



SELECT SANDS

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Management's Discussion and Analysis For the Nine Months Ended September 30, 2023

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the condensed consolidated interim financial statements for the nine months ended September 30, 2023 and 2022 and 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 November 16, 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 1200, 825 Town and Country Lane, Houston, Texas, USA, 77024. The Company's mailing address in Canada is PO Box 30072, North Vancouver RPO Parkgate VLG, BC, Canada, V7H 2Y8. The Company's registered and records office is 10th Floor, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5. The Company's wholly owned subsidiary, Select Sands America Corp., actively operates the Company's silica sand business operations in Arkansas, USA. Select Sands shares trade on both the TSX Venture Exchange ("TSX-V") in Canada under symbol "SNS" as a Tier 2 company and in the U.S. on the OTCQB exchange under symbol "SLSDF".

The Company's condensed consolidated interim financial statements for the nine months ended September 30, 2023 have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. For the nine months ended September 30, 2023, the Company has continued to experience demand for its sand products below its full production capacity resulting in sales of \$10,351,824 (2022 – \$16,854,837), a gross margin of \$179,572 (2022 – \$2,477,294), negative cash flow from operating activities of \$(334,996) (2022 – positive cash flow of \$680,001), a net loss of \$2,528,682 (2022 – \$170,982) and as of that date, the Company's deficit is \$36,944,262 (December 31, 2022 - \$34,415,580) 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 nine months ended September 30, 2023 ("3Q 2023"), the Company recorded revenue of \$10,351,824 with a gross margin of \$179,572 compared to revenue of \$16,854,837 and a gross margin of \$2,477,294 in the nine months ended September 30, 2022 ("3Q 2022"). Revenue decreased by 38.6% and gross margin decreased by 92.8% in 3Q 2023 compared to 3Q 2022 due to the Company experiencing weaker sales and lower pricing. Adjusted EBITDA for 3Q 2023 was \$(700,848) compared to \$1,634,468 in 3Q 2022, a decrease of \$2,335,316 (see also Non-IFRS Financial Measures, EBITDA and Adjusted EBITDA and Reconciliation of Net Loss to EBITDA to Adjusted EBITDA on pages 4 and 5).

For the three months ended September 30, 2023 ("Q3 2023"), our frac sand unit sales were 43,081 tons versus 53,894 tons in the three months ended June 30, 2023 ("Q2 2023"), or a 20% decrease and 83,222 tons in three months ended September 30, 2022 ("Q3 2022"), or a 48% decrease. Unit gross loss was \$(3.75)/ton in Q3 2023 compared to \$(1.37)/ton unit gross loss for Q3 2023 and \$8.88/ton unit gross margin for Q3 2022.

For the fourth quarter of 2023, the Company expects frac and industrial sand sales volumes to be forecasted at 30,000 to 40,000 tons. The Company has recently received an uptick in customer interest for products, although it is substantially for deliveries that will occur in the first quarter of 2024. As a result, the Company currently anticipates an improved sales environment beginning in the first quarter based on recently scheduled frac sand jobs and additional scheduling conversations.

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".

Alternative Markets

The Company is continually reviewing potential acquisitions and joint venture transactions and opportunities that could enhance shareholder value. Recently, the Company initiated a strategic move to introduce glass sand supply as a supplementary offering to bolster its sales in the petroleum sector. Previously, the Company had maintained a singular focus on the petroleum sector, adapting to the fluctuations in demand for its diverse product range. The petroleum industry seems to have established preferences for specific products offered by the Company, leaving room for the sale of other products in alternative markets. The glass industry has welcomed these products positively, and there is a vision that both sectors may embrace the company's entire product range. There is no assurance that any of these opportunities will be finalized.

Results of Operations for 3Q 2023 and 3Q 2022

For 3Q 2023, the Company recorded a net loss of \$2,528,682 (3Q 2022 – \$170,982). Differences of note between the two periods are:

- The Company recorded total revenue of \$10,351,824 (3Q 2022 – \$16,854,837) primarily from silica sand sales. The Company saw fewer sales and lower pricing in Q3 2023 of \$2,084,910 compared to \$5,397,797 in Q3 2022.
- The Company recorded cost of goods sold excluding depreciation and depletion of \$10,172,252 (3Q 2022 – \$14,377,543) primarily from silica sand sales. Included in cost of goods sold is \$1,518,577 (3Q 2022 – \$1,516,586) for employee compensation.
- Compensation and consulting decreased to \$529,772 (3Q 2022 – \$552,744) due to the Company employing fewer human resources for its sand operations compared to 3Q 2022.
- Interest expense increased to \$530,006 (3Q 2022 – \$425,723) primarily due to the Company's new transload lease that is being amortized at a higher interest rate.
- Shared-based compensation decreased to \$Nil (3Q 2022 – \$24,483) due to the Company not granting any stock options in the current period.

For 3Q 2023, net property plant and equipment acquisitions totaled \$37,738 compared to \$1,051,605 in 3Q 2022.

Cash Flows for 3Q 2023 Compared to 3Q 2022

For 3Q 2023, the Company used \$334,996 for its operating activities compared to receiving \$680,001 3Q 2022. The increase is mostly due to an increased net loss as well as a decrease in accounts payable and deferred revenue in the current period. Offsetting the increase in cash used for operations were decreases in accounts receivable and inventory.

For 3Q 2023, the Company received \$18,262 from investing activities compared to using \$924,571 in 3Q 2022. The Company spent \$37,738 on property, plant and equipment compared to \$1,051,605 spent in the prior period. The Company received \$56,000 from the disposal of equipment compared to \$141,066 in the prior period. The Company's deposits were unchanged in 3Q 2023 compared to receiving a refund of \$14,032 in 3Q 2022.

For 3Q 2023, the Company used \$40,061 for financing activities compared to receiving \$131,098 in 3Q 2022. The Company received \$2,600,000 (3Q 2022 – \$3,160,00) and repaid \$1,525,000 (3Q 2022 – \$2,725,000) on its line of credit for funding operations. The Company did not receive any funds for long-term debt during 3Q 2023 (3Q 2022 – received \$936,748 for the funding of machinery and equipment acquisitions). The Company also made principal repayments of long-term debt totaling \$710,061 (3Q 2022 – \$852,194) and lease payments of \$405,000 (3Q 2022 – \$388,456).

Cash decreased by \$357,676 in the current period, compared to a \$161,852 decrease in 3Q 2022.

Discussion of Q3 2023 Results

During Q3 2023, the Company sold 43,081 tons of frac and industrial sand and recorded total revenues of \$2,084,910 and a gross loss of \$161,501. The Company ended Q3 2023 with inventory valued at \$3,644,581 and accounts receivable from customers of \$1,008,381.

Summary of Quarterly Results

The following table sets forth selected quarterly financial information for the three months ended September 30, 2023 and each of the prior eight quarters.

Quarter Ending	Revenue	Net (Loss) Income	(Loss) Earnings per share
September 30, 2023	\$2,084,910	\$(1,036,765)	\$(0.01)
June 30, 2023	\$3,157,614	\$(1,019,408)	\$(0.01)
March 31, 2023	\$5,109,300	\$(472,509)	\$(0.01)
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)

* 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 September 30, 2023, the Company had a working capital deficiency of \$1,027,265 including cash on hand of \$286,540.

Share Capital

As of September 30, 2023 and December 31, 2022, there are 88,563,316 common shares issued and outstanding. The Company did not issue any common shares during the nine months ended September 30, 2023 and year ended December 31, 2022. There are no warrants outstanding at September 30, 2023 and December 31, 2022. As of September 30, 2023, there are 5,200,000 options outstanding with a weighted-average exercise price of CAD\$0.06 and weighted average remaining contractual life of 3.17 years (December 31, 2022 – 7,070,000 at CAD\$0.15 and 2.95 years).

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				
	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Net Loss	\$ (1,036,765)	\$ (148,582)	\$ (2,528,682)	\$ (170,982)
Add Back:				
Depreciation and depletion	427,578	505,855	1,296,881	1,311,460
Interest expense	178,028	132,804	530,006	425,723
Share-based compensation	-	-	-	24,483
EBITDA	\$ (431,159)	\$ 490,077	\$ (701,795)	\$ 1,590,684
Add Back:				
Loss on sale of equipment	-	2,733	947	43,784
Adjusted EBITDA	\$ (431,159)	\$ 492,810	\$ (700,848)	\$ 1,634,468

Long-Term Debt

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

	September 30, 2023	December 31, 2022
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
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
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
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.	84,508	124,565
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.	7,931	77,645
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.	77,320	108,450
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.	66,140	81,792
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.	68,062	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.	329,024	391,963

Long-Term Debt (continued)

	September 30, 2023	December 31, 2022
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.	305,426	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.	6,767,439	7,111,085
Total	7,705,850	8,415,911
Less current maturities	(1,019,842)	(1,137,197)
Long-term debt	\$ 6,686,008	\$ 7,278,714

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 \$2,360,034 and \$1,285,034 at September 30, 2023 and December 31, 2022 respectively. 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 was 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. 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	\$ 256,599
2024	3,384,673
2025	1,010,256
2026	5,338,133
2027	76,223
	\$ 10,065,884

Related Parties Transactions

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

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

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

	Nine months ended	
	September 30, 2023	September 30, 2022
Zigurds Vitols – Salary	\$ 152,733	\$ 146,822
Doug Turnbull – Consulting fees	7,500	7,500
Dan Gillet – Consulting fees	10,500	10,500
Steven Goldman – Consulting fees	6,500	5,500
Wesley Harris – Consulting fees	7,000	7,500
Darren Urquhart – Consulting fees	46,816	49,111
Total compensation of officers and directors	\$ 231,049	\$ 226,933

The Company shared office space with Comstock Metals Ltd., which has a common director and officer. Effective January 1, 2023, the Company is no longer sharing office space with Comstock. During the nine months ended September 30, 2022, the Company recovered \$11,851 in shared office costs.

As at September 30, 2023, the Company had accounts payable and accrued liabilities to directors and officers in the amount of \$156,847 (December 31, 2022 - \$109,803) for salary, consulting fees and reimbursement of expenses.

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

Outstanding Share Data as of the Report Date

The Company's authorized share capital consists of an unlimited number of common shares. As of the date of this report, there are an aggregate of 88,563,316 common shares issued, Nil warrants and 5,200,000 stock options with a weighted average exercise price of \$0.06 outstanding.

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, 2023, 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 sales continue to improve as anticipated through supplementary sales in the glass sand supply sector (see also Proposed Transactions on page 8), the Company believes it has sufficient funds to continue operations using cash flow from operations and bank loans to fund its operations through 2023, but this outcome is not assured. The Company may also raise funds through equity, the sale of assets, 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 three major customers of approximately 63% of total sales (2022 – 72% to two major customers) for the nine months ended September 30, 2023. Approximately 37% of sales are to the first major customer, 18% of sales are to the second major customer and 8% of sales were to the third major customer (2022 – 48% of sales were to the first major customer, 24% of sales were to the second major customer). Approximately 0% of outstanding accounts receivable is owing from the first major customer and 13% is owing from the second major customer and 3% is from the third major customer at September 30, 2023 (92% of outstanding accounts receivable is from the first major customer at September 30, 2022).

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 8.25% per annum. As a result, the Company is subject to a moderate level of interest rate risk. All other financial assets and liabilities are non-interest bearing or bear interest at fixed rates.

Competition

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

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.