, 2021, secured by equipment. | 33,826 | 41,982 |

Select Sands Corp.

Notes to the Condensed Consolidated Interim Financial Statements

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8. LOANS PAYABLE (Continued)

| | March 31, 2021 | December 31, 2020 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------------------|
| Note payable, dated February 28, 2020, payable in monthly installments of \$4,873, including interest at 4.74%, outstanding amounts on this note are due in full on March 1, 2025, secured by equipment. | \$ 212,686 | \$ 224,690 |
| Note payable, dated November 12, 2020, payable in monthly installments of \$7,968, including interest at 5.54%, outstanding amounts on this note are due in full on November 9, 2023, secured by equipment. | 229,268 | 249,729 |
| Note payable, dated December 17, 2020, payable in monthly installments of \$3,853, including interest at 4.99%, outstanding amounts on this note are due in full on June 17, 2025, secured by equipment. | 176,719 | 185,995 |
| Interest only construction loan payable for six months beginning on February 9, 2020 at 5.25%. Starting August 9, 2020, monthly payments are due in the amount of \$64,298 per month. Any outstanding amounts on this note are due in full on July 9, 2023, secured by property, plant, and equipment. | 4,365,604 | 4,499,970 |
| SBA Payroll Protection Program loan (See also Note 13d) | 573,278 | - |
| Total | 6,203,461 | 5,898,346 |
| Less current maturities | (1,718,024) | (1,145,476) |
| Long-term debt | \$ 4,485,437 | \$ 4,752,870 |

In addition to the long-term debt instruments, the Company maintains a revolving line of credit which provides for maximum borrowings of \$5,000,000. Outstanding borrowings on the revolving line of credit were \$4,366,951 and \$4,418,067 at March 31, 2021 and December 31, 2020 respectively. The revolving line of credit was renewed in February 2021, requires monthly payments of interest at a fixed rate of 4.75% and expires on February 20, 2022.

Annual aggregate repayments of the long-term debt and revolving line of credit are as follows:

| | |
|------|----------------------|
| 2021 | \$ 867,254 |
| 2022 | 5,357,506 |
| 2023 | 4,208,133 |
| 2024 | 100,231 |
| 2025 | 37,288 |
| | \$ 10,570,412 |

See also Note 15.

Select Sands Corp.

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9. SHARE CAPITAL AND RESERVES

a) Authorized

Unlimited number of common shares without par value

b) Issued

The Company did not issue any common shares during the three months ended March 31, 2021 and year ended December 31, 2020.

c) Warrants

There are no warrants outstanding at March 31, 2021 and December 31, 2020.

d) Stock Options

The Company has adopted an incentive stock option plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of shares of the Company exercisable pursuant to options granted under the Plan may not exceed ten percent of the issued and outstanding shares of the Company at the grant date. Options granted under the Plan may have a maximum term of ten years. The exercise price of options granted under the Plan will not be less than the discounted market price of the shares (defined as the last closing market price of the Company's shares immediately preceding the grant date, less the maximum discount permitted by TSX.V policy), or such other price as may be agreed to by the Company and accepted by the TSX.V. Stock options granted to consultants providing investor relations activities under the Plan are subject to minimum vesting restrictions such that one-quarter of the option shall vest on each of the date grant and three, six and twelve months after the date of grant.

At the Company's Special and General Annual Meeting held February 10, 2021, the Company's stock option plan received approval from shareholders.

All of the Company's currently issued stock options are denominated in Canadian dollars. No options were exercised during the three months ended March 31, 2021 and year ended December 31, 2020. A summary of the changes in stock options follows:

| | NUMBER OF OPTIONS | WEIGHTED AVERAGE EXERCISE PRICE CAD\$ |
|-----------------------------------|-------------------|---------------------------------------|
| Balance, December 31, 2019 | 5,045,000 | 0.72 |
| Expired/Cancelled | (400,000) | 0.42 |
| Balance, December 31, 2020 | 4,645,000 | 0.74 |
| Expired/Cancelled | (500,000) | 0.40 |
| Balance, March 31, 2021 | 4,145,000 | 0.78 |

Select Sands Corp.

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9. SHARE CAPITAL AND RESERVES (Continued)

d) Stock Options (Continued)

The following summarizes the stock options outstanding and exercisable as at March 31, 2021:

| EXPIRY DATE | EXERCISE PRICE CAD\$ | OPTIONS OUTSTANDING | OPTIONS EXERCISABLE |
|-----------------|----------------------|---------------------|---------------------|
| January 9, 2022 | 1.33 | 1,675,000 | 1,675,000 |
| June 22, 2022 | 0.65 | 200,000 | 200,000 |
| April 12, 2023 | 0.39 | 2,270,000 | 2,270,000 |
| | | 4,145,000 | 4,145,000 |

Share-based compensation recognized during the three months ended March 31, 2021 was \$Nil (2020 - \$Nil).

As at March 31, 2021, the weighted average remaining contractual life of the share purchase options is 1.49 years and the weighted average exercise price is CAD\$0.78 (2020 – 2.36 years and CAD\$0.72).

e) Escrow

As of March 31, 2021 and December 31, 2020, there were 625 common shares held in escrow.

f) Nature and Purpose of Reserve

The reserve recorded in equity on the Company's Statements of Financial Position includes Share-based Payment Reserve which is used to recognize the fair value of stock option grants prior to exercise, expiry or cancellation and the fair value of other share-based consideration recorded at the date of issuance.

Select Sands Corp.

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10. COMMITMENTS

As of March 31, 2021, the Company has a land lease commitment for the processing plant site until August 2021 in the amount of \$14,000 per year with an option to extend the lease for an additional five years on the same terms and conditions including royalty payments of \$0.50 for each ton of waste sand and gravel and \$1.25 for each ton of frac sand removed from the property.

The Company, in the ordinary course of business, enters into supply agreements with various customers. These agreements typically contain certain supply commitments, pricing arrangements, provision for nonperformance and have various expiration terms.

The Company has a supply agreement with a natural gas company for the supply of natural gas to its sand processing plants in Arkansas. The supply agreement stipulates that the Company will be charged for a minimum usage at market rates each billing period, even if the Company does not consume the minimum usage.

During the month of February 2021, the Company's operations in Arkansas were hit by a severe winter storm. During this time, the Company was forced to cease operations. As a result of the storm and the extended period of extremely low temperatures, physical gas and power infrastructure was severely impaired. At the same time, demand for natural gas was higher than normal due to increased heating demand during the extremely cold weather. This considerable increase in demand, coupled with a severe reduction in supply, resulted in extremely high natural gas market prices during the period of the storm.

As a result of this winter storm event, the Company received a bill for its February 2021 natural gas consumption of \$373,043 where the bill was only \$49,548 in February 2020. The Company did not consume any natural gas during the winter storm, because it was unable to operate due to the storm. Furthermore, the Company received a notice to curtail its natural gas consumption from its natural gas supplier during this same period and yet was still charged for the minimum monthly usage. As a result of the foregoing, the Company is disputing the amount of the February 2021 invoice. The natural gas supplier has agreed not to interrupt supply while the Company goes through the dispute process. The Company is currently seeking legal advice with respect to this matter.

11. MANAGEMENT OF CAPITAL

The Company manages its cash, common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business.

To facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. To maximize ongoing operations, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest-bearing US or Canadian bank account.

The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. There were no changes in the Company's approach to capital management during the period ended March 31, 2021.

Select Sands Corp.

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these consolidated financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at March 31, 2021, the classification of the financial instruments, as well as their carrying values and fair values, are shown in the table below:

| | LEVEL | FVTPL | AMORTIZED COST | TOTAL FAIR VALUE |
|------------------------------------------|-------|------------|----------------|---------------------|
| Financial assets | | | | |
| Cash and cash equivalents | 1 | \$ 187,634 | \$ - | \$ 187,634 |
| Accounts receivable | 2 | \$ - | \$ 1,550,930 | \$ 1,550,930 |
| Deposits | 2 | \$ 424,844 | \$ - | \$ 424,844 |
| Financial liabilities | | | | |
| Line of credit | 2 | \$ - | \$ 4,366,951 | \$ 4,366,951 |
| Accounts payable and accrued liabilities | 2 | \$ - | \$ 1,424,076 | \$ 1,424,076 |
| Current portion of lease liability | 2 | \$ - | \$ 429,481 | \$ 429,481 |
| Lease liability | 2 | \$ - | \$ 381,730 | \$ 381,730 |
| Current portion of long-term debt | 2 | \$ - | \$ 1,718,024 | \$ 1,718,024 |
| Long-term debt | 2 | \$ - | \$ 4,485,437 | \$ 4,485,437 |

At March 31, 2021, the Company's financial instruments which are measured at fair value on a recurring basis are cash and cash equivalents, deposits and investments. The carrying values of the Company's financial investments at amortized cost were a reasonable approximation of fair value due to the short-term nature of their maturities.

The Company is exposed to potential loss from various risks including commodity price risk, interest rate risk, currency risk, credit risk and liquidity risk. Based on the Company's operations the liquidity risk and commodity price risk are considered the most significant. There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

There have been no transfers between levels for the period ended March 31, 2021.

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist of cash and cash equivalents and accounts receivable. Cash and cash equivalents are maintained with financial institutions of reputable credit and may be redeemed on demand.

Accounts receivable are subject to counter-party risk of not being collected. The Company manages credit risk of accounts receivable through its credit and collection policies and established allowances for doubtful accounts as required at each reporting period.

The Company had sales to one major customer (2020 – two major customers) of approximately 99.9% (2020 – 90%) of total sales for the three months ended March 31, 2021. Approximately 99.5% (2020 – 83%) of outstanding accounts receivable is from the one major customer at March 31, 2021.

Select Sands Corp.

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

b) Liquidity Risk

The liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk through careful management of its financial obligations in relation to its cash position. Using budgeting processes, the Company manages its liquidity requirements based on expected cash flow to ensure there are adequate funds to meet the short-term obligations during the year.

During the three month ended March 31, 2021 and year ended December 31, 2020, the Company was able to maintain its liquidity position through cash flow from operations and cash on hand, as well as bank loans. As at March 31, 2021, the Company had a cash balance of \$187,364 (2020 - \$265,961) to settle current liabilities of \$7,938,532 (2020 - \$6,925,654). The Company's accounts payable and accrued liabilities generally have maturities of less than 90 days.

c) Commodity Price Risk

Market prices for silica sand products historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators.

d) Interest Rate Risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the \$5-million line of credit, which bears a floating interest rate of 4.75% per annum. As a result, the Company is subject to a moderate level of interest rate risk. All other financial assets and liabilities are non-interest bearing or bear interest at fixed rates.

13. SUPPLEMENTARY DISCLOSURES

a) For the three months ended March 31, 2021, employee compensation included in cost of goods sold amounted to \$621,694 (2020 - \$627,482).

b) The Company calculates the basic and diluted loss per common share using the weighted average number of common shares outstanding during each year and diluted (loss) earnings per share assumes that the outstanding vested stock options and share purchase warrants had been exercised at the beginning of the year unless they are anti-dilutive. For the year ended December 31, 2020, diluted loss per share does not include the effect of 4,995,000 vested stock options (2019 – 5,045,000) as the effect would be anti-dilutive.

| | Three Months Ended March 31, 2021 | Three Months Ended March 31, 2020 |
|---------------------------------------------|------------------------------------------------------|--------------------------------------------|
| Issued common shares beginning of year | 88,563,316 | 88,563,316 |
| Weighted average issuances | - | - |
| Basic weighted average common shares | 88,563,316 | 88,563,316 |

Select Sands Corp.

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(Expressed in United States Dollars Unless Otherwise Noted)

(Unaudited)

13. SUPPLEMENTARY DISCLOSURES (Continued)

- c) Supplemental Cash Flow Information and Non-Cash Investing and Financing Transactions:

| | Three Months Ended March 31, 2021 | | Three Months Ended March 31, 2020 |
|----------------------------|------------------------------------------------------|----|--------------------------------------------|
| Cash received for interest | \$ 221 | \$ | 2,582 |
| Cash paid for interest | \$ 133,875 | \$ | 57,986 |
| Cash paid for income taxes | \$ - | \$ | - |

- d) During the three months ended March 31, 2021 and year ended December 31, 2020, the Company actively pursued relief programs such as sick leave supplements and the Paycheck Protection Program (“PPP”) loans available through the Small Business Administration in the USA as a result of the COVID-19 Pandemic (See also Note 1).

In February 2021, the Company received \$573,278 from the Paycheck Protection Program (see also Note 8).

In April 2020, the Company received \$416,153 from the Paycheck Protection Program. During the fourth quarter of 2020, the Company was advised by its lending institution that it had successfully met all of the criteria necessary to have this PPP Loan forgiven. As a result, the Company has recorded a gain on extinguishment of debt of \$416,153 on the PPP Loan for the year ended December 31, 2020.

Select Sands Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in United States Dollars Unless Otherwise Noted)

(Unaudited)

14. SEGMENTED DISCLOSURE

All of the Company's assets, liabilities, revenues and comprehensive loss are located in Canada and the USA as follows:

| | March 31, 2021 | | |
|---------------------------------------------------------------------|------------------|----------------------|----------------------|
| | Canada | USA | Total |
| Cash and cash equivalents | \$ 28,469 | \$ 159,165 | \$ 187,634 |
| Accounts receivable | 9,540 | 1,541,390 | 1,550,930 |
| Inventory | - | 3,509,512 | 3,509,512 |
| Prepaid expenses | 29,459 | 61,843 | 91,302 |
| Total current assets | \$ 67,468 | \$ 5,271,910 | \$ 5,339,378 |
| Deposits | \$ - | \$ 424,844 | \$ 424,844 |
| Right-of-use assets | - | 807,800 | 807,800 |
| Property, plant and equipment | - | 13,981,482 | 13,981,482 |
| Total non-current assets | \$ - | \$ 15,214,126 | \$ 15,214,126 |
| Total assets | \$ 67,468 | \$ 20,486,036 | \$ 20,553,504 |
| Line of credit | \$ - | \$ 4,366,951 | \$ 4,366,951 |
| Accounts payable and accrued liabilities | 49,355 | 1,374,721 | 1,424,076 |
| Current portion of lease liability | - | 429,481 | 429,481 |
| Current portion of long-term debt | - | 1,718,024 | 1,718,024 |
| Decommissioning liability | - | 78,100 | 78,100 |
| Lease liability | - | 381,730 | 381,730 |
| Long-term debt | - | 4,485,437 | 4,485,437 |
| Total liabilities | \$ 49,355 | \$ 12,834,444 | \$ 12,883,799 |
| Revenue for the three months ended March 31, 2021 | \$ - | \$ 3,561,940 | \$ 3,561,940 |
| Comprehensive loss for the three months ended March 31, 2021 | \$ 19,780 | \$ (804,494) | \$ (784,714) |

Select Sands Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in United States Dollars Unless Otherwise Noted)

(Unaudited)

14. SEGMENTED DISCLOSURE (Continued)

| | December 31, 2020 | | |
|--------------------------------------------------------------------|--------------------|-----------------------|-----------------------|
| | Canada | USA | Total |
| Cash and cash equivalents | \$ 45,401 | \$ 220,560 | \$ 265,961 |
| Accounts receivable | 9,236 | 1,544,685 | 1,553,921 |
| Inventory | - | 2,941,717 | 2,941,717 |
| Prepaid expenses | 41,229 | 49,211 | 90,440 |
| Investments | 268,672 | - | 268,672 |
| Total current assets | \$ 364,538 | \$ 4,756,173 | \$ 5,120,711 |
| Deposits | \$ - | \$ 424,844 | \$ 424,844 |
| Right-of-use assets | - | 896,830 | 896,830 |
| Property, plant and equipment | - | 14,242,603 | 14,242,603 |
| Total non-current assets | \$ - | \$ 15,564,277 | \$ 15,564,277 |
| Total assets | \$ 364,538 | \$ 20,320,450 | \$ 20,684,988 |
| Line of credit | \$ - | \$ 4,418,067 | \$ 4,418,067 |
| Accounts payable and accrued liabilities | 55,495 | 861,677 | 917,172 |
| Current portion of lease liability | - | 444,939 | 444,939 |
| Current portion of long-term debt | - | 1,145,476 | 1,145,476 |
| Decommissioning liability | - | 78,100 | 78,100 |
| Lease liability | - | 473,945 | 473,945 |
| Long-term debt | - | 4,752,870 | 4,752,870 |
| Total liabilities | \$ 55,495 | \$ 12,175,074 | \$ 12,230,569 |
| Revenue for the year ended December 31, 2020 | \$ - | \$ 9,701,216 | \$ 9,701,216 |
| Comprehensive loss for the year ended December 31, 2020 | \$ (18,620) | \$ (2,921,974) | \$ (2,940,594) |

15. SUBSEQUENT EVENT

On May 10, 2021, the Company entered into a loan agreement with its bank for \$600,000 to increase the Company's working capital. The loan matures on November 10, 2021 and bears interest at 5.0%.