



SELECT SANDS

CORP.

Management's Discussion and Analysis For the Nine Months Ended September 30, 2021

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the condensed consolidated interim financial statements for the nine months ended September 30, 2021 of Select Sands Corp. ("We", "Select Sands" or the "Company"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A has been prepared as of November 18, 2021.

Nature of Operations and Going Concern

The Company's primary business is its advanced stage silica sand quarry and production facilities located in Arkansas, USA. The Company is focused on developing this business to enable long-term, profitable commercial silica sand sales to industrial and energy customers. Select Sands' goal is to be a premium silica sand supplier selling into the specialty industrial and oil & gas markets.

Select Sands was incorporated in Canada on July 31, 2006 pursuant to the *Business Corporations Act (British Columbia)*. Its corporate office and principal place of business is Suite 310, 850 West Hastings Street, Vancouver, British Columbia, Canada, V6C 1E1. The Company also maintains offices in Houston, Texas and Newark, Arkansas, U.S.A. The Company's wholly owned subsidiary Select Sands America Corp. actively operates the Company's silica sand business operations in Arkansas, USA. Select Sands shares trade on both the TSX Venture Exchange ("TSX-V") in Canada under symbol "SNS" as a Tier 2 company and in the U.S. on the OTCQB exchange under symbol "SLSDF".

The Company's condensed consolidated interim financial statements for the nine months ended September 30, 2021 and 2020 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 nine months ended September 30, 2021, the Company has continued to experience demand for its sand products below its full production capacity resulting in sales of \$13,676,062 (2020 – \$6,572,557), a gross margin (loss) of \$913,748 (2020 – \$(1,300,287)), negative cash flow from operating activities of \$1,420,191 (2020 – \$3,852,108), a net loss of \$844,648 (2020 – \$3,339,034) 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, the sale of non-core assets and if necessary, private placement of common shares. The Company's condensed consolidated interim 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.

COVID-19 Pandemic

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.

During the nine months ended September 30, 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.

In February 2021, the Company received a second loan in the amount of \$573,278 from the SBA's Paycheck Protection Program. On June 14, 2021, the Company received notice that the principal balance owing of \$573,278 and accrued interest of \$1,712 was forgiven by the US government and recorded a gain on settlement of debt of \$574,990.

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 recorded a gain on settlement of debt of \$416,153 on the PPP Loan for the year ended December 31, 2020.

Discussion of Ongoing Business Operations

Q3 2021 sales of \$5,285,260 increased from Q2 2021 at \$4,828,862. This compared favorably to sales of \$2,942,727 in Q3 of 2020. As frac sand sales volume continue to rise, prices and margins were impacted in Q3 2021, but the Company has now seen improvement in both pricing and margins starting in Q4 2021. Frac and industrial sand sales tonnages increased quarter over quarter by 5% from 85,242 tons in Q2 2021 to 89,096 tons in Q3 2021, and 49% increase from 59,970 tons in Q1 2021 to 89,096 tons in Q3 2021. The year-to-date sales volume of 234,308 tons marks a 117% increase from year-to-date volume in the prior comparative 2020 period of 107,875 tons. Gross margin in Q3 2021 improved to \$447,987 from \$78,578 in Q3 2020. The Company generated adjusted EBITDA of \$202,173 for Q3 2021, which was slightly higher than Q2 2021 and a material improvement from an adjusted EBITDA loss of \$200,253 for Q3 2020 (See the "Non-IFRS Financial Measures" section later in this MD&A for further discussion on adjusted EBITDA and why management believes it is an important financial measure of the Company's operations).

For Q4 2021, Select Sands currently expects sales volumes of frac and industrial sand to be in the range of 80,000 to 95,000 tons. While the Company currently does not see an indication of a broad slowdown during the holiday season, Select Sands' Q4 2021 sales volumes guidance is tempered by some potential effect on its customer's activity levels. As it relates to product mix, the Company's 40/70 mesh product has generated greater demand as the quarter has developed. This increased demand is expected to continue, at least to the end of the year, thereby decreasing existing 40/70 inventory levels.

An additional positive indicator for future U.S. fracking is that U.S. rigs have almost doubled from last year. The U.S. Rig Count was recorded at 508 rigs in October 2021 according to data released October 29, 2022 by the U.S. Energy Information Administration (EIA). The number of rigs for October 2020 was 257. Once again, we are seeing higher demand for Northern White Sands (NWS) as petroleum prices stay at higher levels. West Texas Intermediate (WTI) is \$80+ and Natural Gas (NG) is over \$4.00 according to EIA.

As frac sand prices are now increasing in the current spot pricing market, the Company's orders indicate that this will carry into the balance of Q4 2021 and Q1 of 2022. Some inputs costs have increased, most notably in natural gas. As is being experienced in all industries, transportation remains a challenge, but is being kept to a manageable level. As the construction industry activity subsides in the fourth quarter, trucking resources in Arkansas are expected to increase.

Silica Sand Business

The Company is mining its 520-acre site in Arkansas called the Sandtown quarry. Sandtown is a commercial silica producing quarry underlain by the Ordovician St. Peter Sandstone Formation. It has a competitive location advantage by being closer to the Texas/Louisiana oil/gas plays, Houston Port and Industrial Hub compared to Wisconsin-based sand mines.

The St. Peter Sandstone formation is host to a number of producing silica sand mines/quarries throughout the central U.S.A. The Sandtown quarry contains "Tier 1" quality commercial silica sand (also known as "Northern White" or "Ottawa White Sand") which it supplies to oil and gas operations in the US. Tier 1 commercial silica sand specifications are detailed in ISO 13503-2:2006/API RP 19C Recommended Practice for Measurement of Properties of Proppants Used in Hydraulic Fracturing and Gravel-Packing Operations. These properties include sand sphericity and roundness, crush (K Value), acid solubility, turbidity and SiO₂ content.

Oil & Gas Sector Sand

The Company continues to offer 30/50, 40/70 and 100 mesh frac sand products. These three products meet or exceed the API Tier-I specifications for frac sand.

The 100 mesh and 40/70 mesh silica sand products are the most commonly used proppant grades in the continental U.S for the unconventional hydrocarbon extraction process, also known as hydraulic fracturing or "fracking".

Plant Reconfiguration Project

On January 15, 2020, the Company started a reconfiguration project to optimize and consolidate processing assets to lower costs of production and transportation. During the pandemic and with the petroleum price downturn earlier in the year, the Company opted, as a precaution, to economize on the use of outside contractors for the reconfiguration project. The reconfiguration project was completed during Q1 2021 at a cost of approximately \$5 million.

Results of Operations for the Nine Months Ended September 30, 2021 and 2020

For the nine months ended September 30, 2021, the Company generated a net loss of \$844,648 (nine months ended September 30, 2020 ("2020") – \$3,383,382). Differences of note between the two periods are:

- The Company recorded total revenue of \$13,676,062 (2020 – \$6,572,557) primarily from silica sand sales.
- The Company recorded cost of goods sold of \$12,762,314 (2020 – \$7,872,844) primarily from silica sand sales. Included in cost of goods sold is \$1,693,597 (2020 – \$1,385,331) for employee compensation.
- Compensation and consulting decreased to \$499,057 (2020 – \$580,073) due to the Company employing fewer human resources for its sand operations and executive salary reductions compared to 2020.
- Interest on long-term debt increased to \$415,110 (2020 – \$294,419) due to the Company using more long-term debt to finance its heavy equipment, reconstruction loan, and other fixed asset acquisitions.

For the nine months ended September 30, 2021, net property plant and equipment acquisitions totaled \$212,726 compared to \$2,739,469 in 2020.

Cash Flows for the Nine Months Ended September 30, 2021 and 2020

For the nine months ended September 30, 2021, the Company used \$1,420,193 in cash in its operating activities compared to using \$3,852,108 in 2020. The decrease is mostly due to a decrease in net loss during the current period as well as an increase in accounts payable in the current period.

For the nine months ended September 30, 2021, the Company received \$317,932 from investing activities compared to using \$2,896,253 in 2020. The Company spent \$212,726 on property, plant and equipment compared to \$2,739,469 spent in the prior period primarily for its plant reconfiguration project. Deposits decreased by \$300 while in 2020 the Company spent \$301,157 for the utilities at the Company's new Diaz Dry Plant. The Company received \$129,662 from the disposal of equipment compared to \$144,373 in the prior period. The Company received \$400,696 from the disposal of its investments (2020 - \$Nil).

For the nine months ended September 30, 2021, the Company received \$917,128 from financing activities compared to receiving \$6,327,286 in 2020. The Company received \$2,656,933 on its line of credit (2020 – received \$2,476,885) and received \$1,120,448 in long-term debt for its operations (2020 – received \$5,034,403 for operations and plant reconfiguration project). The Company also repaid \$1,550,000 on its line of credit (2020 - \$Nil), made principal repayments of long-term debt totaling \$912,464 (2020 - \$1,184,002) and lease repayments of \$397,789 (2020 - \$Nil).

Cash decreased by \$209,862 in the current period, compared to a \$465,423 increase in 2020.

Discussion of Third Quarter 2021 Results

During the third quarter of 2021, the Company sold 89,096 tons of frac and industrial sand and recorded total revenues of \$5,285,260 and a gross margin of \$447,987. The Company ended the third quarter of 2021 with inventory valued at \$3,856,308 and accounts receivable from customers of \$2,645,925. As of November 17, 2021, the Company had received payment on more than \$2.3 million included in its accounts receivable balance on September 30, 2021.

Winter Storm Impact on Operations

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 freezing temperatures, the 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 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. 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 disputed the amount of the February 2021 invoice. The natural gas supplier agreed not to interrupt supply while the Company went through the dispute process and the Company in return paid \$82,384 towards the bill. The Company sought legal advice and was advised that the Attorney General of Arkansas opened an investigation with respect to this matter.

On November 3, 2021, the Company and its natural gas supplier signed a settlement agreement whereby the Company would receive a credit of \$145,240 against the February 2021 bill. The remaining balance owing of \$145,419 was paid from the Company's existing deposit with the natural gas supplier.

2021 AGM Results

At the Company's annual and special meeting of shareholders held February 10, 2021, each of Zigurds Vitols, Douglas Turnbull, John Kime, Daniel Gillett and Steven Goldman, management's director nominees, were elected as directors. In addition, Morgan & Company LLP was re-appointed as auditors of the Company. The resolution re-approving the stock option plan of the Company was also approved by shareholders.

Summary of Quarterly Results

The following table sets forth selected quarterly financial information for the three months ended September 30, 2021 and each of the prior eight quarters.

Quarter Ending	Revenue	Net (Loss) Income	(Loss) Earnings per share
September 30, 2021	\$5,285,260	\$(327,424)	\$(0.00)
June 30, 2021	\$4,828,862	\$265,614*	\$0.00
March 31, 2021	\$3,561,940	\$(782,838)	\$(0.01)
December 31, 2020	\$3,128,659	\$434,385**	\$0.01
September 30, 2020	\$2,942,727	\$(654,464)	\$(0.01)
June 30, 2020	\$38,973	\$(1,207,351)	\$(0.01)
March 31, 2020	\$3,590,857	\$(1,477,219)	\$(0.02)
December 31, 2019	\$280,419	\$(3,373,728)***	\$(0.04)
September 30, 2019	\$1,146,487	\$(1,992,381)****	\$(0.02)

* Net income includes \$574,990 gain for forgiven PPP loan.

** Net income includes \$416,153 gain for forgiven PPP loan and a one-time gain of \$280,300 on return of capital from investment in affiliate.

*** Net loss includes impairment of property, plant and equipment for \$952,313.

**** Net loss includes impairment of Bell Farm property for \$274,476.

Liquidity

As of September 30, 2021, the Company had working capital deficiency of \$1,246,284 including cash on hand of \$56,099.

Share Capital

As of September 30, 2021 and December 31, 2020, there were 88,563,316 common shares issued and outstanding. The Company did not issue any common shares during the nine months ended September 30, 2021 and year ended December 31, 2020. There are no warrants outstanding at September 30, 2021 and December 31, 2020. As of September 30, 2021, there are 3,495,000 options outstanding with a weighted-average exercise price of \$0.79 (September 30, 2020 – 4,995,000 at \$0.72).

Non-IFRS Financial Measures

The following information is included for convenience only. Generally, a non-IFRS financial measure is a numerical measure of a company's performance, cash flows or financial position that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with IFRS. EBITDA and Adjusted EBITDA are not recognized measures of financial performance (nor do they have standardized meanings) under IFRS. In evaluating non-IFRS financial measures, investors should consider that the methodology applied in calculating such measures may differ among companies and analysts.

The Company uses both IFRS and certain non-IFRS measures to assess operational performance and as a component of employee remuneration. Management believes certain non-IFRS measures provide useful supplemental information to investors in order that they may evaluate Select Sand's financial performance using the same measures as management. Management believes that, as a result, the investor is afforded greater transparency in assessing the financial performance of the Company. These non-IFRS financial measures should not be considered as a substitute for, nor superior to, measures of financial performance prepared in accordance with IFRS.

EBITDA and Adjusted EBITDA

The Company defines EBITDA as net (loss) income before finance costs, income taxes, depreciation and amortization and non-cash share-based compensation. The Company defines Adjusted EBITDA as net (loss) income before finance costs, income taxes, depreciation and amortization, non-cash share-based compensation, share of loss of equity investee, provision for impairment in investment in affiliate, provision for impairment of property, plant and equipment, gain (loss) on sale of property, plant and equipment, unrealized and realized gain (loss) on investments, gain on return of capital from equity investee and gain on settlement of debt. Select Sands uses Adjusted EBITDA as a supplemental financial measure of its operational performance. Management believes Adjusted EBITDA to be important measures as they exclude the effects of items that primarily reflect the impact of long-term investment and financing decisions, rather than the performance of the Company's day-to-day operations. As compared to net income according to IFRS, this measure is limited in that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in the Company's business, the charges associated with impairments, termination costs or Proposed Transaction costs. Management evaluates such items through other financial measures such as capital expenditures and cash flow provided by operating activities. The Company believes that these measurements are useful to measure a company's ability to service debt and to meet other payment obligations or as a valuation measurement.

Reconciliation of Net Loss to EBITDA to Adjusted EBITDA

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Net Loss	\$ (327,424)	\$ (654,464)	\$ (844,648)	\$ (3,339,034)
Add Back:				
Depreciation and depletion	404,187	274,092	1,212,007	821,755
Interest on long-term debt	134,626	123,503	415,110	294,419
EBITDA	\$ 211,389	\$ (256,869)	\$ 782,469	\$ (2,222,860)
Add Back:				
Unrealized gain on investments	-	-	(26,817)	-
Gain on sale of investments	-	-	(105,207)	-
Gain (loss) on sale of equipment	(9,216)	56,616	(12,544)	56,616
Gain on settlement of debt	-	-	(574,990)	-
Adjusted EBITDA	\$ 202,173	\$ (200,253)	\$ 62,911	\$ (2,166,244)

Long-Term Debt

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

	September 30, 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.	\$ 111,060	\$ 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.	110,381	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.	65,616	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.	24,994	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.	22,642	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.	22,047	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.	42,674	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.	12,159	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.	17,158	41,982

	September 30, 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.	\$ 188,249	\$ 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.	187,466	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.	157,817	185,995
Note payable, dated August 27, 2021, payable in monthly installments of \$2,020, including interest at 4.50%, outstanding amounts on this note are due in full on August 27, 2026, secured by equipment.	106,736	-
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.	-	4,499,970
Construction loan payable secured by property, plant, and equipment starting August 4, 2021 at 4.75%, with monthly payments are due in the amount of \$85,199 per month for 120 months.	8,047,309	-
Interest only loan payable at 5.00%, outstanding amounts on this note is due in full on November 10, 2021, secured by certain machinery & equipment.	300,000	-
Total	9,416,308	5,898,346
Less current maturities	(1,455,322)	(1,145,476)
Long-term debt	\$ 7,960,986	\$ 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 \$1,640,034 and \$4,418,067 at September 30, 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	\$	618,381
2022		2,732,653
2023		965,121
2024		845,341
2025		819,012
2026		5,075,834
	\$	11,056,342

Related Parties Transactions

As of the date of this report, the Company's officers and directors are as follows:

Name	Position
Zigurds Vitols	President, Chief Executive Officer and Director
Daniel Gillett	Director and Chair
Wesley Harris	Director and Audit Committee Chair
Douglas Turnbull	Director
Steven Goldman	Director
Darren Urquhart	Chief Financial Officer

The following amounts were incurred with respect to officers and directors of the Company or corporations controlled by them:

	Nine months ended	
	September 30, 2021	September 30, 2020
Zigurds Vitols – Salary	\$ 136,318	\$ 132,308
Doug Turnbull – Consulting fees	8,750	8,750
Dan Gillet – Consulting fees	10,500	15,000
Steven Goldman – Consulting fees	7,000	6,500
Wesley Harris - Consulting fees	2,500	-
Darren Urquhart – Consulting fees	50,348	46,525
John Kime (former Director) – Consulting fees	4,500	6,000
Total compensation of officers and directors	\$ 219,916	\$ 215,083

The Company shares office space with Comstock Metals Ltd. which has a common director and officer. During the nine months ended September 30, 2021, the Company recovered \$12,011 in shared office costs (2020 - \$9,801).

As at September 30, 2021, the Company had accounts payable and accrued liabilities to directors and officers in the amount of \$86,858 (2020 - \$33,966) 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.

Outstanding Share Data as of the Report Date

The Company's authorized share capital consists of an unlimited number of common shares. As of the date of this report, there are an aggregate of 88,563,316 common shares issued, Nil warrants and 3,495,000 stock options outstanding.

Proposed Transactions

The Company is continually reviewing potential acquisitions and joint venture transactions and opportunities that could enhance shareholder value. There is no assurance that any of these opportunities will be finalized.

Critical Accounting 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:

- Commencement of commercial production is an important "point in time" determination for accounting purposes and signifies the point in time at which a constructed asset is capable of operating in the manner intended by management. At this point in time, recognition of revenue and expenses from the operation commences for accounting purposes. The date of transition from pre-commercial production to production accounting is based on both qualitative and quantitative measures such as substantial physical project construction, sustained level of mining and sustained levels of processing activity.
- 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. Managements 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.

Risks and Uncertainties

The Company is subject to a number of risks and uncertainties due to the nature of its business. The Company's activities expose the Company to various financial and operational risks that could have a significant impact on its level of operating cash flows in the future. Readers are advised to study and consider risk factors stressed below. The following are identified as main risk factors that could cause actual results to differ materially from those stated in any forward-looking statements made by, or on behalf of, the Company.

Operational Risks

The Company is subject to operational risk from such factors as personnel and/or environmental accidents at the plant or sand quarry; fire; title disputes; changes in supplier pricing; non-performance of obligations under existing agreements; technical difficulties including plant and equipment breakdown; loss of significant customers; access to water, fuel and electricity; problems with product transportation and logistics; legal action from persons or entities adversely impacted by the Company's business; the ability to obtain financing to expand and improve cost per ton efficiency; and plant and mine shutdown due to regulatory violations.

Governmental Regulation

Regulatory standards continue to change, making the review process longer, more complex and therefore more expensive. Sand mining and production on the Company's properties are affected by government regulations relating to such matters as environmental protection, health, safety and labour, mining law reform, restrictions on production, price control, tax increases, maintenance of claims, and tenure. There is no assurance that future changes in such regulations couldn't result in additional expenses and capital expenditures, decreasing availability of capital, increased competition, reserve uncertainty, title risks, and delays in operations. The Company relies on the expertise and commitment of its management team, advisors, employees and contractors to ensure compliance with current laws.

Customer Demand

The Company is subject to risk from falling customer demand for its products. Customer demand for silica sand can be influenced by demand for oil and gas products; industrial demand for silica sand; global, regional and seasonal economic, political and military events including recessions and wars; competition including pricing and availability of similar products from competitors; changes in technology; and changes in laws and regulations affecting the Company's customers.

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 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 of the date of this report and September 30, 2021, the Company's financial instruments which are measured at fair value on a recurring basis are cash and cash equivalents and available for sale investments. The available-for-sale investments are based on quoted prices. The carrying values of the Company's loans and receivables and financial liabilities 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.

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.

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, as well as capital expansion plans.

During the past year the Company has been able to maintain its liquidity position through cash flow from operations and cash on hand, as well as some bank loans. Assuming that frac sand sales continue to improve as anticipated, but is not assured, the Company believes it has sufficient funds to continue operations using cash flow from operations and bank loans to fund its operations through 2021. The Company may also raise funds through equity or other financings, as may be determined.

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 94% (2020 – 70% to one customer and 20% to the second customer) of total sales for the nine months ended September 30, 2021. Approximately 85% (2020 – 73% owing to two major customers) of outstanding accounts receivable is from the one major customer at September 30, 2021.

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.

Competition

The industry in which the Company operates is highly competitive. The Company faces strong competition from other companies in the industry. Many of these companies have greater financial resources, operational experience and technical capabilities than Select Sands. As a result of this competition, the Company may be unable to maintain its operations or develop them as currently proposed, on terms it considers acceptable or at all. Consequently, the revenues, operations and financial condition of the Company could be materially adversely affected.

Key Executives

Select Sands is dependent on the services of key executives, including its directors and has a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of Select Sands, the loss of these persons or either company's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations.

Internal Controls and Procedures

Management of the Company has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the financial statements of the Company do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented thereby, and (ii) the financial statements of the Company fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented. However, as a venture issuer, the certifying officers of the Company filing such financial statements do not make any representations relating to the establishment and maintenance of:

- controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's accounting principles.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis disclosure controls and procedures, and internal controls over financial reporting, may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Lack of Trading

The lack of trading volume of the Company's shares reduces the liquidity of an investment in the Company's shares.

Volatility of Share Price

Market prices for shares of TSX Venture Exchange listed companies are often volatile. Factors such as announcements of financial results, and other factors could have a significant effect on the price of the Company's shares.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements.

Approval

The Board of Directors of Select Sands Corp. has approved the contents of this Management Discussion and Analysis as of the date of this report.

Additional Information

Additional information relating to the Company and its operations is available on SEDAR at www.sedar.com and also on the Company's website at www.selectsands.com

Cautionary Note Regarding Forward Looking Statements

This MD&A includes some statements that may be considered "forward-looking statements". All statements in this discussion that address the Company's expectations about the future including revenues and sales volumes, demand for the Company's sand products, the availability and cost of shipping and trucking for the Company's sand products, market changes in the oil and gas and frac sand sectors, cost reductions, capital acquisitions and corporate development are forward-looking statements. Although the Company believes the expectations presented in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploration successes, availability of capital and financing, future sales and cost projections and general economic, market, and business conditions, as well as COVID-19 pandemic related business disruptions. Readers are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.