SELECT SANDS

CORP.

Management's Discussion and Analysis
For the Year Ended December 31, 2018

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018 of Select Sands Corp. ("We", "Select Sands" or the "Company"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A has been prepared as of April 17, 2019.

Nature of Operations

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

Discussion of Ongoing Business Operations

Last summer, Select Sands was negatively affected by a move by oil and gas exploration companies in the southern U.S. oil producing basins to use a much higher percentage of local brown sand being produced in the Texas basins instead of the high quality Northern White frac Sands being produced by us. During recent months, we see signs that the industry is starting to formulate a consensus as to the benefits of Northern White Sands ("NWS") compared to In-Basin brown sand. Our view at this time is that NWS will remain a preference for certain oil and gas producing companies drilling in the Eagle Ford and that both In-Basin brown sand and NWS will continue to be utilized. We also believe that the lower Delaware Basin in the Permian will remain a primary niche for NWS, while In-Basin brown sands will continue to be most effectively utilized in the Midland Basin as well as the Delaware Basin.

We have not seen any significant M&A in the frac sand sector most likely as a result of the significant difference in how these companies are being valued by buyers and sellers. At least three factors seem to be driving differing expectations that include the yet unknown impact of in-basin brown sands, the rapid movement to bring those new frac sand plants online and industry consensus on the expected share of in-basin sands versus NWS. We expect that the environment will start to change particularly for NWS during the balance of 2019, once the critical factors facing frac sand companies comes into focus.

The significant downturn in the demand for frac sand during the second half of 2018, experienced industry wide, required the Company to implement cash conservation actions that make it possible for us to ride out the lull in market demand until volumes return.

The Company continued mining operations at its Sandtown Quarry during Q4 2018 and into 2019. Based upon the market for NWS appearing to improve, we expect that our plant operations will gradually ramp up first with some overtime hours, and then by adding a second shift as necessary.

Our proposed project which we had announced last year to expand our production from 600,000 tons per year production capacity to 1,000,000 tons per year remains on hold as the frac sand market continues to recover from an industry wide retraction experienced starting in the third quarter of 2018. The expansion project will require minimal effort to restart and will remain at the ready, when we believe the timing is appropriate.

On a positive note, the recovery of NWS sales has recently seen a rebound and workers are being added to our core production team as required. Any surges in demand are being handled by using our existing workforce with overtime.

Silica Sand Business

The Company owns a total of 940 acres of mineable property including the Bell Farm property and the Sandtown quarry located in northeast Arkansas. We are currently only mining the 520 acre 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 SiO_2 content.

Oil & Gas Sector Sand

The Company has enhanced its product offering this year by adding a 30/50 mesh silica sand product to its 40/70 and 100 mesh products. The 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, commonly known as hydraulic fracturing or "fracking".

Newark, Arkansas Acreage Option to Purchase the Independence Property

On October 19, 2017, the Company announced that it had entered into an option agreement to purchase an additional 223 acre property in Newark, Arkansas (the "Independence Property"), to serve as a platform to support the Company's near- and long-term operational and capacity expansion initiatives. Under the terms of the option agreement, Select Sands purchased the Independence Property for approximately $1.6 million. The Company made a payment of $50,000 towards the purchase price upon signing the agreement. On April 10, 2018 the Company announced that it exercised its option to purchase a 223-acre property located in Independence County, Arkansas. Under the terms of a revised 2019 $1.6 million purchase agreement, the company has paid $250,000 and is obligated to make four additional annual payments of $345,000 on April 4 each year beginning 2020 plus 2% annual interest on the outstanding balance each year through 2023 in an owner-financed arrangement. As each payment is made, title is transferred on a portion of the property. As of the date of this report, the Company owns 34.2 acres.

Highlights and features of the Independence Property include:

- Ideally located relative to the Company's Sandtown quarry and Bell Farm sand resources;
- Sufficient acreage for a new-build facility designed to process more than three million tons annually of frac and industrial sand;
- Access to rail with the ability to accommodate unit trains (110 railcar loop track) for enhanced loading of finished products;
- Elevated above the flood plain allowing for uninterrupted operations; and
- Access to natural gas, three-phase electricity and water.

On September 28, 2018, the Company announced that it was halting work on its Independence Property due to a period of softer demand for Northern White silica/fracking sand.
The expansion project will be under regular review and progress will resume once demand reaches appropriate levels. The Company will remain fully operational during the interim period, with a nameplate capacity of 600,000 tons per year of premium Northern White silica.

Diaz Rail Facility Acquisition

In April 2017, the Company announced it had signed a lease to purchase agreement with Newport Rail Loading Facility, LLC of Arkansas, whereby Select Sands will acquire the rail loading facility for $2,050,000 paid over 5 years. The first-year payment of $500,000 was made to the Seller in April 2017 and the Company has made its 2018 payment of $387,500 on March 6, 2018. Under the 2019 revised purchase agreement, the remaining amount due is to be paid in installments of $193,750 in March 2019, $581,250 in March 2020, and a final payment of $387,500 in March 2021. The rail loading facility, located in Diaz, Arkansas is connected to the Union Pacific Railroad mainline and currently provides the Company with the capability to load 25 rail car units. 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.

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 periods and years presented have been translated to the new United States dollar presentation currency. Further information is available in Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2017.

Expressed in United States Dollars unless otherwise noted

Select Annual Results

	IFRS		
	December 31, 2018	December 31, 2017	December 31, 2016
Total Revenues	$ 20,065,775	$ 15,145,766	$ -
Cost of Goods Sold	$ 15,452,660	$ 12,239,286	$ -
Operating Expenses	$ 3,638,187	$ 4,802,242	$ 1,573,177
Other Expense	$ 992,912	$ 2,031,068	$ 900,120
Net Loss	$ 474,680	$ 1,570,830	$ 2,473,297
Loss per Share	$ 0.00	$ 0.02	$ 0.04
Total Assets	$ 25,913,454	$ 24,889,135	$ 17,887,084
Long-term Debt	$ 3,767,040	$ 2,284,096	$ -
Dividends	$ -	$ -	$ -

Results of Operations for the Year Ended December 31, 2018

For the year ended December 31, 2018, the Company generated net loss of $474,680 compared to a net loss of $1,570,830 for the year ended December 31, 2017. The Company began accounting for its sand operations as a commercial production effective January 1, 2017. Differences of note between the two years are:

- The Company recorded revenue of $20,065,775 (2017 – $15,145,766) primarily from silica sand sales.
- The Company recorded cost of goods sold of $15,452,660 (2017 – $12,239,286) primarily from silica sand sales. Included in cost of good sold is $2,367,362 (2017 – $1,661,858) for employee compensation.
- Compensation and consulting increased to $1,014,197 (2017 – $993,740) due to the Company employing more human resources for its sand operations.
- Depreciation and depletion increased to $987,151 (2017 – $622,926) due to the Company having more fixed assets to depreciate.
- Interest on long-term debt increased to $161,129 (2017 – $61,940) due to the Company using long-term debt to finance its heavy equipment and other fixed asset acquisitions.
- Selling, general and administrative expenses decreased to $840,724 (2017 – $1,088,818) due to the Company reversing $269,609 in bad debt expense in the current year that was previously recorded as an expense in selling, general and administrative expenses at December 31, 2017. Partially offsetting the decrease was an increase in legal fees in the current year.
- Share-based compensation decreased to $634,986 (2017 – $2,034,818). There were 2,675,000 options valued using the Black-Scholes model granted to management, directors and consultants in the 2017 year while 3,020,000 option grants were made in the current year. The current year expense is lower due to the options being granted at lower share prices. The options granted have vesting terms and share-based compensation is recognized in each quarter in proportion to the number of stock options that vest.

For the year ended December 31, 2018, net property plant and equipment acquisitions totaled $3,416,374 compared to $7,888,456 in 2017.

Cash Flows

For the year ended December 31, 2018, the Company received $4,702,244 from operating activities compared to using $4,524,022 in the 2017 comparative year. The increase is mostly due to stronger sales and gross profit, significant collections of accounts receivable and less cash being used for inventory in the current year.

For the year ended December 31, 2018, the Company used $1,808,990 in investing activities compared to $4,508,998 in the 2017 year. The Company acquired less property, plant and equipment in the current year.

For the year ended December 31, 2018, the Company used $173,039 in financing activities compared to receiving $1,693,297 in the 2017 year. The Company received $52,095 from warrants and options exercised in the current period compared to $1,253,316 in the 2017 year. The Company received and repaid $900,000 in short-term loans in the current year while no similar transactions were made in the 2017 year. The Company received $841,423 in long-term debt proceeds, and made long-term debt repayments of $1,066,557 in the current year while receiving $487,848 and repaying $47,867 in the 2017 year.

Cash increased by $2,800,459 in the current year compared to a $6,723,112 decrease in the 2017 year.

Discussion of Fourth Quarter 2018 Results

The Company recorded fourth quarter revenues of $913,482 with frac sand sales volume of 24,897 tons, and miscellaneous sand & gravel sales of 6,002 tons for a total of 30,899 tons sold. Revenue decreased from the third quarter to the fourth quarter by $3,078,957 or 77%. The gross profit from sand operations was ($454,582) for the three months ended December 31, 2018.

During the fourth quarter, the Company received notice from a customer of its intention to terminate its current frac sand supply agreement. The termination took effect in late November. Although it is possible that the customer will purchase frac sand from the Company following termination of the agreement, there are no assurances that any such relationship will continue. Approximately 60% of total sales for the year ended December 31, 2018 were attributed to this customer.

The Company ended the fourth quarter of 2018 with inventory valued at $2,085,163 and accounts receivable from customers of $13,751.

Summary of Quarterly Results

The following table sets forth selected quarterly financial information for the three months ended December 31, 2018 and each of the prior eight quarters. The Q1, Q2 and Q3 2017 results are restated in US dollars using the average 2017 CAD/USD exchange of 1.2986.

Quarter Ending	Revenue*	Net (Loss) Income	Earnings (Loss) per share
December 31, 2018	$913,482	$(2,517,676)**	$(0.03)
September 30, 2018	$3,992,438	$(136,140)	$(0.00)
June 30, 2018	$9,504,445	$1,605,078	$0.02
March 31, 2018	$5,655,410	$574,058	$0.01
December 31, 2017	$6,605,969	$1,286,004***	$0.02
September 30, 2017	$5,135,956	$322,052	$0.00
June 30, 2017	$2,302,048	$(845,618)****	$(0.01)
March 31, 2017	$1,101,793	$(2,333,268) *****	$(0.03)

* Effective January 1, 2017, the Company began recording revenue from its sand operations.
** Increased loss due to lower sales during the period and recognition of $668,024 loss in equity investee.
*** Net income includes non-cash deferred income tax recovery of $2,356,000 partially offset by a one-time provision for impairment of $849,289 for the Company's investment in an affiliate.
**** Net loss includes non-cash share-based compensation of $488,149.

***** Net loss includes non-cash share-based compensation of $1,691,374.
***** Net loss includes a one-time provision for impairment of $1,566,737 for the Company's investment in an affiliate.

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 income (loss) before finance costs, income taxes, depreciation and amortization and non-cash share-based compensation. The Company defines Adjusted EBITDA as net (loss) income before finance costs, income taxes, depreciation and amortization, non-cash share-based compensation, share of loss of equity investee and provision for impairment in investment in affiliate. Select Sands uses Adjusted EBITDA as a supplemental financial measure of its operational performance. The Company defines Adjusted EBITDA per ton as Adjusted EBITDA divided by the total tons sold during the period. Management believes Adjusted EBITDA and Adjusted EBITDA per ton 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) Income to EBITDA to Adjusted EBITDA

	Year ended December 31, 2018	Three Months Ended December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Net (Loss) Income	$ (474,680)	$(2,517,676)	$ (136,140)	$ 1,605,078	$ 574,058
Add Back					
Depreciation and depletion	987,151	282,807	243,818	235,293	225,233
Share-based compensation	634,986	146,832	60,910	426,055	1,189
Interest on long-term debt	161,129	43,379	44,840	40,741	32,169
Deferred income tax expense	196,647	196,647	-	-	-
Income tax expense (recovery)	260,049	(266,026)	(60,197)	586,272	-
EBITDA	$ 1,765,282	$(2,114,037)	$ 153,231	$ 2,893,439	$ 832,649
Add Back					
Share of loss of equity investee	735,572	668,024	17,815	51,904	(2,171)
Adjusted EBITDA	$ 2,500,854	$(1,446,013)	$ 171,046	$ 2,945,343	$ 830,478

	Year ended December 31, 2017	Three Months Ended December 31, 2017	September 30, 2017*	June 30, 2017*	March 31, 2017*
Net (Loss) Income	$ (1,570,830)	$ 1,286,004	$ 322,052	$ (845,618)	$ (2,333,268)
Add Back					
Depreciation and depletion	622,926	240,545	149,499	141,260	91,622
Share-based compensation	2,034,818	86,605	(172,995)	462,031	1,659,177
Interest on long-term debt	61,940	61,940	-	-	-
Deferred income tax recovery	(2,356,000)	(2,356,000)	-	-	-
EBITDA	$ (1,207,146)	$ (680,906)	$ 298,556	$ (242,327)	$ (582,469)
Add Back					
Share of loss of equity investee	228,795	27,503	40,449	42,200	118,643
Provision for impairment in Investment in affiliate	849,289	849,289	-	-	-
Adjusted EBITDA	$ (129,062)	$ 195,886	$ 339,005	$ (200,127)	$ (463,826)

* Restated in US Dollars using the average 2017 CAD/USD foreign exchange of 1.2986

Expressed in United States Dollars unless otherwise noted

Liquidity

As of December 31, 2018, the Company had working capital of $6,031,371 including cash on hand of $4,847,974.

Off-Balance Sheet Arrangements

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

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
Rasool Mohammad	Chief Operations Officer and Director
Douglas Turnbull	Director
John Kime	Director and Audit Committee Chair
Daniel Gillet	Director and Chair
Steven Goldman	Director
Darren Urquhart	Chief Financial Officer

On March 6, 2018, Daniel Gillet and Steven Goldman joined the Company as directors.

Mr. Gillett joins the board with over 30 years experience serving as a director, investment banker, consultant and senior executive, including serving as chief executive officer and chief financial officer. Throughout his career he has completed over $15 billion in financing, restructuring and merger and acquisition transactions, with the majority of those efforts being across all sectors of the oil and gas industry. Mr. Gillett currently serves as a Senior Advisor at Speyside Partners where he focuses on providing board and executive leadership to companies in transition. He joins the board fully committed to work with the Select Sands management team to maximize the value of the Company's assets. Mr. Gillett received his MBA from Harvard Business School in finance and a BBA in Accounting from Harding University.

Mr. Goldman, a previous director of Select Sands, is a senior partner in the Toronto law firm of Goldman Hine LLP. Before joining that firm, he successfully led the restructuring and turnaround of the Speedy Auto Service and Minute Muffler franchise systems as their President and CEO from December 2007 until December 2009. He is a member of the Executive of the Ontario Bar Association, Franchise Section, the Law Society of Upper Canada, the American Bar Association Forum on Franchising, and the Institute of Corporate Directors. Mr. Goldman is currently the Interim President and CEO, director, and member of the audit committee of Comstock Metals Inc. (TSX-V:CSL.V). Steven H. Goldman received his B.A. (President's Medal) from Carleton University and his J.D. from Queen's University, Canada.

David Giannini resigned as a director of the Company on February 4, 2018.

Expressed in United States Dollars unless otherwise noted

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

	Year ended			
		December 31, 2018		December 31, 2017
Zigurds Vitols – Salary	$	230,769	$	240,000
Zigurds Vitols – Share based compensation		112,569		743,230
Rasool Mohammad – Salary		212,293		200,000
Rasool Mohammad – Share based compensation		90,160		353,384
Doug Turnbull – Consulting fees		28,428		22,235
Doug Turnbull – Share based compensation		88,841		155,954
John Kime – Consulting fees		27,187		25,836
John Kime – Share based compensation		88,683		155,630
Dan Gillet – Consulting fees		53,175		-
Dan Gillet – Share based compensation		44,599		-
Steven Goldman – Consulting fees		18,525		-
Steven Goldman – Share based compensation		44,599		-
Darren Urquhart – Consulting fees		83,739		83,166
Darren Urquhart – Share based compensation		44,658		156,279
David Giannini – Consulting fees (Former Director)		772		22,556
David Giannini – Share based compensation (Former Director)		-		184,735
Total compensation of officers and directors	$	1,168,997	$	2,343,005
Total salaries and consulting fees		654,888		593,793
Total share based compensation		514,109		1,749,212
Total compensation of officers and directors	$	1,168,997	$	2,343,005

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

The Company shares its Vancouver office space with Comstock Metals Ltd. which has common directors. During the year ended December 31, 2018, the Company recovered $21,948 in shared office costs (2017 - $22,177).

As at December 31, 2018, the Company had accounts payable to directors and officers in the amount of $11,554 (2017 - $13,037) for consulting fees and reimbursement of expenses.

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

Subsequent Events

A total of 469,333 options expired unexercised.

Proposed Transactions

The Company is continually reviewing potential acquisitions and joint venture transactions and opportunities that could enhance shareholder value. At present there are no transactions being contemplated by management or the board that would affect the financial condition, results of operations and cash flows, other than in the normal course of the Company's business.

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.

Accounting Pronouncements Adopted During the Year

IFRS 9 Financial Instruments

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, entitles 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 adopted the standard as of January 1, 2018. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

a) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	**Original classification IAS 39**	**New classification IFRS 9**
Cash and cash equivalents	Amortized cost	Amortized cost
Accounts receivable	Amortized cost	Amortized cost
Investment in Affiliate	FVTPL	FVTPL
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Short-term loan	Amortized cost	Amortized cost
Long-term debt	Amortized cost	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

b) Measurement

<u>Financial assets and liabilities at amortized cost</u>

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

<u>Financial assets and liabilities at FVTPL</u>

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of operations and comprehensive income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of operations and comprehensive income (loss) in the period in which they arise.

c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of operations and comprehensive income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

d) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of operations and comprehensive income (loss).

IFRS 15 Revenue from Contracts with Customers

The Company adopted all of the requirements of IFRS 15 Revenue from Contracts with Customers ("IFRS 15") as of January 1, 2018. IFRS 15 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. The change did not impact the revenue recognized or the related assets and liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 15:

Revenue is recognized when the earnings process is complete, as evidenced by an agreement between the customer and the Company, when delivery has occurred, when the fee is fixed or determinable and when collection is reasonably assured. Amounts received from customers in advance of revenue recognition are deferred as deferred revenue liabilities. The Company presents revenues net of taxes collected from customers at the time of sale to be remitted to governmental authorities, including sales and use taxes. No element of financing is deemed present as the sales are made with credit terms standard for the market.

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 15 resulted in no impact to the opening deficit nor to the opening balance of comprehensive income on January 1, 2018.

Future Accounting Pronouncements Not Yet Adopted

The following standards and interpretations have been issued but are not yet effective and have not been early adopted by the Company:

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, with earlier adoption permitted.

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 7,010,000 stock options outstanding.

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.

Lawsuit

A legal claim against the Company, its CEO and COO for has been commenced. The action is considered to be without merit and the action is being vigorously defended. The outcome of this legal action is not determinable and an estimate of any contingent loss arising from this action cannot be made.

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 December 31, 2018, 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. The Company intends to continue using cash flow from operations and bank loans to fund its operations through 2019.

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. At December 31, 2017, the Company recorded a 100% allowance of $292,323 on a sand shipment to one of its smaller accounts. During the year ended December 31, 2018, the Company collected the full amount owing, of which, $269,609 is included in selling general, and administrative as a cost recovery.

The Company had sales to four major customers of approximately 98% of total sales for the year ended December 31, 2018. Approximately 60% of total sales for the year ended December 31, 2018 and 0% of total accounts receivable at December 31, 2018 are from a single customer. Approximately 27% of total sales for the year ended December 31, 2018 and 0% of total accounts receivable at December 31, 2018 are attributable to a second customer.

Interest Rate Risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the $5 million line of credit, which bears a floating interest rate of 5.50% 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

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.selectsandscorp.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 future exploration and 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. 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.