



SELECT SANDS
CORP.

Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

(Expressed in United States Dollars)



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Select Sands Corp.

Opinion

We have audited the accompanying consolidated financial statements of Select Sands Corp. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the year ended December 31, 2022 and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022, and its consolidated financial performance and cash flows for the year ended December 31, 2022 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Company as at December 31, 2021, and for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on April 28, 2022.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no key audit matters to communicate in our auditors' report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

SHIM & Associates LLP
Chartered Professional Accountants

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Dong H. Shim.

“SHIM & Associates LLP”

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada

May 1, 2023

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

	December 31, 2022	December 31, 2021
ASSETS		
Current		
Cash and cash equivalents	\$ 644,216	\$ 632,042
Accounts receivable (Note 8 and 12a)	1,038,958	1,114,192
Inventory (Note 4)	4,796,915	3,901,978
Prepaid expenses	69,731	104,680
Total Current Assets	6,549,820	5,752,892
Deposits	300,101	290,037
Right-of-use assets (Note 6)	2,462,840	451,570
Property, plant and equipment (Notes 6 and 8)	11,595,009	12,661,684
Total Assets	\$ 20,907,770	\$ 19,156,183
LIABILITIES		
Current		
Line of credit (Note 8)	\$ 1,285,034	\$ 1,375,034
Accounts payable and accrued liabilities (Note 7)	1,625,954	1,532,910
Deferred revenue	988,491	-
Current portion of lease liability (Note 6)	403,198	474,398
Current portion of long-term debt (Note 8)	1,137,197	1,043,169
Total Current Liabilities	5,439,874	4,425,511
Decommissioning liability	78,100	78,100
Long-term lease liability (Note 6)	2,059,642	-
Long-term debt (Note 8)	7,278,714	7,705,307
Total Liabilities	14,856,330	12,208,918
EQUITY		
Share capital (Note 9)	34,803,135	34,803,135
Share-based payment reserve	5,734,350	5,709,867
Accumulated other comprehensive loss	(70,465)	(18,287)
Deficit	(34,415,580)	(33,547,450)
Total Equity	6,051,440	6,947,265
Total Liabilities and Equity	\$ 20,907,770	\$ 19,156,183

Note 1 - Corporate Information And Going Concern
Note 5 - Investments

These consolidated financial statements were authorized for issue by the Board of Directors on May 1, 2023. They are signed on the Company's behalf by:

"Zigurds Vitols"
Director

"Wesley Harris"
Director

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

Select Sands Corp.

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in United States Dollars)

	For the Years Ended	
	December 31, 2022	December 31, 2021
Revenue	\$ 22,297,548	\$ 19,742,762
Cost of Goods Sold (excluding depreciation and depletion)	19,329,532	18,145,749
Gross Margin	2,968,016	1,597,013
Operating Expenses		
Compensation and consulting (Note 7)	707,488	655,010
Depreciation and depletion (Note 6)	1,741,737	1,711,604
Interest expense	558,117	630,332
Selling, general and administrative	449,172	419,505
Share-based compensation (Notes 7 and 9)	24,483	200,239
Total Operating Expenses	3,480,997	3,616,690
Operating Loss	(512,981)	(2,019,677)
Other (Expense) Income		
Interest income	837	344
Foreign exchange gain	44,080	21,127
Gain on extinguishment of debt (Note 13d)	-	574,990
Unrealized gain on investments (Note 5)	-	26,817
Gain on sale of investments (Note 5)	-	105,207
Provision for impairment of property, plant and equipment (Note 6)	(328,984)	(170,353)
Loss on sale of property, plant and equipment	(71,082)	(157,285)
Reversal of accrual for repairs and maintenance	-	70,000
Loss on settlement with gas utility (Note 10)	-	(128,544)
Total Other (Loss) Income	(355,149)	342,303
Net Loss for the Year	(868,130)	(1,677,374)
Other Comprehensive Loss		
Foreign currency translation adjustment	(52,178)	(30,019)
Comprehensive Loss for the Year	\$ (920,308)	\$ (1,707,393)
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 Statements of Changes in Equity
Years ended December 31, 2022 and 2021
(Expressed in United States Dollars)

	SHARE CAPITAL		SHARE-BASED PAYMENT RESERVE	ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME		DEFICIT	TOTAL EQUITY
	NUMBER OF SHARES	AMOUNT					
Balance, December 31, 2020	88,563,316	34,803,135	5,509,628	11,732	(31,870,076)	8,454,419	
Share-based compensation	-	-	200,239	-	-	200,239	
Net loss for the year	-	-	-	-	(1,677,374)	(1,677,374)	
Other comprehensive loss	-	-	-	(30,019)	-	(30,019)	
Balance, December 31, 2021	88,563,316	\$ 34,803,135	\$ 5,709,867	\$ (18,287)	\$ (33,547,450)	\$ 6,947,265	
Share-based compensation	-	-	24,483	-	-	24,483	
Net loss for the year	-	-	-	-	(868,130)	(868,130)	
Other comprehensive loss	-	-	-	(52,178)	-	(52,178)	
Balance, December 31, 2022	88,563,316	\$ 34,803,135	\$ 5,734,350	\$ (70,465)	\$ (34,415,580)	\$ 6,051,440	

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

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

	For the Years Ended	
	December 31, 2022	December 31, 2021
Operating Activities		
Net loss for the year	\$ (868,130)	\$ (1,677,374)
<i>Adjustments for non-cash items:</i>		
Depreciation and depletion	1,741,737	1,711,604
Share-based compensation	24,483	200,239
Gain on extinguishment of debt	-	(574,990)
Unrealized gain on investments	-	(26,817)
Gain on sale of investments	-	(105,207)
Provision for impairment of property, plant and equipment	328,984	170,353
Loss on sale of property, plant and equipment	71,082	157,285
Reversal of accrual for repairs and maintenance	-	(70,000)
Accretion on finance leases	28,065	82,335
<i>Changes in non-cash operating assets and liabilities:</i>		
Accounts receivable	75,234	439,729
Inventory	(894,937)	(960,261)
Prepaid expenses	34,949	(14,240)
Accounts payable and accrued liabilities	93,044	685,738
Deferred revenue	988,491	-
Total Cash Provided by Operating Activities	1,623,002	18,394
Investing Activities		
Proceeds from sale of investments	-	400,696
Deposits	(10,064)	134,807
Proceeds from disposal of equipment	428,046	216,163
Purchases of property, plant and equipment	(1,051,604)	(229,226)
Total Cash (Used in) Provided by Investing Activities	(633,622)	522,440
Financing Activities		
Proceeds from line of credit	3,310,000	4,296,933
Repayment of line of credit	(3,400,000)	(3,455,000)
Proceeds from long-term debt	936,747	1,088,628
Principal repayments of long-term debt	(1,269,312)	(1,548,474)
Repayment of lease liability	(502,463)	(526,821)
Total Cash Used in Financing Activities	(925,028)	(144,734)
Effect of Exchange Rate Changes on Cash	(52,178)	(30,019)
Increase in Cash and Cash Equivalents	12,174	366,081
Cash and Cash Equivalents, Beginning of Year	632,042	265,961
Cash and Cash Equivalents, End of Year	\$ 644,216	\$ 632,042

Supplemental Cash Flow Information (Note 13c)

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

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

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 mining its 520-acre site in Arkansas named the Sandtown quarry. The Company is focused on developing this business to enable profitable commercial silica sand sales to industrial and energy customers.

These consolidated 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 year ended December 31, 2022, the Company has continued to experience demand for its sand products below its full production capacity resulting in sales of \$22,297,548 (2021 – \$19,742,762), a gross margin of \$2,968,016 (2021 – \$1,597,013), cash flow from operating activities of \$1,623,002 (2021 – \$18,394), a net loss of \$868,130 (2021 – \$1,677,374) and as of that date, the Company’s deficit is \$34,415,580 (2021 - \$33,547,450). The Company 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 Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

2. BASIS OF PRESENTATION

a) Statement of Compliance

The consolidated financial statements of the Company for the year ended December 31, 2022 are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

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 Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

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 share-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.
- Estimates and judgments are inherent in the ongoing assessment of the recoverability of trade and accounts receivable and deposits. The Company is not able to predict changes in financial conditions of its customers and note holders and the Company's judgement related to the recoverability of trade and accounts receivable may be material.
- At the end of each reporting period, the Company reviews the carrying value of its long-lived assets to determine whether there is any indication that the carrying amount is not recoverable. The determination of whether any such indication exists requires significant management judgement. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

2. BASIS OF PRESENTATION (Continued)

e) Significant Accounting Judgments and Estimates (Continued)

- Recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Many factors are used in assessing recoverable amounts and are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments.
- The Company assesses its site closure and reclamation provisions at each reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent, cost, and timing of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the changes of inflation rate and discount rates. These uncertainties may result in future expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future reclamation costs required.
- 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 Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

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 Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

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 Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

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 Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

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 Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

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 Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

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.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

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:

	December 31, 2022		December 31, 2021	
Raw Materials	\$	238,475	\$	180,957
Work-in-process		2,927,483		2,424,068
Finished Goods		1,630,957		1,296,953
	\$	4,796,915	\$	3,901,978

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

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 December 31, 2022, the Company held 4,527,080 common shares (2021 – 4,527,080) equal to a 15.3% stake (2021 – 15.5%) 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 reduced the investment carrying value to zero. For the year ended December 31, 2022, the unrecognized share of losses for which the Company ceased to recognize when applying the equity method was \$222,875 (2021 - \$75,533). As at December 31, 2022, the cumulative unrecognized share of losses was \$881,433 (2021 - \$658,558).

Displayed below is the most recently available unaudited summary financial information available for Comstock as at December 31, 2022 and 2021:

	Year ended December 31, 2022	Year ended December 31, 2021
Cash	\$ 22,672	\$ 189,706
Receivables and prepaids	7,490	12,744
Investments	819,551	1
Asset held for sale	-	2,030,289
Non-current assets	1	450
Current liabilities	197,965	86,418
Comprehensive loss	1,460,799	488,396

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"). During January 2021, the Company disposed of the Investments for net proceeds of \$363,523. The Company recorded an unrealized gain of \$26,817 and realized gain of \$68,034 on the disposal of the Investments.

Investment in Canfrac Sand Inc.

During June 2021, the Company disposed of 1,203,432 shares in Canfrac Sand Inc. (the "Shares") for net proceeds of \$37,173. The Company had previously impaired the Shares to \$Nil value and recorded a gain on disposal of \$37,173.

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

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, 2020	\$ 7,744,923	\$ 6,877,929	\$ 31,563	\$ 2,807,075	\$ 17,461,490
Additions	84,936	144,290	-	-	229,226
Impairment	(277,055)	(11,066)	-	-	(288,121)
Disposals	-	(628,968)	-	-	(628,968)
Balance, December 31, 2021	\$ 7,552,804	\$ 6,382,185	\$ 31,563	\$ 2,807,075	\$ 16,773,627
Additions	-	1,051,604	-	-	1,051,604
Impairments	(89,213)	(642,868)	-	-	(732,081)
Disposals	(105,819)	(359,472)	(26,562)	(247,833)	(739,686)
Balance, December 31, 2022	\$ 7,357,772	\$ 6,431,449	\$ 5,001	\$ 2,559,242	\$ 16,353,464

	PLANTS AND BUILDINGS	MACHINERY AND VEHICLES	OFFICE	SAND PROPERTIES	TOTAL PROPERTY, PLANT AND EQUIPMENT
Accumulated Depreciation					
Balance, December 31, 2020	\$ (990,017)	\$ (2,134,913)	\$ (15,426)	\$ (78,531)	\$ (3,218,887)
Depreciation	(427,719)	(813,822)	(4,508)	-	(1,246,049)
Depletion	-	-	-	(20,295)	(20,295)
Impairment	109,838	7,930	-	-	117,768
Disposals	-	255,520	-	-	255,520
Balance, December 31, 2021	\$ (1,307,898)	\$ (2,685,285)	\$ (19,934)	\$ (98,826)	\$ (4,111,943)
Depreciation	(425,177)	(846,455)	(3,560)	-	(1,275,192)
Depletion	-	-	-	(14,975)	(14,975)
Impairments	39,426	363,671	-	-	403,097
Disposals	45,226	175,534	19,798	-	240,556
Balance, December 31, 2022	\$ (1,648,423)	\$ (2,992,535)	\$ (3,696)	\$ (113,801)	\$ (4,758,455)

	PLANTS AND BUILDINGS	MACHINERY AND VEHICLES	OFFICE	SAND PROPERTIES	TOTAL PROPERTY, PLANT AND EQUIPMENT
Carrying Value					
Balance, December 31, 2021	\$ 6,244,906	\$ 3,696,900	\$ 11,629	\$ 2,708,249	\$ 12,661,684
Balance, December 31, 2022	\$ 5,709,349	\$ 3,438,914	\$ 1,305	\$ 2,445,441	\$ 11,595,009

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

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

Right-of-use assets

Value of right-of-use assets as at December 31, 2020	\$	896,830
Depreciation		(445,260)
Value of right-of-use assets as at December 31, 2021	\$	451,570
Depreciation		(451,570)
Renewal of lease		2,462,840
Value of right-of-use assets as at December 31, 2022	\$	2,462,840

Lease liability

Lease liability recognized as at December 31, 2020	\$	918,884
Lease payments		(526,821)
Lease interest		82,335
Lease liability recognized as at December 31, 2021	\$	474,398
Lease payments		(502,463)
Lease interest		28,065
Renewal of lease		2,462,840
Lease liability recognized as at December 31, 2022	\$	2,462,840

	December 31, 2022	December 31, 2021
Current portion	\$ 403,198	\$ 474,398
Non-current portion	2,059,642	-
	\$ 2,462,840	\$ 474,398

In accordance with IFRS 16, the Company capitalized an office lease and a lease on a transload shipping facility. On December 31, 2022, the lease on the transload shipping facility was renewed for a five year term and the lease on the office was not renewed. The transload lease renewal was given a present value of \$2,462,840 using an incremental borrowing rate of 6.00%.

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

7. DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The Company incurred the following related party transactions for the years ended December 31, 2022 and 2021 and had the following balances with related parties outstanding as at December 31, 2022 and 2021:

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

	Year ended December 31, 2022	Year ended December 31, 2021
Compensation and consulting	\$ 305,794	\$ 293,320
Share-based compensation	-	127,990
Total compensation of key management and directors	\$ 305,794	\$ 421,310

- b) The Company shared office space with Comstock which has a common director and officer. During the year ended December 31, 2022, the Company recovered \$16,610 in shared office costs (2021 - \$16,093). Effective January 1, 2023, the Company will no longer be sharing office space with Comstock.
- c) As at December 31, 2022, the Company had accounts payable and accrued liabilities to directors and officers in the amount of \$109,803 (2021 - \$97,068) 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.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

8. LONG-TERM DEBT

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

	December 31, 2022	December 31, 2021
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.	\$ 36,666	\$ 96,623
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.	39,836	96,690
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 February 13, 2022, secured by equipment.	-	10,058
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 February 3, 2022, secured by equipment.	-	9,112
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 February 3, 2022, secured by equipment.	-	8,872
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 February 16, 2023, secured by equipment.	5,268	35,481
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.	-	3,059
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 March 29, 2022, secured by equipment.	-	8,641

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

8. LONG-TERM DEBT (Continued)

	December 31, 2022	December 31, 2021
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.	\$ 124,565	\$ 175,812
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 October 9, 2023, secured by equipment.	77,645	166,119
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.	108,450	148,187
Note payable, dated August 27, 2021, payable in monthly installments of \$2,020, including interest at 4.499%, outstanding amounts on this note are due in full on August 27, 2026, secured by equipment.	81,792	101,859
Note payable, dated March 11, 2022, payable in monthly installments of \$1,813, including interest at 6.39%, outstanding amounts on this note are due in full on March 11, 2027, secured by equipment.	80,775	-
Note payable, dated March 11, 2022, payable in monthly installments of \$8,599, including interest at 5.29%, outstanding amounts on this note are due in full on March 11, 2027, secured by equipment.	391,963	-
Note payable, dated June 8, 2022, payable in monthly installments of \$7,693, including interest at 6.69%, outstanding amounts on this note are due in full on June 8, 2027, secured by equipment.	357,866	-
Construction loan payable secured by property, plant, and equipment starting August 4, 2021, at 4.75%, with monthly payments due in the amount of \$85,199 per month for 120 months.	7,111,085	7,887,963
Total	8,415,911	8,748,476
Less current maturities	(1,137,197)	(1,043,169)
Long-term debt	\$ 7,278,714	\$ 7,705,307

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

8. LONG-TERM DEBT (Continued)

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 \$1,285,034 and \$1,375,034 at December 31, 2022 and December 31, 2021, respectively. On February 18, 2022, the Company renewed its \$5,000,000 line of credit until February 20, 2023. Interest payable on the line of credit was fixed at 4.75% for the new term. The line of credit requires interest-only payments during the next 12 months, after which the balance outstanding will be converted into a loan. The line of credit is secured by the Company's accounts receivable from customers.

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

2023	\$	2,422,231
2024		1,027,985
2025		1,012,879
2026 and thereafter		<u>5,257,850</u>
	\$	<u>9,700,945</u>

See also Notes 12d and 16.

9. SHARE CAPITAL AND RESERVES

a) Authorized

Unlimited number of common shares without par value

b) Issued

As of December 31, 2022 and 2021, there are 88,563,316 common shares issued and outstanding. The Company did not issue any common shares during the years ended December 31, 2022 and 2021.

c) Warrants

There are no warrants outstanding at December 31, 2022 and 2021.

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.

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

9. SHARE CAPITAL AND RESERVES (Continued)

d) Stock Options (Continued)

All of the Company's currently issued stock options are denominated in Canadian dollars. No stock options were exercised during the years ended December 31, 2022 and 2021. A summary of the changes in stock options follows:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE CAD\$
Balance, December 31, 2020	4,645,000	0.74
Granted	4,850,000	0.055
Expired/Cancelled	(1,150,000)	0.60
Balance, December 31, 2021	8,345,000	0.36
Granted	350,000	0.095
Expired/Cancelled	(1,625,000)	1.25
Balance, December 31, 2022	7,070,000	0.15

The following summarizes the stock options outstanding and exercisable as at December 31, 2022:

EXPIRY DATE	EXERCISE PRICE CAD\$	OPTIONS OUTSTANDING	OPTIONS EXERCISABLE
April 12, 2023	0.39	1,870,000	1,870,000
November 22, 2026	0.055	4,850,000	4,850,000
March 4, 2027	0.095	350,000	350,000
		7,070,000	7,070,000

Share-based compensation recognized during the year ended December 31, 2022 was \$24,483 (2021 - \$200,239). As at December 31, 2022, the weighted average remaining contractual life of the share purchase options is 2.95 years and the weighted average exercise price is CAD\$0.15 (2021 - 3.15 years and CAD\$0.36).

On March 4, 2022, the Company granted 350,000 stock options to employees with an exercise price of CAD\$0.095 and life of 5 years. All of the stock options vested on grant. The stock options were given a fair value of \$24,483 using the Black-Scholes Option Valuation Model and a closing share price of CAD\$0.095, volatility of 168.14%, discount rate of 1.46%, Nil dividend rate and assumed life of 5 years.

e) Escrow

As of December 31, 2022 and 2021, 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.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

10. COMMITMENTS

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 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. 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 and the Company recorded a loss on the settlement of \$128,544.

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 year ended December 31, 2022.

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

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 of December 31, 2022, 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	\$ 644,216	\$ -	\$ 644,216
Accounts receivable	2	\$ -	\$ 1,038,958	\$ 1,038,958
Deposits	2	\$ 300,101	\$ -	\$ 300,101
Financial liabilities				
Line of credit	2	\$ -	\$ 1,285,034	\$ 1,285,034
Accounts payable and accrued liabilities	2	\$ -	\$ 1,625,954	\$ 1,625,954
Current portion of lease liability	2	\$ -	\$ 403,198	\$ 403,198
Current portion of long-term debt	2	\$ -	\$ 1,137,197	\$ 1,137,197
Long-term lease liability	2	\$ -	\$ 2,059,642	\$ 2,059,642
Long-term debt	2	\$ -	\$ 7,278,714	\$ 7,278,714

At December 31, 2022, 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 year ended December 31, 2022.

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 has sales to two major customers of approximately 59% of total sales (2021 – 89%) for the year ended December 31, 2022. Approximately 41% of sales are to the first major customer (2021 – 76%) and 18% of sales are to the second major customer (2021 – 13%). Approximately 0% of outstanding accounts receivable is owing from the first major customer and 0% is owing from the second major customer at December 31, 2022 (2021 – 0% of outstanding accounts receivable owing from the first major customer and 10% is owing from the second major customer).

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

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 years ended December 31, 2022 and 2021, 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 December 31, 2022, the Company had a cash balance of \$644,216 (2021 - \$632,042) to settle current liabilities of \$5,439,874 (2021 - \$4,425,511). 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 (see also Note 16). 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 year ended December 31, 2022, employee compensation included in cost of goods sold amounted to \$2,566,322 (2021 - \$2,217,619).

b) The Company calculates the basic and diluted loss per common share using the weighted average number of common shares outstanding during each period 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 period unless they are anti-dilutive. For the year ended December 31, 2022, diluted loss per share does not include the effect of 7,070,000 vested stock options (2021 - 8,345,000) as the effect would be anti-dilutive.

	Year Ended December 31, 2022	Year Ended December 31, 2021
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.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

13. SUPPLEMENTARY DISCLOSURES (Continued)

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

	Year Ended December 31, 2022	Year Ended December 31, 2021
Cash received for interest	\$ 837	\$ 344
Cash paid for interest	\$ 530,052	\$ 547,996
Cash paid for income taxes	\$ -	\$ -

- d) During the year ended December 31, 2021, 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. 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.

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

14. SEGMENTED DISCLOSURE

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

	December 31, 2022		
	Canada	USA	Total
Cash and cash equivalents	\$ 22,101	\$ 622,115	\$ 644,216
Accounts receivable	6,770	1,032,188	1,038,958
Inventory	-	4,796,915	4,796,915
Prepaid expenses	24,713	45,018	69,731
Total current assets	\$ 53,584	\$ 6,496,236	\$ 6,549,820
Deposits	\$ -	\$ 300,101	\$ 300,101
Right-of-use assets	-	2,462,840	2,462,840
Property, plant and equipment	-	11,595,009	11,595,009
Total non-current assets	\$ -	\$ 14,357,950	\$ 14,357,950
Total assets	\$ 53,584	\$ 20,854,186	\$ 20,907,770
Line of credit	\$ -	\$ 1,285,034	\$ 1,285,034
Accounts payable and accrued liabilities	9,666	1,616,288	1,625,954
Deferred revenue	-	988,491	988,491
Current portion of lease liability	-	403,198	403,198
Current portion of long-term debt	-	1,137,197	1,137,197
Decommissioning liability	-	78,100	78,100
Long-term lease liability	-	2,059,642	2,059,642
Long-term debt	-	7,278,714	7,278,714
Total liabilities	\$ 9,666	\$ 14,846,664	\$ 14,856,330
Revenue for the year ended December 31, 2022	\$ -	\$ 22,297,548	\$ 22,297,548
Comprehensive loss for the year ended December 31, 2022	\$ (262,561)	\$ (657,747)	\$ (920,308)

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

14. SEGMENTED DISCLOSURE (Continued)

	December 31, 2021		
	Canada	USA	Total
Cash and cash equivalents	\$ 25,496	\$ 606,546	\$ 632,042
Accounts receivable	6,123	1,108,069	1,114,192
Inventory	-	3,901,978	3,901,978
Prepaid expenses	28,640	76,040	104,680
Total current assets	\$ 60,259	\$ 5,692,633	\$ 5,752,892
Deposits	\$ -	\$ 290,037	\$ 290,037
Right-of-use assets	-	451,570	451,570
Property, plant and equipment	-	12,661,684	12,661,684
Total non-current assets	\$ -	\$ 13,403,291	\$ 13,403,291
Total assets	\$ 60,259	\$ 19,095,924	\$ 19,156,183
Line of credit	\$ -	\$ 1,375,034	\$ 1,375,034
Accounts payable and accrued liabilities	11,271	1,521,639	1,532,910
Current portion of lease liability	-	474,398	474,398
Current portion of long-term debt	-	1,043,169	1,043,169
Decommissioning liability	-	78,100	78,100
Long-term debt	-	7,705,307	7,705,307
Total liabilities	\$ 11,271	\$ 12,197,647	\$ 12,208,918
Revenue for the year ended December 31, 2021	\$ -	\$ 19,742,762	\$ 19,742,762
Comprehensive loss for the year ended December 31, 2021	\$ (333,405)	\$ (1,373,988)	\$ (1,707,393)

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

15. INCOME TAXES

a) Deferred Income Taxes

The Company's provision (recovery) for income taxes for the years ended December 31, 2022 and 2021 differs from the amounts computed by applying the statutory income tax rates to the loss before income taxes as a result of the following:

	Year Ended December 31, 2022	Year Ended December 31, 2021
Statutory combined federal and provincial rate	27%	27%
Expected income tax recovery at statutory rates	\$ (234,000)	\$ (453,000)
Non-deductible items	(1,000)	(512,000)
Change in estimates and other	(455,000)	219,000
Change in unrecognized deferred tax assets	690,000	746,000
Income tax expense	\$ -	\$ -

b) Deferred Income Tax Assets

The estimated tax effect of the significant components within the Company's deferred tax assets were as follows:

	December 31, 2022	December 31, 2021
Exploration resource deductions	\$ 755,000	\$ 755,000
Non-capital losses carried forward	6,385,000	5,667,000
Equipment	(1,385,000)	(1,363,000)
Capital losses carried forward	39,000	41,000
Other	(15,000)	(11,000)
Unrecognized deferred tax assets	(5,779,000)	(5,089,000)
Net deferred income tax assets	\$ -	\$ -

The Company's non-capital losses in the approximate amount of \$23,600,000 begin to expire in 2034.

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in United States Dollars Unless Otherwise Noted)

16. SUBSEQUENT EVENTS

Stock options expired

On April 12, 2023, a total of 1,870,000 stock options with an exercise price of CAD\$0.39 expired unexercised.

Line of credit renewal

On February 17, 2023, the Company renewed its \$5,000,000 line of credit until February 20, 2024. Interest payable on the Line of Credit will be fixed at 8.25% for the new term. The Line of Credit requires interest-only payments during the next 12 months, after which the balance outstanding will be converted into a loan.