



SELECT SANDS

CORP.

Management's Discussion and Analysis For the Year Ended December 31, 2022

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2022 and 2021 of Select Sands Corp. ("We", "Our", "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 May 1, 2023.

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 consolidated financial statements for the years ended December 31, 2022 and 2021 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 \$1,623,003 (2021 – \$18,394), a net loss of \$868,128 (2021 – \$1,677,374) and as of that date, the Company's deficit is \$34,415,580 (December 31, 2021 - \$33,547,450) 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 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.

Discussion of Ongoing Business Operations

For the year ended December 31, 2022, the Company recorded revenue of \$22,297,548 with a gross margin of \$2,968,016 compared to revenue of \$19,774,762 and a gross margin of \$1,597,013 in 2021. Revenue increased by 12.9% and gross margin increased by 85.8% in 2022 compared to 2021. Adjusted EBITDA for 2022 was \$1,856,273 compared to \$543,969 in 2021, or a 241% increase (see also Non-IFRS Financial Measures, EBITDA and Adjusted EBITDA and Reconciliation of Net Loss to EBITDA to Adjusted EBITDA on pages 6 and 7).

The Company generated a gross margin of \$490,722 in Q4 2022 compared to \$738,872 in Q3 2022 and \$683,265 in Q4 of 2021. This was matched with an Adjusted EBITDA of \$221,805 in Q4 2022 compared with \$492,810 in the previous quarter and \$481,058 in Q4 of 2021. Revenue slightly increased to \$5,442,771 in Q4 2022 from \$5,397,797 in Q3 2022.

Q4, 2022 sales encountered some early shutdowns of fracking operations late in the quarter, which was contrary to expectations developed during Q3 from our customers.

Our 2022 frac sand unit sales were 355,308 tons versus 328,978 tons in 2021, or an 8.0% increase. Unit gross margin increased by 85.8% from \$4.85/ton in 2021 to \$8.35/ton for 2022.

On an annual basis, revenues increased 12.9% year over year from 2021 to 2022. Despite historically high inflation on most cost inputs, gross margin increased by 85.8% from \$1,597,013 in 2021 to \$2,968,016 in 2022.

Every opportunity was examined to find cost savings such as key management compensation and overall manpower. Long-term debt was reduced by 5.5% going from \$7,705,307 at end of 2021 to \$7,278,714 at the end of 2022.

Our expectation for first quarter 2023 is for 83,000 tons of frac/industrial sales.

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.

The Plant Reconfiguration Project included installation of dry-process equipment at the Diaz Rail Facility, thereby increasing process efficiency by reducing inter-plant transportation costs. Dry processing at Diaz saves approximately 16 miles of inter-plant transportation and over one hour in transload logistics. Logistical improvements were carried also out at the Company's Sandtown Quarry.

Summary of Annual Results

Year Ending	2022	2021	2020
	\$	\$	\$
Revenue	22,297,548	19,742,762	9,701,216
Cost of Goods Sold (excluding depreciation and depletion)	19,329,532	18,145,749	10,034,983
Operating Expenses	3,480,997	3,616,690	3,129,921
Other Income (Expense)	355,149	342,303	559,039
Net Loss for the Year	868,130	1,677,374	2,904,649
Comprehensive Loss for the year	920,308	1,707,393	2,940,594
Basic and Diluted Loss per Share	0.01	0.02	0.03
Total Assets	20,907,770	19,156,183	20,684,988
Total Liabilities	14,856,330	12,208,918	12,230,569

Results of Operations for the Year Ended December 31, 2022 and 2021

For the year ended December 31, 2022, the Company generated a net loss of \$868,130 (year ended December 31, 2021 ("2021") – \$1,677,374). Differences of note between the two years are:

- The Company recorded total revenue of \$22,297,548 (2021 – \$19,742,762) primarily from silica sand sales.
- The Company recorded cost of goods sold excluding depreciation and depletion of \$19,329,532 (2021 – \$18,145,749) primarily from silica sand sales. Included in cost of goods sold is \$2,566,322 (2021 – \$2,217,619) for employee compensation.
- Compensation and consulting increased to \$707,488 (2021 – \$655,010) due to the Company employing more human resources for its increased sand operations compared to 2021.
- Shared-based compensation decreased to \$24,483 (2021 - \$200,239) due to the Company granting fewer stock options in the current year.

For the year ended December 31, 2022, net property plant and equipment acquisitions totaled \$1,051,604 compared to \$229,226 in 2021.

Cash Flows for the Year Ended December 31, 2022 and 2021

For the year ended December 31, 2022, the Company received \$1,623,002 for its operating activities compared to \$18,394 in 2021. The increase is mostly due to a decrease in net loss as well as an increase in deferred revenue during the current year. Offsetting the increase in cash used for operations was an increase in inventory in the current year.

For the year ended December 31, 2022, the Company used \$633,622 for investing activities compared to receiving \$522,440 in 2021. The Company spent \$1,051,604 on property, plant and equipment compared to \$229,226 spent in the prior year. The Company received \$428,046 from the disposal of equipment compared to \$216,163 in the prior year. In the prior year, the Company received \$400,696 from the disposal of its investments compared to \$Nil in the current year. The Company increased its deposits by \$10,064 in 2022 compared to receiving a refund of \$134,807 in the prior year.

For the year ended December 31, 2022, the Company used \$925,028 for financing activities compared to using \$144,734 in 2021. The Company received \$3,310,000 (2021 – \$4,296,933) and repaid \$3,400,000 (2021 - \$3,455,000) on its line of credit for funding operations. The Company received \$936,747 in long-term debt primarily for the funding of machinery and equipment acquisitions (2021 – received \$1,088,628 for operations). The Company also made principal repayments of long-term debt totaling \$1,269,312 (2021 - \$1,548,474) and lease repayments of \$502,463 (2021 - \$526,821).

Cash increased by \$12,174 in the current year, compared to a \$366,081 increase in 2021.

Discussion of Fourth Quarter 2022 Results

During the fourth quarter of 2022, the Company sold 81,451 tons of frac and industrial sand and recorded total revenues of \$5,442,711 and a gross margin of \$490,722. The Company ended the fourth quarter of 2022 with inventory valued at \$4,796,915 and accounts receivable from customers of \$1,038,958. As of the date of this report, the Company has received full payment on all of the accounts receivable balance outstanding on December 31, 2022.

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 and the Company recorded a loss on the settlement of \$128,544 for the year ended December 31, 2021.

2022 AGM Results

At the Company's annual general and special meeting of shareholders held June 20, 2022, each of Zigurds Vitols, Douglas Turnbull, Wesley Harris, Daniel Gillett and Steven Goldman, management's director nominees, were elected as directors. In addition, Smythe 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.

Appointment of New Auditor

Effective October 17, 2022, the Company accepted the resignation of Smythe LLP as the Company's auditor and appointed Shim & Associates LLP in their place. Further information is available at SEDAR.com.

Summary of Quarterly Results

The following table sets forth selected quarterly financial information for the three months ended December 31, 2022 and each of the prior eight quarters.

Quarter Ending	Revenue	Net (Loss) Income	(Loss) Earnings per share
December 31, 2022	\$5,442,711	\$(697,148)*	\$(0.01)
September 30, 2022	\$5,397,797	\$(148,582)	\$(0.00)
June 30, 2022	\$5,281,002	\$118,839	\$0.00
March 31, 2022	\$6,176,038	\$(141,239)	\$(0.00)
December 31, 2021	\$6,066,700	\$(832,726)	\$(0.01)
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

* Net loss includes \$328,984 impairment of property, plant and equipment.

** 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.

Liquidity

As of December 31, 2022, the Company had working capital of \$1,109,946 including cash on hand of \$644,216.

Share Capital

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 year ended December 31, 2022 and 2021. There are no warrants outstanding at December 31, 2022 and December 31, 2021. As of December 31, 2022, there are 7,070,000 options outstanding with a weighted-average exercise price of CAD\$0.15 (December 31, 2021 – 8,345,000 at CAD\$0.36).

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, provision for impairment of property, plant and equipment, gain (loss) on sale of property, plant and equipment, reversal of accrual for repairs and maintenance, loss on settlement with gas utility, loss (gain) on sale of Investments, Unrealized (gain) loss on investments 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

	Year ended	Three Months Ended			
	December 31, 2022	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Net (Loss) Income	\$ (868,130)	\$ (697,148)	\$ (148,582)	\$ 118,839	\$ (141,239)
Add Back					
Depreciation and depletion	1,741,737	430,277	505,855	375,777	429,828
Share-based compensation	24,483	-	-	-	24,483
Interest expense	558,117	132,394	132,804	149,626	143,293
EBITDA	\$ 1,456,207	\$ (134,477)	\$ 490,077	\$ 644,242	\$ 456,365
Add Back					
Provision for impairment of property, plant and equipment	328,984	328,984	-	-	-
Loss (Gain) on sale of property, plant and equipment	71,082	27,298	2,733	41,551	(500)
Adjusted EBITDA	\$ 1,856,273	\$ 221,805	\$ 492,810	\$ 685,793	\$ 455,865

Reconciliation of Net Loss to EBITDA to Adjusted EBITDA

	Year ended	Three Months Ended			
	December 31, 2021	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Net (Loss) Income	\$ (1,677,374)	\$ (832,726)	\$ (327,424)	\$ 265,614	\$ (782,838)
Add Back					
Depreciation and depletion	1,711,604	499,597	404,187	403,508	404,312
Share-based compensation	200,239	200,239	-	-	-
Interest expense	630,332	215,222	134,626	133,689	146,795
Deferred income tax expense (recovery)	-	-	-	-	-
Income tax expense	-	-	-	-	-
EBITDA	\$ 864,801	\$ 82,332	\$ 211,389	\$ 802,811	\$ (231,731)
Add Back					
Reversal of accrual for repairs and maintenance	(70,000)	(70,000)	-	-	-
Loss on settlement with gas utility	128,544	128,544	-	-	-
Gain on extinguishment of debt	(574,990)	-	-	(574,990)	-
Gain on sale of Investments	(26,817)	-	-	-	(26,817)
Unrealized gain on investments	(105,207)	-	-	(37,173)	(68,034)
Provision for impairment of property, plant and equipment	170,353	170,353	-	-	-
Loss (gain) on sale of property, plant and equipment	157,285	169,829	(9,216)	(2,853)	(475)
Adjusted EBITDA	\$ 543,969	\$ 481,058	\$ 202,173	\$ 187,795	\$ (327,057)

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 May 16, 2022, 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 December 29, 2021, secured by equipment.	-	8,641
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

	December 31, 2022	December 31, 2021
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.	\$ 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 4.50%, outstanding amounts on this note are due in full on August 27, 2026, secured by equipment.	81,792	101,859
Note payable, dated March 7, 2022, payable in monthly installments of \$1,813, including interest at 6.39%, outstanding amounts on this note are due in full on March 7, 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 are 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

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 (see also Subsequent Events). 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		1,012,880
2026		5,257,849
	\$	9,700,945

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:

	Year ended	
	December 31, 2022	December 31, 2021
Zigurds Vitols – Salary	\$ 197,733	\$ 182,308
Zigurds Vitols - Share based compensation*	-	41,287
Doug Turnbull – Consulting fees	11,500	11,500
Doug Turnbull - Share based compensation*	-	20,643
Dan Gillett – Consulting fees	14,000	14,000
Dan Gillett - Share based compensation*	-	16,515
Steven Goldman – Consulting fees	8,000	9,000
Steven Goldman Share based compensation*	-	16,515
Wesley Harris - Consulting fees	10,000	5,000
Wesley Harris - Share based compensation*	-	16,515
Darren Urquhart – Consulting fees	64,561	67,012
Darren Urquhart - Share based compensation*	-	16,515
John Kime (former Director) – Consulting fees	-	4,500
Total compensation of officers and directors	\$ 305,794	\$ 421,310
Total salaries and consulting fees	305,794	293,320
Total share based compensation	-	127,990
Total compensation of officers and directors	\$ 305,794	\$ 421,310

*Note: Share based compensation is a non-cash expense for valuing stock option grants that is computed using the Black-Scholes Valuation Model.

The Company shared office space with Comstock Metals Ltd. 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.

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.

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.

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 5,200,000 stock options with a weighted average exercise price of \$0.06 outstanding.

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 years ended December 31, 2021 and 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 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 for the year ended December 31, 2021.

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. 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.

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, 2022, 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 2022. 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 receivables 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% to one customer) 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).

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 Subsequent Events). 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.