

 SELECT SANDS
CORP.

Consolidated Financial Statements

Years Ended December 31, 2017 and 2016
(Expressed in United States Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Select Sands Corp.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Select Sands Corp. which comprise the consolidated statements of financial position as at December 31, 2017, December 31, 2016 and January 1, 2016 and the consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Select Sands Corp. as at December 31, 2017, December 31, 2016 and January 1, 2016 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Vancouver, Canada

April 10, 2018

"Morgan & Company LLP"

Chartered Professional Accountants

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

	As at		
	December 31, 2017	December 31, 2016	January 1, 2016
ASSETS			
Current			
Cash and cash equivalents	\$ 2,047,515	\$ 8,770,627	\$ 2,291,944
Accounts receivable (Note 14)	3,385,597	99,567	9,866
Inventory (Note 5)	1,961,573	-	-
Prepaid expenses	83,223	35,584	23,808
Total Current Assets	7,477,908	8,905,778	2,325,618
Deposits	364,580	113,965	78,100
Deferred income taxes (Note 15)	2,356,000	-	-
Investment in Affiliate (Note 6)	1,275,409	2,234,304	-
Property, Plant and Equipment (Note 7)	13,415,238	5,037,010	-
Exploration and Evaluation Assets (Note 8)	-	1,596,027	3,660,743
Total Assets	\$ 24,889,135	\$ 17,887,084	\$ 6,064,461
LIABILITIES			
Current			
Accounts payable and accrued liabilities (Note 9)	\$ 1,418,182	\$ 310,725	\$ 80,732
Current portion of long-term debt (Note 10)	778,051	-	-
Total Current Liabilities	2,196,233	310,725	80,732
Long-term Debt (Note 10)	2,284,096	-	-
Total Liabilities	4,480,329	310,725	80,732
EQUITY			
Share Capital (Note 11)	34,717,344	33,327,114	19,722,362
Share subscriptions and option proceeds received	-	-	21,676
Commitment to issue shares	-	-	193,834
Share-based Payment Reserve	4,874,231	2,976,327	2,333,419
Accumulated Other Comprehensive Income (Loss)	57,538	(1,057,605)	(1,091,382)
Deficit	(19,240,307)	(17,669,477)	(15,196,180)
Total Equity	20,408,806	17,576,359	5,983,729
Total Liabilities and Equity	\$ 24,889,135	\$ 17,887,084	\$ 6,064,461

These consolidated financial statements were authorized for issue by the Board of Directors on April 10, 2018. They are signed on the Company's behalf by:

"Zigurds Vitols"
Director

"John Kime"
Director

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

Select Sands Corp.

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in United States Dollars)

	For the Year Ended	
	December 31, 2017	December 31, 2016
Revenue	\$ 15,145,766	\$ -
Cost of Goods Sold (excluding depreciation and depletion)	12,239,286	-
Gross profit	2,906,480	-
Operating Expenses		
Compensation and consulting (Note 9)	993,740	543,337
Depreciation and depletion	622,926	-
Interest on long-term debt	61,940	-
Selling, general and administrative (Note 9)	1,088,818	654,605
Share-based compensation (Notes 9, 11)	2,034,818	375,235
Total Operating Expenses	4,802,242	1,573,177
Operating Loss	(1,895,762)	(1,573,177)
Other (Expense) Income		
Interest income	19,605	8,267
Foreign exchange (loss) gain	(972,589)	204,248
Gain on sale of mineral properties, net	-	557,184
Share of loss in equity investee (Note 6)	(228,795)	(103,082)
Provision for impairment – Investment in affiliate	(849,289)	(1,566,737)
Total Other Expense	(2,031,068)	(900,120)
Loss Before Income Taxes	(3,926,830)	(2,473,297)
Deferred income tax recovery	2,356,000	-
Net Loss	(1,570,830)	(2,473,297)
Other Comprehensive Income		
Foreign currency translation adjustment	1,115,143	33,777
Comprehensive Loss	\$ (455,687)	\$ (2,439,520)
Basic and Diluted Loss per Share	\$ (0.02)	\$ (0.04)
Weighted Average Number of Shares Outstanding (Note 16)	86,808,075	60,148,891

-- 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, 2017 and 2016
(Expressed in United States Dollars)

	SHARE CAPITAL		SHARE SUBSCRIPTIONS AND OPTION PROCEEDS RECEIVED	COMMITMENT TO ISSUE SHARES	SHARE- BASED PAYMENT RESERVE	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFICIT	TOTAL EQUITY
	NUMBER OF SHARES	AMOUNT						
Balance, January 1, 2016	54,399,254	\$ 19,722,362	\$ 21,676	\$ 193,834	\$ 2,333,419	\$ (1,091,382)	\$ (15,196,180)	\$ 5,983,729
Shares issued for private placement	21,376,341	12,416,854	-	-	-	-	-	12,416,854
Shares and warrants issued for asset acquisition	805,671	478,411	-	-	-	-	-	478,411
Shares issued for finders' fees	108,556	80,771	-	-	-	-	-	80,771
Warrants exercised	4,314,966	1,212,032	-	-	(24,943)	-	-	1,187,089
Options exercised	1,620,000	418,007	(21,676)	-	(200,746)	-	-	195,585
Debenture conversions	1,453,333	164,454	-	(164,454)	-	-	-	-
Debenture interest conversions	199,571	40,650	-	(40,650)	-	-	-	-
Debenture interest	-	(11,270)	-	11,270	-	-	-	-
Share issue costs - cash	-	(701,795)	-	-	-	-	-	(701,795)
Share issue costs – warrants	-	(493,361)	-	-	493,361	-	-	-
Share based compensation	-	-	-	-	375,235	-	-	375,235
Net loss for the year	-	-	-	-	-	-	(2,473,297)	(2,473,297)
Other comprehensive income	-	-	-	-	-	33,777	-	33,777
Balance, December 31, 2016	84,277,692	33,327,115	-	-	2,976,326	(1,057,605)	(17,669,477)	17,576,359
Warrants exercised	3,027,124	949,719	-	-	(7,777)	-	-	941,942
Options exercised	1,008,500	440,510	-	-	(129,136)	-	-	311,374
Share based compensation	-	-	-	-	2,034,818	-	-	2,034,818
Net loss for the year	-	-	-	-	-	-	(1,570,830)	(1,570,830)
Other comprehensive income	-	-	-	-	-	1,115,143	-	1,115,143
Balance, December 31, 2017	88,313,316	\$ 34,717,344	\$ -	\$ -	\$ 4,874,231	\$ 57,538	\$ (19,240,307)	\$ 20,408,806

-- 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 Year Ended	
	December 31, 2017	December 31, 2016
Operating Activities		
Net loss for the year	\$ (1,570,830)	\$ (2,473,297)
Adjustments for non-cash items:		
Depreciation and depletion	622,926	-
Provision for doubtful account	292,323	
Share-based compensation	2,034,818	375,235
Foreign exchange	(225,314)	(17,068)
Loss on sale of equipment	28,426	-
Gain on sale of mineral properties, net	-	(557,184)
Share of loss in equity investee	228,795	103,082
Provision for impairment – Investment in affiliate	849,289	1,566,737
Deferred income tax recovery	(2,356,000)	-
Accretion on finance leases	51,653	-
Changes in non-cash operating assets and liabilities:		
Accounts receivable	(3,578,353)	(90,550)
Inventory	(1,961,573)	-
Prepaid expenses	(47,639)	(11,187)
Accounts payable and accrued liabilities	1,107,457	230,444
Total Cash Used in Operating Activities	(4,524,022)	(873,788)
Investing Activities		
Deposits	(250,615)	(33,895)
Exploration and evaluation assets	-	(1,126,982)
Investment in affiliate acquisition	-	(10,193)
Proceeds from disposal of equipment	7,786	-
Property, plant and equipment	(4,266,169)	(4,573,270)
Total Cash Used in Investing Activities	(4,508,998)	(5,744,340)
Financing Activities		
Share subscriptions and options exercise received	-	12,416,854
Warrants exercised	941,942	1,187,089
Options exercised	311,374	194,629
Share issue costs	-	(701,795)
Principal repayments of long-term debt	(47,867)	-
Proceeds from term loan	487,848	-
Total Cash Provided by Financing Activities	1,693,297	13,096,777
Effect of Exchange Rate Changes on Cash	616,611	34
(Decrease) Increase in Cash and Cash Equivalents	(6,723,112)	6,478,683
Cash and Cash Equivalents, Beginning of Year	8,770,627	2,291,944
Cash and Cash Equivalents, End of Year	\$ 2,047,515	\$ 8,770,627

Supplemental Cash Flow Information (Note 16c)

-- 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, 2017 and 2016

(Expressed in United States Dollars Unless Otherwise Noted)

1. CORPORATE INFORMATION

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 OTCQX 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. The Company is focused on developing this business to enable profitable commercial silica sand sales to industrial and energy customers.

2. CHANGE IN PRESENTATION CURRENCY

Effective December 31, 2017, the Company changed its presentation currency from the Canadian dollar to the United States dollar. The change in presentation currency is to better reflect the Company's operations and to improve investors' ability to compare the Company's financial results with other publicly traded silica sand businesses in the United States of America. The Company has applied the change retrospectively as if the new presentation currency had always been the Company's presentation currency. In accordance with IAS 21, *The effects of changes in the foreign exchange rates*, the financial statements for all years presented have been translated to the new United States dollar presentation currency.

For comparative balances, assets and liabilities have been translated into the presentation currency at the rate of exchange prevailing at the reporting date. Revenues and expenses were translated at the annual average exchange rates for the reporting year as these approximated the actual exchange rates at the dates of the underlying transactions. Common share amounts, retained earnings and contributed surplus were translated at average rates for each year since incorporation as if the United States dollar had always been the presentation currency. Exchange differences arising on translation were added to Accumulated Other Comprehensive Income (Loss) in shareholders' equity. The Company has presented the effects of the change in presentation currency below, using the following rates:

Financial statement account	FX rate
Assets and liabilities as at December 31, 2015	1.3840
Assets and liabilities as at December 31, 2016	1.3427
Expenses and other items for the year ended December 31, 2016	1.3256
Equity accounts opening balance January 31, 2007	1.0740
Equity accounts for the period ended July 31, 2007	1.0710
Equity accounts for the year ended July 31, 2008	1.0072
Equity accounts for the year ended July 31, 2009	1.1753
Equity accounts for the year ended July 31, 2010	1.0490
Equity accounts for the year ended July 31, 2011	0.9944
Equity accounts for the year ended July 31, 2012	1.0083
Equity accounts for the year ended July 31, 2013	1.0070
Equity accounts for the year ended July 31, 2014	1.0733
Equity accounts for the year ended July 31, 2015	1.1924
Equity accounts for the period ended December 31, 2015	1.3294
Equity accounts for the year ended December 31, 2016	1.3256

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2017 and 2016

(Expressed in United States Dollars Unless Otherwise Noted)

2. CHANGE IN PRESENTATION CURRENCY (Continued)

Consolidated Statements of Financial Position

	December 31, 2016			January 1, 2016		
	Canadian dollar	Translation	US dollar	Canadian dollar	Translation	US dollar
	Originally stated	rate	Restated	Originally stated	rate	Restated
ASSETS						
Current						
Cash and cash equivalents	\$ 11,776,321	1.3427	\$ 8,770,627	\$ 3,172,051	1.3840	\$ 2,291,944
Accounts receivable	133,688	1.3427	99,567	13,655	1.3840	9,866
Prepaid expenses	47,779	1.3427	35,584	32,950	1.3840	23,808
Total Current Assets	11,957,788		8,905,778	3,218,656		2,325,618
Deposits	153,021	1.3427	113,965	108,090	1.3840	78,100
Investment in Affiliate	3,000,000	1.3427	2,234,304	-	1.3840	-
Property, Plant and Equipment	6,763,193	1.3427	5,037,010	-	1.3840	-
Exploration and Evaluation Assets	2,142,986	1.3427	1,596,027	5,066,468	1.3840	3,660,743
Total Assets	\$ 24,016,988		\$ 17,887,084	\$ 8,393,214		\$ 6,064,461
LIABILITIES						
Current						
Accounts payable and accrued liabilities	\$ 417,210	1.3427	\$ 310,725	\$ 111,733	1.3840	\$ 80,732
Total Liabilities	417,210		310,725	111,733		80,732
EQUITY						
Share Capital	39,388,462	*	33,327,114	21,354,003	*	19,722,362
Share subscriptions and option proceeds received	-	-	-	30,000	*	21,676
Commitment to issue shares	-	-	-	256,945	*	193,834
Share-based Payment Reserve	3,349,517	*	2,976,327	2,497,278	*	2,333,419
Accumulated Other Comprehensive Income (Loss)	(8,479)	*	(1,057,605)	(5,625)	*	(1,091,382)
Deficit	(19,129,722)	*	(17,669,477)	(15,851,120)	*	(15,196,180)
Total Equity	23,599,778		17,576,359	8,281,481		5,983,729
Total Liabilities and Equity	\$ 24,016,988		\$ 17,887,084	\$ 8,393,214		\$ 6,064,461

* Equity accounts were translated at average rates for each year since incorporation as if the United States dollar had always been the presentation currency.

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2017 and 2016

(Expressed in United States Dollars Unless Otherwise Noted)

2. CHANGE IN PRESENTATION CURRENCY (Continued)

Consolidated Statements of Operations and Comprehensive Loss

	Year ended December 31, 2016		
	Canadian dollar	Translation	US dollar
	Originally stated	rate	Restated
General and Administrative Expenses			
Administrative services and rent	\$ 22,192	1.3256	\$ 16,741
Advertising and promotion	338,139	1.3256	255,084
Compensation and consulting	720,248	1.3256	543,337
Office expense and miscellaneous	107,421	1.3256	81,036
Professional fees	316,786	1.3256	238,976
Regulatory and stock transfer fees	72,255	1.3256	54,507
Repairs and maintenance	10,951	1.3256	8,261
Share-based compensation	497,412	1.3256	375,235
Loss Before Other Items	(2,085,404)		(1,573,177)
Other Items			
Interest income	10,959	1.3256	8,267
Foreign exchange gain	270,751	1.3256	204,248
Gain on sale of mineral properties	738,604	1.3256	557,184
Share of loss in equity investee	(136,646)	1.3256	(103,082)
Provision for impairment – Investment in affiliate	(2,076,866)	1.3256	(1,566,737)
Total Other Items	(1,193,198)		(900,120)
Net Loss	\$ (3,278,602)		\$ (2,473,297)
Other Comprehensive Income			
Foreign currency translation adjustment	(2,854)	N/A	33,777
Comprehensive Loss	\$ (3,281,456)		\$ (2,439,520)

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2017 and 2016

(Expressed in United States Dollars Unless Otherwise Noted)

2. CHANGE IN PRESENTATION CURRENCY (Continued)

Consolidated Statements of Changes in Equity

	Total Equity for the year ended December 31, 2016		
	Canadian dollar Originally stated	Translation rate(s)	US dollar Restated
Balance, January 1, 2016	\$ 8,281,481	0.9944 - 1.3294	\$ 5,983,729
Shares issued for private placement	16,459,782	1.3256	12,416,854
Shares and warrants issued for assets	634,182	1.3256	478,411
Shares issued for finders' fees	107,070	1.3256	80,771
Warrants exercised	1,573,605	1.3256	1,187,089
Options exercised	258,000	1.3256 - 1.3840	195,585
Share issue costs - cash	(930,299)	1.3256	(701,795)
Share based compensation	497,412	1.3256	375,235
Net loss for the year	(3,278,602)	1.3256	(2,473,297)
Other comprehensive income	(2,854)	N/A	33,777
Balance, December 31, 2016	\$ 23,599,777		\$ 17,576,359

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2017 and 2016

(Expressed in United States Dollars Unless Otherwise Noted)

2. CHANGE IN PRESENTATION CURRENCY (Continued)

Consolidated Statements of Cash Flows

	Year ended December 31, 2016		
	Canadian dollar Originally stated	Translation rate	US dollar Restated
Operating Activities			
Net loss for the year	\$ (3,278,602)	1.3256	\$ (2,473,297)
Adjustments for non-cash items:			
Share-based compensation	497,412	1.3256	375,235
Foreign exchange	(6,454)	N/A	(17,034)
Gain on sale of mineral properties, net	(738,604)	1.3256	(557,184)
Share of loss in equity investee	136,646	1.3256	103,082
Provision for impairment – Investment in affiliate	2,076,866	1.3256	1,566,737
Changes in non-cash operating assets and liabilities:			
Accounts receivable	(120,033)	1.3256	(90,550)
Prepaid expenses	(14,829)	1.3256	(11,187)
Accounts payable and accrued liabilities	305,477	1.3256	230,444
Total Cash Used in Operating Activities	(1,142,121)		(873,754)
Investing Activities			
Deposits	(44,931)	1.3256	(33,895)
Exploration and evaluation assets	(1,493,927)	1.3256	(1,126,982)
Investment in affiliate acquisition	(13,512)	1.3256	(10,193)
Property, plant and equipment	(6,062,327)	1.3256	(4,573,270)
Total Cash Used in Investing Activities	(7,614,697)		(5,744,340)
Financing Activities			
Share subscriptions and options exercise received	16,459,782	1.3256	12,416,854
Warrants exercised	1,573,605	1.3256	1,187,089
Options exercised	258,000	1.3256	194,629
Share issue costs	(930,299)	1.3256	(701,795)
Total Cash Provided by Financing Activities	17,361,088		13,096,777
Decrease in Cash and Cash Equivalents	8,604,270		6,478,683
Cash and Cash Equivalents, Beginning of Year	3,172,051		2,291,944
Cash and Cash Equivalents, End of Year	\$ 11,776,321		\$ 8,770,627

Supplementary Cash Flow Information and Non-Cash Investing and Financing Transactions:

Cash received for interest	\$ 10,959	1.3256	\$ 8,267
Issuance of shares for acquisition of assets	\$ 634,182	1.3256	\$ 478,411
Issuance of shares for finders' fees	\$ 107,070	1.3256	\$ 80,771
Issuance of shares for convertible debenture	\$ 271,885	1.3256	\$ 205,103
Debenture interest accrued	\$ 14,940	1.3256	\$ 11,270
Issue of warrants for finders' fees	\$ 654,000	1.3256	\$ 493,361
Sale of exploration and evaluation assets for shares	\$ 5,200,000	1.3256	\$ 3,922,752

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2017 and 2016

(Expressed in United States Dollars Unless Otherwise Noted)

3. BASIS OF PRESENTATION

a) Statement of Compliance

The consolidated financial statements of the Company for the year ended December 31, 2017 have been 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 condensed consolidated interim 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 4 have been applied consistently to all periods presented in these consolidated financial statements.

c) Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, Select Sands America Corp. (the "Subsidiary") incorporated in Delaware, USA. On January 27, 2017, the Subsidiary changed its name from American Select Corp. to Select Sands America Corp. All intercompany transactions and balances have been eliminated on consolidation.

d) Foreign Currencies

These consolidated financial statements are presented in United States dollars (see also Note 2). 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.

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.

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.

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2017 and 2016

(Expressed in United States Dollars Unless Otherwise Noted)

3. BASIS OF PRESENTATION (Continued)

e) Significant Accounting Judgments and Estimates (Continued)

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 the 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 used significant judgment in its assessment of impairment indicators on its equity-accounted investment and its related estimate of the recoverable amount of the investment.
- Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings. As at December 31, 2017, the Company has consolidated deferred income tax assets of \$2.356 million. The deferred income tax assets reported in the Consolidated Statement of Financial Position is presented net of offsetting deferred income tax liabilities in the amount of \$213 thousand. Management believes that the Company will have sufficient taxable income in the future. At December 31, 2017, the Company has non-capital losses of \$5.468 million that begin to expire in 2027, and deferred exploration and development costs of \$2.897 million that are available to reduce future taxable income without expiry. The Company has concluded that based on its current frac sand production capacity and sales volumes that recognition of the associated deferred income tax assets is appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been adopted for the year ended December 31, 2017 and have been applied consistently to all periods presented in these consolidated financial statements.

a) Financial Instruments and Risk Management

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company’s accounting policy for each category is as follows:

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Financial Instruments and Risk Management (Continued)

Financial assets (Continued)

Fair value through profit or loss ("FVTPL") - This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of operations and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statements of operations and comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statements of operations and accumulated other comprehensive income (loss).

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

Other financial liabilities - This category includes amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Financial Instruments and Risk Management (Continued)

Financial liabilities (Continued)

The Company has classified cash and cash equivalents and reclamation bond as fair value through profit or loss financial assets. Accounts payable and accrued liabilities are classified as other financial liabilities. Management did not identify any material embedded derivatives, which require separate recognition and measurement.

Disclosures about the inputs to financial instrument fair value measurements are made within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Financial instruments are exposed to credit, liquidity and market risks. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Liquidity risks is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Market risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of price risk: currency risk, interest rate risk and other price risk.

Liquidity risk is significant to the Company's statement of financial position. The Company manages these risks by using cash flow from operations to settle its obligations in the normal course of its operating activities and actively pursuing debt or equity financings to fund its investing activities.

Impairment of Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

b) 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.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) 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.

d) 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.

e) 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.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Property, Plant, Equipment (Continued)

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.

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

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. Operating leases, including lane lease agreements are not recognized on the Company's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Property, Plant, Equipment (Continued)

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.

f) Exploration and Evaluation Assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activities, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss. Ancillary income received while the properties are in the exploration stage is credited to the carrying value of the mineral properties. Cost recoveries are credited against specific property costs, as received.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Facts and circumstances as defined in *IFRS 6 exploration and evaluation assets* are as follows:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full, from successful development or by sale.

In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful, and some assets are likely to become impaired in future periods.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Exploration and Evaluation Assets (Continued)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified as a development cost to property, plant, equipment and mine development.

Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

During the year ended December 31, 2016, the Company commenced limited silica sand production and sales on its Sandtown property (see Note 8). Under IFRS, the Company accounts for the silica sand sales as a reduction in the carrying value of the Sandtown property until commercial production is achieved.

g) 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. Each of the Company's exploration and evaluation properties is considered to be a cash-generating unit for which impairment testing is performed.

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

h) 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. The fair value of the shares issued as consideration for exploration and evaluation assets is based on the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of Directors. Proceeds from unit placements are allocated between shares and warrants issued using the residual method.

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.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Share Capital (Continued)

ii) Share-based payments (Continued)

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.

i) Income Taxes

Income tax expense comprises of 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.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) 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.

k) 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.

l) Future Accounting Pronouncements Not Yet Adopted

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 Financial Instruments was issued in November 2009 and covers the classification and measurement of financial assets as part of its project to replace IAS 39 Financial Instruments: Recognition and Measurement. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is applicable for periods beginning on or after January 1, 2018. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 15 Revenue from Contracts with Customers establishes a five-step model that will apply to revenue earned from a contract, regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 Leases replaces IAS 17 – Leases and requires lessees to account for leases on the balance sheet by recognizing a right to use asset and lease liability. The standard is effective for annual reports beginning on or after January 1, 2019.

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5. INVENTORY

Inventory includes the following:

	December 31, 2017	December 31, 2016
Raw Materials	\$ 91,602	\$ -
Work-in-process	1,672,954	-
Finished Goods	197,017	-
	\$ 1,961,573	\$ -

*The amount of inventory relieved to Cost of Goods Sold during the year-ended December 31, 2017 was \$10,286,278 (2016 - \$Nil).

6. INVESTMENT IN ASSOCIATE

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 (see also Note 8). As of December 31, 2017, the Company held a 25.2% stake in the issued and outstanding shares of Comstock and accounted for its investment using the equity method.

Displayed below is the summary financial information of Comstock as at December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Cash	\$ 839,098	\$ 1,027,062
Current assets, other than cash	68,107	65,499
Non-current assets	10,729,565	8,068,511
Current liabilities	223,030	215,158
Comprehensive loss	775,017	291,192

For the year ending December 31, 2017, the Company's estimated share of the comprehensive loss in Comstock amounted to \$228,795 (2016 - \$103,082).

	Year ended December 31, 2017	Year ended December 31, 2016
Opening Balance	\$ 2,234,304	\$ -
Value of Comstock shares on September 13, 2016	-	3,948,368
Acquisition costs	-	10,260
Equity share of Comstock's loss for the year	(228,795)	(103,082)
Provision for impairment	(849,289)	(1,566,737)
Foreign currency translation adjustment	119,189	(54,505)
Total	\$ 1,275,409	\$ 2,234,304

Comstock's principal place of business activity is in Canada. The Company has determined to impair the investment by \$849,289 (2016 - \$1,566,737) to reflect the significant and prolonged decline in the market value of the shares as at December 31, 2017 and 2016..

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7. PROPERTY, PLANT AND EQUIPMENT

	PLANTS AND BUILDINGS	MACHINERY AND VEHICLES	OFFICE	SAND PROPERTIES	TOTAL
Costs					
Balance, December 31, 2015	\$ -	\$ -	\$ -	\$ -	-
Additions	3,116,101	1,920,909	-	-	5,037,010
Balance, December 31, 2016	3,116,101	1,920,909	-	-	5,037,010
Transfers in from E&E	-	-	-	1,596,027	1,596,027
Additions	181,326	3,423,672	39,253	4,244,205	7,888,456
Disposal	-	(133,335)	-	-	(133,335)
Foreign currency translation adjustment	(310,977)	129,972	-	(178,391)	(359,396)
Balance, December 31, 2017	\$ 2,986,450	\$ 5,341,218	\$ 39,253	\$ 5,661,841	\$ 14,028,762
Accumulated Depreciation					
Balance December 31, 2016 and 2015	\$ -	\$ -	\$ -	\$ -	-
Additions:					
Depreciation	(219,211)	(390,224)	(2,585)	-	(612,020)
Depletion	-	-	-	(10,908)	(10,908)
Disposals	-	9,404	-	-	9,404
Balance, December 31, 2017	\$ (219,211)	\$ (380,820)	\$ (2,585)	\$ (10,908)	\$ (613,524)
Carrying Value					
Balance December 31, 2016	\$ 3,116,101	\$ 1,920,909	\$ -	\$ -	5,037,010
Balance, December 31, 2017	\$ 2,767,239	\$ 4,960,398	\$ 36,668	\$ 5,650,933	\$ 13,415,238

As of December 31, 2016, the Company had not begun depreciating property, plant and equipment as the assets were not yet ready for their intended use, being the processing of silica sands from its Sandtown property. Effective January 1, 2017, the Company entering into commercial production at its Sandtown, Arkansas, USA facilities and began depreciating its property plant and equipment assets..

Included in Plant and Buildings additions is \$2,579,023 related to the purchase of a rail loading facility. The title to the rail loading facilities does not transfer to the Company until after the final payment is made (see also Note 10).

2017 Acquisitions Highlights

On January 25, 2017, the Company completed the purchase of an additional 457 acres of property approximately three miles from its 520-acre Sandtown location. The total purchase price was approximately \$950,560.

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7. PROPERTY, PLANT AND EQUIPMENT (Continued)

On April 1, 2017, the Company entered into an agreement to acquire a rail loading facility for \$2,050,000 paid over 5 years. The first-year payment of \$500,000 has been made. The balance will be paid in equal amounts of \$387,500 per year until March 2021.

On October 3, 2017, the Company entered into an agreement for the option to purchase 223 acres of property in Newark, Arkansas, to serve as a platform to support the Company's near and long-term operational and capacity expansion initiatives.

Under the terms of the agreement, The Company has the right to purchase the acreage for approximately \$1.63 million. The Company made a payment of \$50,000 towards the purchase price upon signing the agreement with an additional \$75,000 scheduled for payment in October 2018. The option may be exercised at any time on or before October 3, 2020. Subsequent to year-end the Company exercised the option (Note 18).

2016 Acquisitions Highlights

a) Sandtown, Arkansas, USA

On October 9, 2014 the Company entered into a binding letter of agreement for an option to acquire a 100% undivided right, title and interest in an approximately 520-acre prospective frac sand property located in northeast Arkansas, USA ("Sandtown"). The Property is a greenfield frac sand exploration prospect underlain by the Ordovician St. Peter sandstone formation.

The acquisition was at arm's length and an initial payment was made of \$25,000, a further payment of (i) \$100,000 was made on December 22, 2014; and (ii) \$75,000 was made on February 23, 2015; and (iii) a final payment of \$1,800 per acre less prior payments made (or approximately \$736,000) was due to the vendor on or before April 25, 2016. The final payment could be delayed until April 25, 2018 if the Company decided to pay \$4,000 per month to the vendors (half of the \$4,000 going to the principal payment).

On March 1, 2015, the Company signed an addendum to the original property agreement that allows the Company to collect material from a 10-acre parcel of land for test mining purposes before the full option agreement is reached, provided the Company pays the vendor US \$0.75/ton for any material sold as either frac sand or other sand and gravel.

On November 24, 2016, the Company exercised the option to acquire and completed the acquisition of a 100% undivided right, title, and interest in Sandtown.

The Company extended the term of the option by paying \$4,000 per month to the vendors, \$2,000 of which was credited against the \$736,000 purchase price. To the date of closing, \$32,000 of extension payments were paid with \$16,000 being credited against the \$736,000 purchase price bringing the aggregate amount paid to the vendors (inclusive of extension payments) to \$952,000.

An aggregate finder's fee of \$65,520 (equal to 7% of the transaction value) was paid in respect of this transaction to two separate finders. One-half of this finder's fee was satisfied through the issuance of 46,191 common shares in the capital of the Company. The number of common shares was based on the 20-day volume weighted average price of the Company's common shares on the TSX Venture Exchange (for the 20 days preceding the closing date) with Canadian dollars converted to U.S. dollars at the noon rate of exchange on the closing date as posted on the Bank of Canada's website.

Effective January 1, 2017, the Company determined that the technical feasibility and commercial viability for its Sandtown property was demonstrable. Exploration and evaluation assets were first tested for impairment and then reclassified as a development cost to property, plant and equipment.

Select Sands Corp.

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7. PROPERTY, PLANT AND EQUIPMENT (Continued)

- b) On December 15, 2016, the Company, through its wholly-owned subsidiary Select Sands America Corp., completed a transaction with Tuttle Holding, LLC, Steve Hackmann and Ozark Premium Sand, LLC ("OPS") in which Select Sands purchased OPS's wet/dry processing plants, operating equipment, and related assets owned by OPS, located nearby its Sandtown silica sands deposit in Arkansas, USA.

Pursuant to the terms of the agreements, Select Sands America Corp. paid a total of \$4,841,585 comprised of cash payments to the vendors and agents in the aggregate amount of \$6,062,327, the issuance of 805,671 common shares of the Company valued at \$475,000 and 270,270 common share purchase warrants with each warrant being exercisable into one common share of the Company at a price of \$0.97 for a period of two years from the date of issue.

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8. EXPLORATION AND EVALUATION ASSETS

Effective January 1, 2017, the Company began accounting for its investments in sand properties as Property, Plant and Equipment (See Note 7). For the year ended December 31, 2017, \$1,596,027 was transferred from Exploration and Evaluation Assets to Property, Plant and Equipment.

For the year ended December 31, 2016:

	Sandtown Arkansas USA	La Ronge Gold Belt Saskatchewan, Canada	Other Properties Canada	Total
Acquisition Costs				
Opening balance	\$ 173,392	\$ 191,009	\$ 2	\$ 364,403
Option payments	831,242	-	-	831,242
Disposals/write-off	-	(191,009)	(2)	(191,011)
Ending balance	1,004,634	-	-	1,004,634
Development and Exploration Costs				
Opening balance	274,189	3,022,152	-	3,296,341
Assays, samples	6,076	-	332	6,408
Engineering & consulting	34,256	-	-	34,256
Environmental	17,277	-	-	17,277
Geology & mapping	-	-	10,516	10,516
Land clearing & site prep	50,219	-	-	50,219
Test mining & production	71,913	-	-	71,913
Transportation	200,267	-	-	200,267
Test sand sales	(196,861)	-	-	(196,861)
Royalties on test sand sales	4,283	-	-	4,283
Cost of sales	130,644	-	-	130,644
Disposals	-	(3,022,152)	(10,848)	(3,033,000)
Ending balance	592,263	-	-	592,263
Balance, Beginning Of Period	447,581	3,213,161	2	3,660,744
Total Costs For The Period	1,149,316	-	10,848	1,160,164
Write-off Property Costs	-	-	(1)	(1)
Disposals	-	(3,213,161)	(10,849)	(3,224,010)
Translation adjustment	(870)	-	-	(870)
Balance, End Of Period	\$ 1,596,027	\$ -	\$ -	\$ 1,596,027
Cost Summary				
Acquisition Costs	\$ 1,004,634	\$ -	\$ -	\$ 1,004,634
Exploration Costs	592,263	-	-	592,263
Translation adjustment	(870)	-	-	(870)
Total	\$ 1,596,027	\$ -	\$ -	\$ 1,596,027

On September 13, 2016, the Company sold the La Range Gold Belt (Preview SW) and early stage Jacobson, Old Cabin projects to Comstock Metals Ltd (TSX-V: CSL) ("Comstock") in exchange for 20,000,000 common shares of Comstock (See also Note 6). The Company recorded a gain on the sale of these mineral properties as follows:

Value of Comstock shares on September 13, 2016	\$ 3,948,368
Book value of La Ronge Gold Belt	(3,213,161)
Book value of Old Cabin	(10,849)
Foreign currency translation adjustment	(167,173)
Gain on sale of mineral properties	\$ 557,185

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2017 and 2016

(Expressed in United States Dollars Unless Otherwise Noted)

9. DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The Company incurred the following related party transactions the year ended December 31, 2017 and 2016 and had the following balances with related parties outstanding as at December 31, 2017 and 2016:

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

	Year ended December 31, 2017	Year ended December 31, 2016
Short-term compensation and consulting	\$ 593,793	\$ 390,783
Share-based compensation	1,749,212	292,254
Total compensation of key management and directors	\$ 2,343,005	\$ 683,037

- b) The Company shares office space with Comstock Metals Ltd. which has common directors. During the year ended December 31, 2017, the Company recovered \$22,177 in shared office costs (2016 - \$10,815). The Company also sold mineral properties to Comstock Metals Ltd. during 2016 (see Notes 6 and 8).
- c) As at December 31, 2017, the Company had accounts payable to directors and officers in the amount of \$13,037 (2016 - \$40,430) 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.

10. LONG-TERM DEBT

	December 31, 2017	December 31, 2016
Rail Facility purchase agreement	\$ 1,393,949	\$ -
Heavy equipment leases	1,668,198	-
	3,062,147	-
Less current portion	(778,051)	-
Long-term debt	\$ 2,284,096	\$ -

On April 1, 2017, the Company entered into an asset purchase agreement to acquire certain rail loading facilities for the assumption of a debt obligation in the amount \$2,050,000. The first payment of \$500,000 was due and paid upon the signing of the agreement. The remaining indebtedness of \$1,550,000 is repayable in four additional payments of \$387,500 due every year until March 2021. Title to the rail loading facility does not transfer until the final payment is made on March 9, 2021, and the agreement closes ninety (90) days after the last payment.

During the year, the Company acquired heavy equipment via the assumption of term loan and lease financing. The term loan and finance leases bear interest from 3.89% to 5.79%, mature at dates from November 5, 2020 to December 3, 2021, and are secured by certain assets of the Company.

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2017 and 2016

(Expressed in United States Dollars Unless Otherwise Noted)

10. LONG-TERM DEBT (Continued)

Annual aggregate repayments of the long-term debt are as follows:

2018	\$	778,051
2019		811,634
2020		835,736
2021		636,726
	\$	<u>3,062,147</u>

11. SHARE CAPITAL AND RESERVES

a) Authorized

Unlimited number of common shares without par value

b) Issued

Year ended December 31, 2017

The Company did not issue any shares for private placement during the year ended December 31, 2017.

Year ended December 31, 2016

On November 4, 2016, the Company closed a non-brokered private placement financing issuing a total of 21,376,341 common shares at a price of \$0.58 (CAD\$0.77) per share for aggregate gross proceeds of \$12,416,854 (the "Offering").

Cash finders' fees in the aggregate amount of \$701,795 were paid to certain finders. In addition, 1,087,051 finder warrants were issued to certain finders. Each finder's warrant entitles the holder to purchase one common share of the Company for a period of two years from the date of issuance of the warrants at an exercise price of CAD\$0.77 per share. The compensation warrants were given a value of \$493,361 using the Black-Scholes pricing model and the following assumptions:

Expected life: 2 years
Risk free rate: 0.66%
Expected volatility: 111%
Expected dividend rate: 0%
Expected forfeiture rate: 0%

The securities issued in connection with the Offering and the common shares issuable on exercise of the finder warrants were issued pursuant to applicable exemptions from the prospectus requirements under applicable securities laws. Such securities were subject to a four month hold period which expired on March 5, 2017.

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2017 and 2016

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11. SHARE CAPITAL AND RESERVES (Continued)

b) Issued (Continued)

Year ended December 31, 2016 (Continued)

Convertible debenture

In November 2014, the Company completed a non-brokered private placement of convertible debentures in the principal amount of \$554,343 (the "Debentures"). The principal amount of the Debentures bore interest at 15% per annum, compounded quarterly not in advance with the principal amount of the Debentures payable on May 19, 2016 (the "Maturity Date").

Subject to an early conversion (the "Early Conversion") of the principal amount of the Debentures, on the Maturity Date, the principal amount of the Debentures will be automatically converted into units (the "Principal Units") of the Company at a conversion price of CAD\$0.15 per Principal Unit; and, provided that the Early Conversion has not occurred, all accrued interest on the Debentures will be automatically converted into common shares (the "Interest Shares") of the Company at a conversion price equal to the applicable market price (as determined pursuant to the policies of the TSX Venture Exchange) of the common shares on the Maturity Date. In the case of Early Conversion, interest will not be paid.

The Company recorded the remaining balance owing as a commitment to issue shares in the equity section of the statements of financial position. On May 19, 2016, the Company's convertible debenture issued November 2014 with a remaining unconverted principal balance of \$164,454 and accrued interest of \$40,650 came due. The principal of \$164,454 was settled by issuing 1,453,333 Units. Each Unit consists of one common share of the Company and one common share purchase warrant with an exercise price of CAD\$0.15 and life of 18 months.

The accrued interest of \$40,650 was settled by issuing 199,571 Interest Shares calculated using the Company's closing share price of \$0.20 (CAD\$0.27) on May 19, 2016.

c) Warrants

All of the Company's currently issued warrants are denominated in Canadian dollars. The United States dollar equivalent is derived using the average conversion rate for the year. A summary of the changes in warrants follows:

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE CAD\$
Balance, December 31, 2015	8,813,416	0.48
Issued	2,810,654	0.47
Expired/Cancelled	(142,200)	0.25
Exercised	(4,314,966)	0.36
Balance, December 31, 2016	7,166,904	0.55
Exercised	(3,027,124)	0.40
Balance, December 31, 2017	4,139,780	0.65

During the year ended December 31, 2017, 3,027,124 warrants were exercised for \$941,942 (year ended December 31, 2016, 4,314,966 warrants were exercised for \$1,187,089).

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2017 and 2016

(Expressed in United States Dollars Unless Otherwise Noted)

11. SHARE CAPITAL AND RESERVES (Continued)

c) Warrants (Continued)

As at December 31, 2017, the following share purchase warrants were outstanding:

EXPIRY DATE	EXERCISE PRICE CAD\$	NUMBER OF WARRANTS
August 13, 2018	0.40	231,250 *
August 13, 2018	0.60	2,170,800
November 4, 2018	0.77	1,079,960 *
November 12, 2018	0.40	175,000 *
November 12, 2018	0.60	212,500
December 15, 2018	0.97	270,270
		4,139,780

*Broker and finders' warrants.

As at December 31, 2017, the weighted average remaining contractual life of the share purchase warrants is 0.72 years and the weighted average exercise price is CAD\$0.65 (2016 – 1.58 years and CAD\$0.55).

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.

All of the Company's currently issued stock options are denominated in Canadian dollars. The United States dollar equivalent is derived using the average conversion rate for the year. A summary of the changes in stock options follows:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE CAD\$
Balance, December 31, 2015	3,642,833	0.29
Granted	1,500,000	0.49
Expired/Cancelled	(100,000)	0.15
Exercised	(1,620,000)	0.18
Balance, December 31, 2016	3,422,833	0.44
Granted	2,675,000	1.28
Exercised	(1,008,500)	0.40
Balance, December 31, 2017	5,089,333	0.89

During the year ended December 31, 2017, there were 1,008,500 options exercised for \$311,374 (year ended December 31, 2016, 1,620,000 options were exercised for \$195,585).

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2017 and 2016

(Expressed in United States Dollars Unless Otherwise Noted)

11. SHARE CAPITAL AND RESERVES (Continued)

d) Stock Options (Continued)

The following summarizes the stock options outstanding and exercisable as at December 31, 2017:

EXPIRY DATE	EXERCISE PRICE CAD\$	OPTIONS OUTSTANDING	OPTIONS EXERCISABLE
February 23, 2019	0.56	469,333	469,333
August 10, 2019	0.30	200,000	200,000
November 30, 2019	0.40	500,000	500,000
December 4, 2019	0.15	220,000	96,000
March 23, 2020	0.15	125,000	85,000
January 26, 2021	0.40	600,000	600,000
November 22, 2021	0.90	300,000	300,000
January 9, 2022	1.33	2,475,000	2,475,000
June 22, 2022	0.65	200,000	200,000
		5,089,333	4,925,333

Share-based compensation recognized during the year ended December 31, 2017 was \$2,034,818 (2016 - \$375,235). The Company's valuation of share purchase options was estimated using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2017	December 31, 2016
Risk-free interest rate	1.10 – 1.15%	0.51 – 0.71%
Expected dividend yield and forfeiture	0%	0%
Expected stock price volatility	95.88 - 104%	99.90 – 130%
Expected option life in years	5	3 – 5

As at December 31, 2017, the weighted average remaining contractual life of the share purchase options is 3.05 years and the weighted average exercise price is CAD\$0.89 (2016 - 3.00 years and CAD\$0.44).

e) Escrow

As of December 31, 2017, and 2016 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, 2017 and 2016

(Expressed in United States Dollars Unless Otherwise Noted)

12. COMMITMENTS

As of December 31, 2017, the Company has a land lease commitment for the processing plant site until August 2021 in the amount of \$14,000 per year with an option to extend the lease for an additional five years on the same terms and conditions including royalty payments of \$0.50 for each ton of waste sand and gravel and \$1.25 for each ton of frac sand removed from the property.

In October 2017, the Company entered into a purchase option for 223 acres of land to be used for mining purposes. The Company paid \$50,000 upon execution of this agreement and is obligated to pay \$75,000 in October 2018 and \$1,505,000 in October 2019 in order to exercise this option.

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's lease various assets under operating lease agreements. Operating lease expense was approximately \$670,000 for the year ended December 31, 2017. The most significant obligations assumed under the terms of certain leases are the upkeep of the facilities, insurance, and property taxes.

Future lease commitments consist of the following:

2018	\$	69,614
2019		70,963
2020		<u>206,110</u>
	\$	<u>346,687</u>

13. 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 pursue the development of its exploration and evaluation assets and 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 exploration and development efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered 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, 2017. The Company is not subject to externally imposed capital requirements.

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2017 and 2016

(Expressed in United States Dollars Unless Otherwise Noted)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

As at December 31, 2017, the classification of the financial instruments, as well as their carrying values and fair values, are shown in the table below:

	LEVEL	FVTPL	LOANS AND RECEIVABLES/ OTHER FINANCIAL LIABILITIES	TOTAL FAIR VALUE
Financial assets				
Cash and cash equivalents (a)	1	\$ 2,047,515	\$ -	\$ 2,047,515
Deposits	2	\$ 364,580	\$ -	\$ 364,580
Financial liabilities				
Accounts payable and accrued liabilities (a)	2	\$ -	\$ 1,321,093	\$ 1,321,093
Interest payable	2	\$ -	\$ 47,089	\$ 47,089
Current portion of long-term debt	2	\$ -	\$ 778,051	\$ 778,051
Long-term debt	2	\$ -	\$ 2,284,096	\$ 2,284,096

At December 31, 2017, 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 has 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, 2017.

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. As at December 31, 2017, the Company has recorded a 100% allowance of \$292,323 in selling general, and administrative on a sand shipment to one of its smaller accounts. The Company is pursuing collection of the account.

The Company had sales to two major customers of approximately 78% of total sales for the year ended December 31, 2017. Approximately 92% of total accounts receivable at December 31, 2017 are due from these two major customers.

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2017 and 2016

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14. 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 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. The Company intends to continue using cash flow from operations and bank loans to fund its operations into 2018.

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.

Select Sands Corp.

Notes to the Consolidated Financial Statements

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15. INCOME TAXES

a) Deferred Income Taxes

The Company's provision (recovery) for income taxes for the years ended December 31, 2017 and 2016 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 2017	Year Ended December 31 2016
Statutory combined federal and provincial rate	26%	26%
Expected income tax recovery at statutory rates	\$ (1,021,000)	\$ (643,000)
Non-deductible items	1,648,000	360,000
Share issuance costs	-	(183,000)
Effect of consolidation	(839,000)	(32,000)
Effect of future tax rate changes	(13,000)	-
Change in unrecognized deferred income taxes	(2,131,000)	498,000
Deferred income tax recovery	\$ (2,356,000)	\$ -

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 2017	December 31 2016
Exploration resource deductions	\$ 782,000	\$ 96,000
Non-capital losses carried forward	1,462,000	1,730,000
Equipment	(210,000)	2,000
Share issue costs	203,000	243,000
Capital losses carried forward	42,000	38,000
Other	77,000	1,000
Unrecognized deferred tax assets	-	(2,110,000)
Net deferred income tax assets	\$ 2,356,000	\$ -

The Company's non-capital losses in the approximate amount of \$5,468,000 begin to expire in 2027.

Select Sands Corp.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2017 and 2016

(Expressed in United States Dollars Unless Otherwise Noted)

16. SUPPLEMENTARY DISCLOSURES

- a) Employee compensation included in Cost of Goods Sold amounted to \$1,661,858 (2016 - \$Nil).
- b) The Company calculates the basic and diluted earnings per common share using the weighted average number of common shares outstanding during each period and diluted 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. These options and warrants were excluded from the weighted average number of common shares calculation as they were anti-dilutive. As a result, diluted earnings per share is equal to basic earnings per share.

	Year Ended December 31, 2017	Year Ended December 30, 2016
Issued common shares beginning of year	84,277,692	54,399,254
Weighted average issuances	2,530,383	5,749,637
Basic weighted average common shares	86,808,075	60,148,891

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

Cash received for interest	\$ 19,605	\$ 8,267
Cash paid for interest	\$ 10,287	\$ -
Cash paid for income taxes	\$ -	\$ -
Sale of exploration and evaluation assets for shares	\$ -	\$ 3,922,752
Assets acquired by assumption of related long-term debt	\$ 2,570,513	\$ -
Debenture interest accrued	\$ -	\$ 11,270
Issuance of shares for acquisition of assets	\$ -	\$ 478,411
Issuance of shares for finders' fees	\$ -	\$ 80,771
Issuance of shares for convertible debenture	\$ -	\$ 205,103
Issue of warrants for finders' fees	\$ -	\$ 493,361

Select Sands Corp.

Notes to the Consolidated Financial Statements

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17. SEGMENTED DISCLOSURE

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

	December 31, 2017		
	Canada	USA	Total
Cash and cash equivalents	\$ 1,211,517	\$ 835,998	\$ 2,047,515
Accounts receivable	5,934	3,379,663	3,385,597
Inventory	-	1,961,573	1,961,573
Prepaid expenses	41,077	42,146	83,223
Total current assets	\$ 1,258,528	\$ 6,219,380	\$ 7,477,908
Deposits	\$ -	\$ 364,580	\$ 364,580
Deferred tax asset	-	2,356,000	2,356,000
Investment in affiliate	1,275,409	-	1,275,409
Property, plant and equipment	-	13,415,238	13,415,238
	\$ 1,275,409	\$ 16,135,818	\$ 17,411,227
Total assets	\$ 2,533,937	\$ 22,355,198	\$ 24,889,135
Accounts payable	\$ 107,895	\$ 1,263,198	\$ 1,371,093
Interest payable	-	47,089	47,089
Current portion of long-term debt	-	778,051	778,051
Long-term debt	-	2,284,096	2,284,096
Total liabilities	\$ 107,895	\$ 4,372,434	\$ 4,480,329
Revenue for the year ended December 31, 2017	\$ -	\$ 15,145,766	\$ 15,145,766
Comprehensive loss for the year ended December 31, 2017	\$ (427,739)	\$ (27,948)	\$ (455,687)

Select Sands Corp.

Notes to the Consolidated Financial Statements

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(Expressed in United States Dollars Unless Otherwise Noted)

17. SEGMENTED DISCLOSURE (Continued)

	December 31, 2016		
	Canada	USA	Total
Cash and cash equivalents	\$ 8,491,096	\$ 279,531	\$ 8,770,627
Amounts receivable	13,388	86,179	99,567
Prepaid expenses	35,584	-	35,584
Total current assets	\$ 8,540,068	\$ 365,710	\$ 8,905,778
Deposits	\$ 78,100	\$ 35,865	\$ 113,965
Investment in affiliate	2,234,304	-	2,234,304
Property, plant and equipment	-	5,037,010	5,037,010
Exploration and evaluation assets	703,190	892,837	1,596,027
	\$ 3,015,594	\$ 5,965,712	\$ 8,981,306
Total assets	\$ 11,555,662	\$ 6,331,422	\$ 17,887,084
Accounts payable and accrued liabilities	\$ 138,508	\$ 172,217	\$ 310,725
Comprehensive loss for the year ended December 31, 2016	\$ (1,811,297)	\$ (628,223)	\$ (2,439,520)

18. SUBSEQUENT EVENTS

- The Company engaged an investor relations consultant and as part of the compensation the consultant will be granted 350,000 stock options exercisable at CAD\$0.50 per share upon regulatory approval.
- The Company established a \$5 million line of credit with a bank in the USA for working capital purposes that replaces a previously disclosed \$2 million line of credit. The line of credit presently charges 5.50% per annum in floating rate interest on any draws made and must be repaid in full by February 20, 2019. The line of credit is secured against the Company's accounts receivable. As of April 10, 2018, \$200,000 had been drawn on this credit facility.
- On April 4, 2018, the Company exercised its option to purchase 223 acres of property for \$1.63 million in Newark, Arkansas, to serve as a platform to support the Company's near and long-term operational and capacity expansion initiatives. The Company paid \$50,000 deposit in October 2017 and \$200,000 on signing the agreement. The balance of the purchase price is payable in four annual payments of \$345,000 through 2022 with interest at 2% per annum. The property is secured by a mortgage payable to the vendors.