Zacks Small-Cap Research

January 27, 2016

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Select Sands Corp. (V.SNS-TSX-V)

SNS.V: Healthy Working Capital; Updated Resource Estimate Expected

Current Recommendation	**Buy**
Prior Recommendation	N/A
Date of Last Change	07/12/2015
Current Price (01/26/16)	$0.25
Six- Month Target Price	**$1.21**

OUTLOOK

Select Sands is well-positioned to benefit from the anticipated rebound in drilling activity when oil & gas prices recover. In the meantime, demand from industrial sand markets, such as glass-making, foundry and building, remains robust. (An industrial sand price increase was recently announced by US Silica). Select Sands' project is being fast-tracked and is expected to start generating test mining production soon with the company's first finished silica product being delivered in the first half of 2016. We maintain our Buy rating

SUMMARY DATA

52-Week High	**$0.50**
52-Week Low	**$0.05**
One-Year Return (%)	**316.67**
Beta	**6.24**
Average Daily Volume (shrs.)	**55,197**
Shares Outstanding (million)	**54.60**
Market Capitalization ($mil.)	**$13.65**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0.0**
Insider Ownership (%)	**4.4**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2015 Estimate	**N/M**
P/E using 2016 Estimate	**N/M**

Risk Level	**Above Average**
Type of Stock	**Small-Value**
Industry	**Mining-Misc.**

ZACKS ESTIMATES

Revenue
(in millions of $CDN)

	Q1 (Oct)	Q2 (Jan)	Q3 (Apr)	Q4 (Jul)	Year (Jul)
2013	0.0 A	0.0 A	0.0 A	0.0 A	0.0 A
2014	0.0 A	0.0 A	0.0 A	0.0 A	0.0 A
2015	0.0 A	0.0 A	0.0 A	0.0 E	0.0 E
2016					0.1 E

Earnings per Share
(EPS is operating earnings before non recurring items)

	Q1 (Oct)	Q2 (Jan)	Q3 (Apr)	Q4 (Jul)	Year (Jul)
2013	-$0.01 A	-$0.02 A	-$0.01 A	-$0.01 A	-$0.05 A
2014	-$0.00 A	-$0.02 A	-$0.01 A	-$0.01 A	-$0.04 A
2015	-$0.00 A	-$0.02 A	-$0.00 A	-$0.01 E	-$0.03 E
2016					-$0.02 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

Quarterly EPS may not equal annual EPS total due to rounding.

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KEY POINTS

- Select Sands is an early-stage frac sand (oil & gas proppant) company engaged in the exploration and development of a **520 acre prospective frac sand property** (Sandtown) located in northeast Arkansas
- In October 2014, Select Sands entered into a binding Letter of Agreement (LOA) for an **option to acquire a 100% undivided right, title and interest** in the Sandtown property.
- A NI 43-101-compliant resource estimate and a preliminary economic assessment (PEA) were issued on June 30, 2015.
  - The **initial resource estimate** of the Sandtown property encompasses only the northern 200 acres where the two phase drilling program was conducted. The **Indicated silica sand mineral resource is estimated to be 20 million tonnes** (22.0 million tons). Certain portions of the deposit were excluded as not suitable for mining since pit constraints, power line right of ways, etc. were factored into the resource estimate The Indicated resource classification was based on the deposit's relative continuity of thickness and composition.
  - PEA estimates that the **after-tax Net Present Value (NPV) for the project** will be **$92.0 million** using an 8% discount rate and assuming a 16-year life of mine (LOM), along with two years of pre-production operations. The project's **after-tax Internal Rate of Return is estimated to be 34%**.Total revenues are expected to be $770 million over the LOM.
- **Another drilling program** was completed in October 2015 that covered approximately 95% of the Sandtown Project. 15 of the 20 holes drilled intersected consistent quality sandstone with the largest intersection being 131 feet of silica and the average thickness being 56.5 feet. **An updated resource estimate is expected.**
- Select Sands received an unconditional Authorization to Quarry from the Arkansas Department of Environmental Quality. Dated May 1, 2015, the Authorization was issued for a 5-year period ending April 30, 2020.
- Test Production initiated: In October 2015, Select Sands started test production at Sandtown, and management anticipates delivering the company's first finished silica product soon. Larger scale production is expected to begin sometime in 2016.
- The cyclical **oil & gas industry appears to be presenting an investment opportunity**. Oil prices declined from roughly $105 per barrel in June 2014 to a low of about $35 in January 2016. This significant decline is providing fertile ground for promising prospects and potentially oversized gains.
  - The domestic oil and gas business is currently in the midst of a production renaissance, primarily due to the improved horizontal drilling and fracking technologies that permit the economic development of tight oil & gas plays.
  - We are optimistic about the prospects for continued and growing extraction of oil and gas from shale formations.
  - Many oil and gas wells were drilled in 2014 but not completed. We expect these drilled-but-uncompleted-wells (DUCs) create a significant backlog of frac sand demand. Though the precise timing is hard to predict, it is not inconceivable that there may be a convergence of demand for frac sand from both DUCs and a reacceleration of drilling activity simultaneously.
  - **Operators continue to use increasing amounts of frac sand per hydraulic fracturing job** (see FRAC SAND INDUSTRY section for further details)
- Demand from industrial sand markets, such as glass-making, foundry and building, remains robust.
  - On January 22, 2016, US Silica announced **4-6% price increases** for silica sand (non-proppant grade) in response to rising demand from the glass and construction industries.
- Select Sands is in the development stage with production anticipated to be forthcoming at a potentially fortuitous time when demand once again out strips supply.
- Consolidation is expected to continue in the frac sand industry. The acquisition of the Sandtown property would generate synergies within other larger frac sand companies; therefore, Select Sands appears to an attractive acquisition candidate.
- We maintain our Buy rating. The price target has been raised to CDN $1.21 since the weakness of the Canadian Dollar has more than offset the dilution from the increase in fully diluted shares that has occurred as a result of the private placements of Units in the second half of 2015.

RECENT NEWS

Fiscal Year and Fourth Fiscal Quarter Reported

On December 17, 2015, Select Sands filed financial results for the first fiscal quarter ending October 31, 2015. The company reported a loss for the quarter of CDN$264,672 ($0.01 per diluted share) versus a loss of CDN$113,658 ($0.00) in the comparable-quarter last year. Operating expenses increased 141% (or $155,473) to $265,946 versus $110,473 in the comparable-quarter last year, primarily driven by a 241% increase (or $49,561) in advertising and promotion expense (related to creating company awareness) and a 90.1% increase (or $33,300) in compensation and consulting expense as the company focuses on exploring and developing the Sandtown property.

Financings and Liquidity

During the first fiscal quarter, the company issued 6,725,000 Units in a private placement priced at $0.40 each. Each Unit was comprised of one common share and one-half-share purchase warrant. Two one-half-share warrants entitle the holder to purchase an additional full share at $0.60 for a period of 3 years after closing. The additional issued shares increased the number of shares outstanding by 15.0% to 51,620,554. The **net cash proceeds** were approximately **$2.545 million**. As a result, **working capital increased dramatically** from an already health $1.08 million at the end of the fiscal year to $2.381 million as of October 31, 2015.

Subsequently, in November, the company issued 2,712,500 Units (2,712,500 shares along with 2,712,500 one-share purchase warrants) also priced at $0.40 each. The one-full-share purchase warrants are exercisable at $0.60 per share for a period of 3 years. The November private placement raised **gross proceeds** of **$1.085 million**. The net proceeds of both private placements will be directed towards the development of the Sandtown property. Select Sands is sufficiently funded to attain management's anticipated milestones.

Select Sands Hires Industrial Sales Specialist

In November, the company **hired Carl Buchanan** as an **Industrial Sales Specialist** with responsibility for generating silica sales into the industrial and oil & gas industries. Previously, Mr. Buchanan worked 16+ years for US Silica (SLCA), most recently as a Regional Manager.

Another Drilling Program Completed

On October 27, 2015, Select Sands announced the completion of a drilling program that covered approximately 95% of the Sandtown Silica Sands project. Of the 20 holes drilled, 15 intersected consistent quality sandstone with the largest intersection being 131 feet of silica and the average thickness being 56.5 feet. **An updated resource estimate is expected.**

Amount of Frac Sand Used Per Well Continues to Increase

The most recent data indicates that the amount of frac sand being used per well continues to increase. According to Primary Vision, the average hydraulic fracturing job now utilizes almost 7.5 million pounds of proppant per well. Oil and gas companies are testing and using high intensity completion methods in order to boost cumulative oil production. In addition, new enhanced completion methods require more sand both from increased volumes of sand per stage and more stages per well. Despite pricing pressures, both Emerge Energy Services (EMES) and Hi-Crush Partners LP (HCLP) experienced increased demand (increased volumes) during the third quarter. Also, finer-mesh silica is in higher demand for these advanced completion techniques.

Change of July Fiscal Year to December Calendar Year

On June 18, 2015, Select Sands informed the British Columbia Securities Commission that the company is changing its financial reporting period from a July 31st fiscal year to a December 31st calendar year. As a result, the company's financial results will be better aligned with comparable companies involved in the frac sand industry, such as Emerge Energy Services LP (EMES) U.S. Silica Holdings (SLCA) Hi-Crush Partners LP (HCLP) and FMSA Holdings Inc. (FMSA).

OVERVIEW

Headquartered in Vancouver, **Select Sands** (OTC: CLICF and TSX.V: SNS) is an early-stage frac sand (oil & gas proppant) company engaged in the exploration and development of a frac sand property (Sandtown) located in northeast Arkansas near Cave City. A recently completed **NI 43-101-compliant Mineral Resource Estimate** and **PEA** includes a **resource estimate of 22 million tons** of medium-to-fine-grained, well rounded, high-purity sandstone which is prospective for use as frac sand and other industrial silica applications. Strategically located closer to the to the major Texas and Louisiana shale plays than the Wisconsin sources of frac sand, the Sandtown property has intrinsic logistical advantages versus competitors.

In October 2014, the company entered into an **option to acquire a 100% interest** in the 520 acre prospective property, which can be acquired by Select Sands through the payment of $936,000, of which $200,000 has already been paid with the balance due on or before April 25, 2016 (which can even be delayed until April 25, 2018 under different payment terms). On May 1, 2015, an unconditional **Authorization to Quarry was issued** by the Arkansas Department of Environmental Quality to Select Sands. The permit is valid for a 5-year period ending April 30, 2020.

Investment Premise

In the natural resources sector, fluctuations of commodity prices can provide exceptional investment opportunities, especially when prices are under pressure. Recently, the oil patch endured considerable stress as oil prices declined from roughly $105 per barrel in June 2014 to a low of about $35 January 2016. This significant price decline is fertile ground for promising prospects and potentially oversized gains.

The domestic oil and gas business is currently in the midst of a production renaissance, primarily due to the employment of improved drilling and completion techniques, such as horizontal drilling and fracking, which have opened up huge deposits of hydrocarbons that were previously locked in shale deposits. Production from these unconventional oil and gas plays has been the primary driver in the recent increase of hydrocarbon-based energy supply in the U.S. Prior to the commodity price declines, the availability of frac sand was constrained by inadequate supply and insufficient logistical transport capacity, which lead to increased prices and work delays. As drilling and completion activity resumes, tightening market conditions should again result in robust frac sand demand and price increases, primarily from evolving hydraulic fracturing techniques that requires increasing amounts of frac sand and from the currently dormant demand of DUCs.

We are optimistic about the prospects for continued and growing extraction of oil and gas from shale formations. Frac sand companies are leveraged to the completion activity of oil and gas wells, though some of the frac sand majors have a significant portion of production capacity (over 75%) under contracts, which limits their exposure to the prospective upturn. However, Select Sands is still in the development stage with production anticipated to be forthcoming at a potentially fortuitous time when demand once again out strips supply. In addition, the price concessions secured by E&P companies during the downturn in energy prices will mute the initial phase of the recovery of the frac sand industry

while **a greenfield sand company, like Select Sands, should fully benefit in an upswing of demand and pricing**.

Lastly, the acquisition of the Sandtown property would generate synergies within other larger frac sand companies; therefore, Select Sands appears to an attractive acquisition candidate. It appears that a prospective Tier 1 frac sand asset can be easily monetized as oil and gas prices improve, or possibly even before. The industry is ripe for M&A activity.

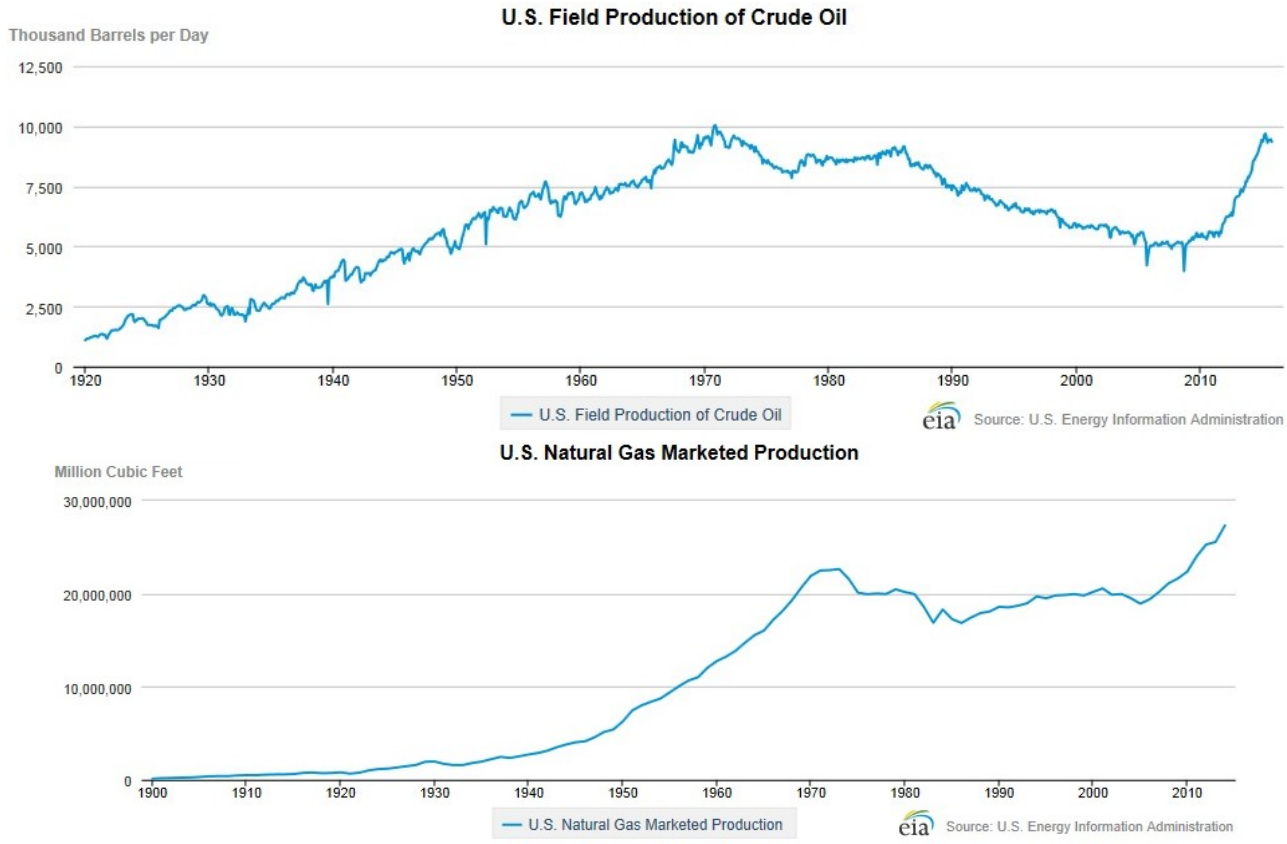
- Preferred Sands acquired Winn Bay in 2012, and in turn was acquired by KKR in 2014.
- Hi-Crush acquired D & I Silica LLC in June 2013.
- U.S. Silica acquired Cadre during the second quarter of 2014.
- Superior Silica Sands LLC, a subsidiary of Emerge Energy Services LP, acquired an estimated 94 million tons of northern white sand reserves from Performance Technology in January 2016.

Other drivers for continued consolidation include the desire of oil & gas completion companies to deal with fewer suppliers and the complex logistics infrastructure required to deliver frac sand to the well head. Scale means one-stop shopping for frac sand and more effective rail car management. **Additional consolidation is expected**.

OIL INDUSTRY

Secular Growth in Oil & Gas Industry

The **domestic oil and gas business** is currently in the midst of a **production renaissance**, primarily due to advances drilling and completion technologies such as horizontal drilling and hydraulic fracturing (or fracking). Previously, unconventional tight oil and shale gas resources had been uneconomic to recover.



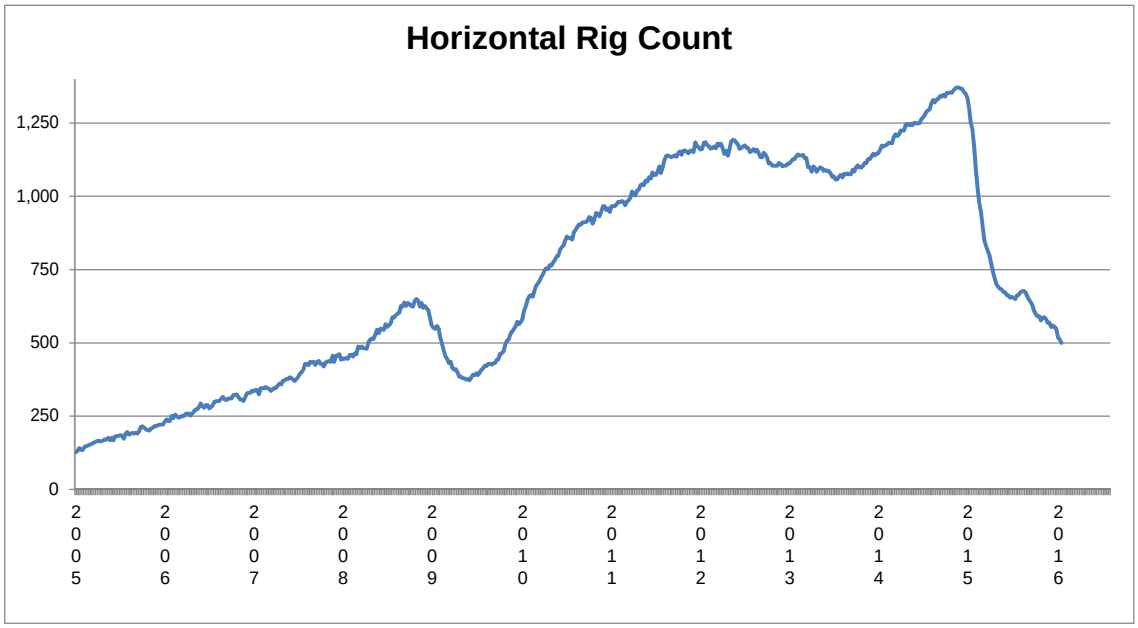
Horizontal drilling is an oil recovery technique by which a vertical borehole bears off on an arc and continues at a near-horizontal direction through a targeted hydrocarbon reservoir in order to maximize the exposure of reservoir rock to the well bore's surface. The horizontal lateral portion of the well bore is then perforated and fracked in the same manner as a conventional vertical well. Horizontal displacements have extended to over 10,000 feet, though in general the lateral passes through 3,000 to 5,000 feet of the prospective formation. As a result, a greater length and area of the producing formation exposed to the well bore. In addition, the surface footprint of the oil and gas operation is reduced since there is no need to drill many closely-spaced vertical wells.

Hydraulic fracturing is process that creates additional fissures in the hydrocarbon-bearing rock formations. After the perforation of the steel and cement casings in the well bore, additional spaces of porosity and permeability are created by fracking. A slurry of water, proppant and chemicals is injected under high pressure through the perforations into the targeted production zone. The fill material fractures the rock and creates additional fissures to better release and extract oil and gas held by the formation. The fissures are propped open with proppant, primarily **frac sand** (92% share) but also resin-coated sand (4%) and ceramic (4%), in order to prevent the newly created pathways from collapsing and to increase the flow rate of hydrocarbons from the source rock. The newly established path of higher permeability permits hydrocarbons to migrate to the wellbore. Frac sand is the most common proppant because it is durable, rounded and has crush-resistant properties.

New production from unconventional resource plays in shale formations have dramatically increased North American oil and gas production. In addition, older wells can be reworked by re-fracturing reservoir rocks to revitalize production. Horizontal drilling techniques and hydraulic fracturing have opened up huge deposits of hydrocarbons previously untapped in tightly locked shale deposits.

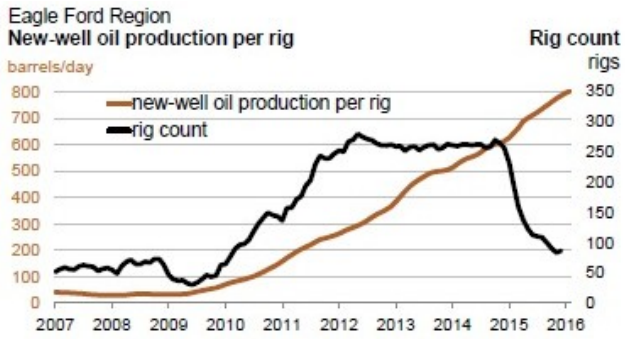
Drilling Activity

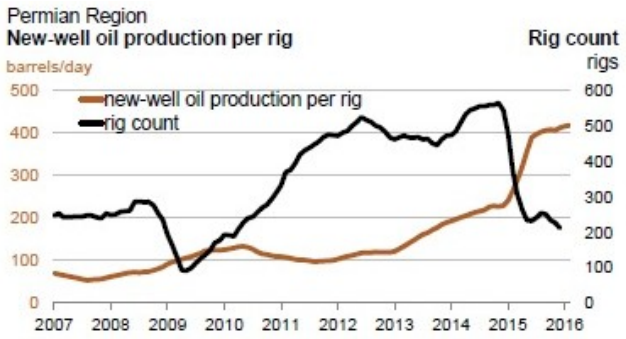
Drilling activity increased significantly from 2009 to mid-2014. With sand demand being increasingly responsive to horizontal completions, analysis indicates that the US horizontal rig count troughed at 372 in June 2009 and steadily increased to 1,372 in November 2014. Since that zenith, the US horizontal rig count has declined by 63.6% to 500 on January 22, 2016. Uncertainty remains as to the timing and depth of the bottom and the subsequent recovery. Ultimately the recovery of the drilling sector depends upon many factors, including commodity prices, the overall health of the US economy, among others. **The US horizontal rig count should be closely monitored** to help in determining the **inflection point** of the unconventional oil & gas industry.



Source: Baker Hughes

The overall rig count in the Eagle Ford Basin is mimicking the US horizontal rig count, while **the rig count in the Permian Basin is exhibiting slightly better resilience**.





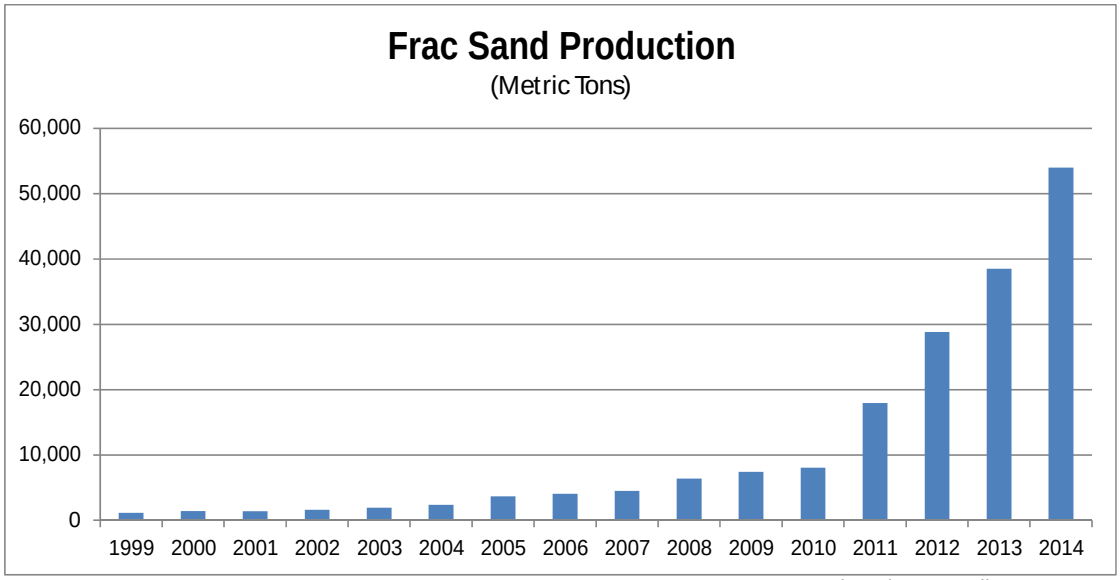
Latent Demand - DUCs

Many oil and gas wells were drilled in 2014 but not completed. When oil prices recover or even stabilize at an economic level, fracking activity will ramp up, driving increased demand for frac sand. **Estimates for the drilled-but-uncompleted-wells (DUCs) range from 3,000 to 5,000 wells**. These candidates for hydraulic fracturing create a significant backlog of frac sand demand. Though the precise timing is hard to predict, it is not inconceivable that there may be a convergence of demand for frac sand from both DUCs and a reacceleration of drilling activity simultaneously.

FRAC SAND INDUSTRY

Sand is a crucial ingredient in the hydraulic fracturing process as operators seek to maximize reservoir contact by propping open the fractures created by hydraulic fracturing. **The frac sand market** should provide leveraged investments to the recovery in oil and gas prices. **First**, advancements in horizontal drilling and hydraulic fracturing have been catalysts to the renaissance of U.S. oil and gas production. **Second**, sand is a crucial ingredient in the hydraulic fracturing process. **Third**, before the decline in oil and gas prices, the frac sand industry was enjoying a supply-demand imbalance resulting in solid double-digit volume growth and steadily increasing prices, primarily induced by increasing demand and inadequate supply. **Fourth**, the trend of further optimization techniques in fracking is resulting in much higher demand for frac sand (in the solid double-digit range in 2013 and 2014), and especially fine-mesh sand. And **fifth**, sources of fine-mesh, spherical sand in proximity to tight oil and gas plays (where hydrocarbons are trapped within shale rock formations) are and will be the most desired suppliers of proppant due to the costs of transportation.

Data on frac sand production volume and pricing is challenging to obtain. Industry statistics are usually derived from secondary sources, since many frac sand companies are reticent to divulge specifics for competitive reasons. The U.S. Geological Survey (USGS) annually releases statistics on various minerals, including Silica; however, the information is released with a lag and is also subject to revisions. Nevertheless, according to the USGS, **frac sand production experienced a 5-year CAGR of 48.7%** from 7.45 million metric tons in 2009 to 54.00 million metric tons in 2014.



Source: USGS Mineral Commodity Summary

The boom in developing crude oil and natural gas production from tight oil and shale formations has occurred from the widespread expansion of hydraulic fracturing, which has required an increasing amount of proppants, especially frac sand. From 2007 to 2012, supply constraints caused frac sand prices to rise from $48 to $58 per ton. In the fourth quarter of 2014, the average selling price per ton was between $70 and $84.

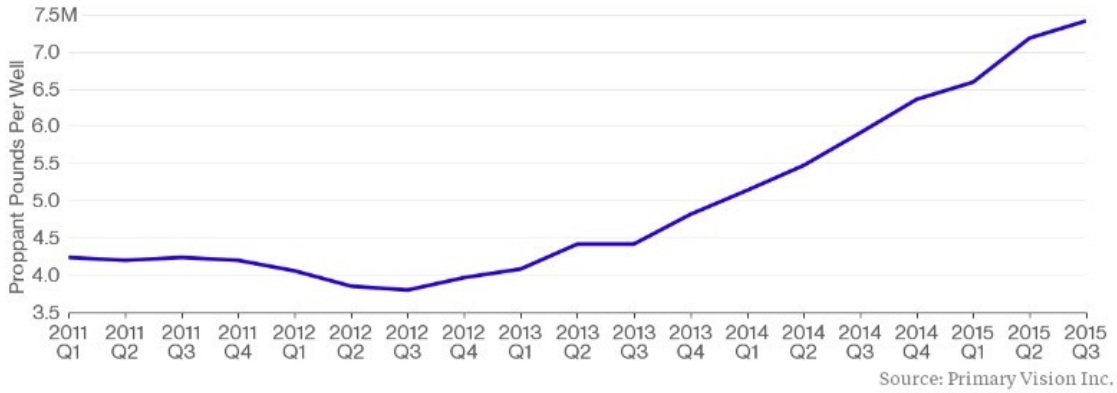
The frac sand industry is represented by several public companies: Emerge Energy Services LP (EMES), Hi-Crush (HCLP), U.S. Silica (SLCA) and Fairmount Santrol (FMSA). CARBO Ceramics (CRR) manufactures and sells ceramic proppants, resin-coated ceramic and resin-coated sand proppants. Other important sand companies include EOG Resources (fourth largest in terms of capacity, but is a captive operation supplying internal frac sand demand) and Preferred Sands (which acquired Winn Bay in 2012, and in turn was acquired by KKR in 2014). Also, there are new entrants into the market, such as Victory Nickel (NI.TSX) and emerging companies like **Select Sands** (SNS.TSV).

Sand Quality

Commercial-grade frac sand has certain mandatory attributes pertaining to shape, size, purity levels and crush strength in order to be effectively to be used in the recovery of oil and natural gas as frac sand. Simplistically, frac sand must be crush resistant in order to stay intact under pressure and properly shaped to allow oil and gas to flow through the rock fractures to pipe. Normally, hydraulic fracturing requires of the highest quality, premium sand known as Tier 1 (aka Northern White, Ottawa White, Jordan White, Sierra Gold, Saint Peter White and Southern White). Lower grades are known as Tier 2 and Tier 3.

Frac Sand Demand

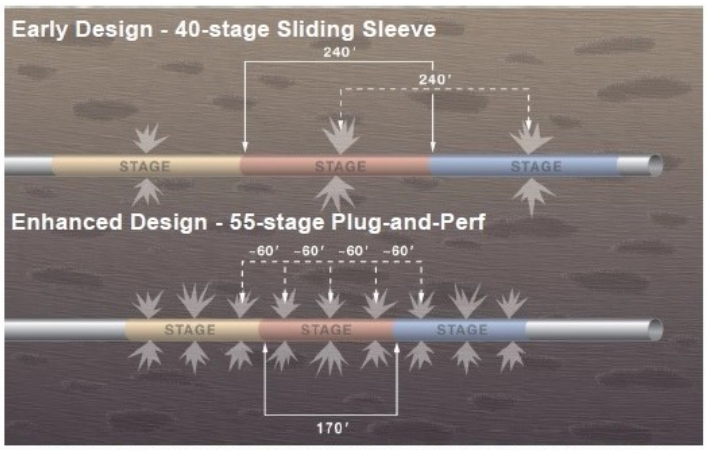
The demand for fine grade sands, particularly 40/70 and 100 mesh sand, should continue to increase due to design changes in fracking procedures related to sand characteristics in terms of size distribution, sphericity, roundness, crush resistance (K Value), acid solubility, turbidity, bulk density, apparent density, and SiO2 content.



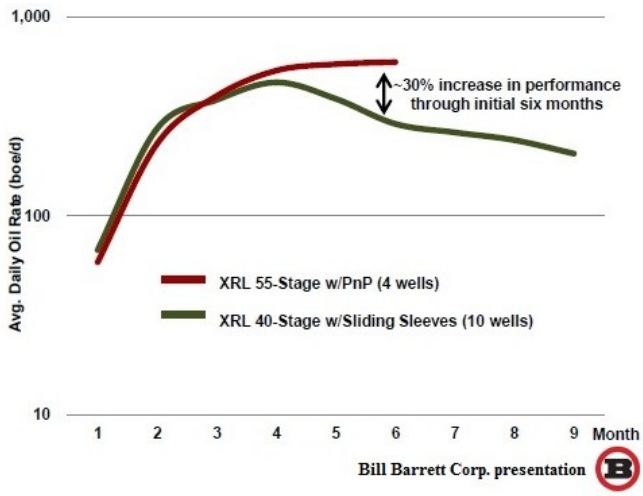
Increasing Amounts of Frac Sand Per Hydraulic Fracturing Job

The most recent data indicates that **the amount of frac sand being used per well continues to increase**. According to Primary Vision, the average hydraulic fracturing job now utilizes almost 7.5 million pounds of proppant per well. Oil and gas companies are testing and using high intensity completion methods in order to boost cumulative oil production. In addition, new enhanced completion methods require more sand both from increased volumes of sand per stage and more stages per well. Also, finer-mesh silica is in higher demand for these advanced completion techniques.

One advanced completion design shared by Bill Barrett Corporation (BBG) exemplifies the trend. In a recent investor presentation, Bill Barrett explained the improved production profile of utilizing a 55-stage plug-and-perf enhanced design (that requires more than 1,000 lbs. of sand per foot) versus an earlier 40-stage sliding sleeve design (that consumes less than 1,000 lbs. of sand per foot). The 55-stage plug-and-perf completion technique is providing significantly improved initial production rates and shallow production declines thereafter which together exceed traditional anticipated production curve results.



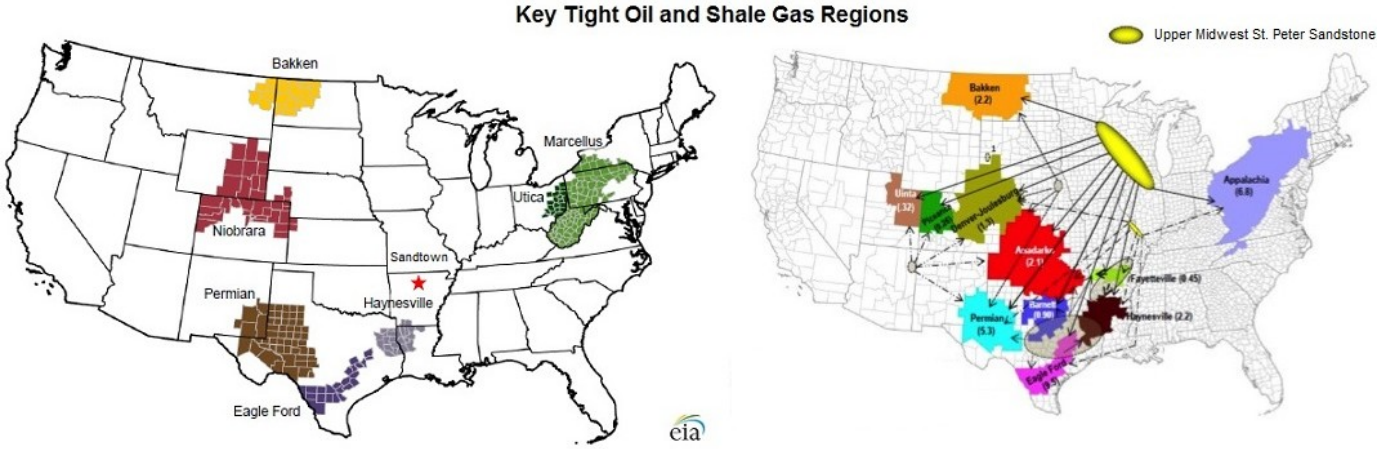
** Graphic representation of a 55-stage plug-and-perf completion design compared to a 40-stage sliding sleeve completion design*



Transportation Costs

The cost of shipping frac sand to the well head is a significant expense and an important component of evaluating the potential of a frac sand deposit, since transportation costs can comprise 30%-to-40% of the total cost of frac sand.

Proximity of Sandtown to Permian, Eagle Ford, Barnett and Haynesville Basins



Frac sand shipments by CN (previously known as Canadian National Railways) grew at a 36% CAGR between 2010 and 2014. CN is the longest railway system in North America and is the third largest rail transporter of frac sand (Union Pacific is the largest and Burlington Northern Santa Fe is the second). With the 36% growth rate being substantially below the 48.7% CAGR of frac sand production implies that about a quarter of the growth is used in close proximity to the sand mines/quarries and transported by truck, confirming the sensitivity to transportation costs.

Current State of Frac Sand Industry

The environment of lower oil and gas prices during the last four quarters has impacted the drilling and completion (D&C) plans of Exploration and Production (E&P) companies. As a result of the growth in domestic oil production combined with OPEC's decision not to cut oil supply targets, oil prices plummeted over 50%, and E&P companies have responded by reducing capital spending, implementing cost reduction plans, instituting layoffs and postponing the drilling of new wells and also the completion of recently drilled wells. We estimate that over 4,000 wells have been left behind pipe. However, as oil prices recover, E&P companies are expected to re-accelerate their development in certain core tight oil plays, specifically in the Bakken, Eagle Ford, Niobrara, Permian and Appalachia Basins.

Though forecasts for the rate of growth of frac sand demand has been tempered by the decline in exploration and development activity and wells behind pipe (completion by fracking having been forgone after the well has been drilled), certain fundamental factors bolster the expectation increased use of frac sand. Some specific drivers are:

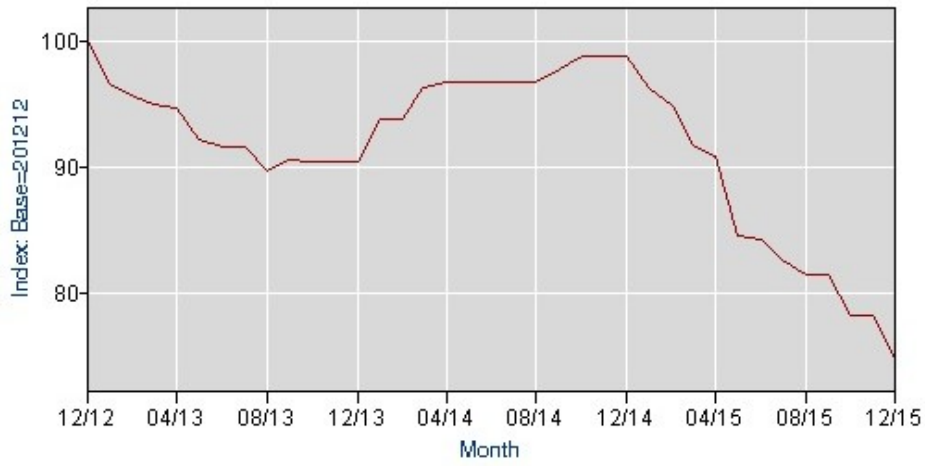
- An **increased number of wells with horizontal laterals** (that require fracking) to exploit shale formations
  - In 2014, the number of horizontal (Hz) wells fracked increased 9%.
- **Workovers** (which include hydraulic fracturing and the use of frac sand) in order to lengthen useful lives of legacy wells
- A continued shift towards fracking wells exclusively with frac sand
  - 77% of Hz wells were utilized only sand during completion as of 2Q 2014
- The **lengths of horizontal laterals are increasing**
- The stage widths within horizontal laterals (length between perforation intervals) are decreasing resulting in more stages per well
  - The number of Hz frac stages increased 19% in 2014.
- The **increase of the amount of frac sand used per stage**
- Technological innovation and further optimization of D&C techniques
- Contribution to the long-term growth in the number of wells fracked
- A continued transition to pad/batch drilling
- More laterals per pad increases recovery factor per section

The evolution of hydraulic fracturing treatments not only is increasing the amount of frac sand utilized per well, but also is **migrating the grain size utilized towards finer 40-70 and 100 mesh sands**. For example, US Silica is seeing **proppant intensity increasing with 15% to 20% (on average) more sand used per well**. According to PacWest Consulting Partners, around **5 million pounds** (2,500 tons) of frac sand is utilized during the fracking of a typical shale oil well. As stated above, Primary Vision estimates that the average hydraulic fracturing job now utilizes almost **7.5 million pounds** of proppant per well. The USGS report entitled Hydraulic Fracturing (Frac) Sand Sources and Production in the United States (released May 27, 2015) suggests that up to 5,000 tons (**10 million pounds**) of frac sand is being used to complete a single oil well. Some oil service companies, such as Halliburton, are experimenting with fracturing techniques that consume **20 million pounds** (10,000 tons) of frac sand in a single well. The decline in well completions starting in the second half of 2014 is being partially offset by the increase of sand used per well.

Frac sand companies are now operating under challenging market conditions. Short-term weakening of demand has resulted in some pricing pressure. Obviously, the industry is currently exposed to near-term headwinds. Managements of several large frac sand companies have announced capacity expansion delays or cancelations, which aid in the ultimate recovery of the industry. Also, usually these types of actions are indicative that the nadir is becoming closer.

In response to the growth in hydraulic fracturing in the United States, the Bureau of Labor Statistics of the U.S. Department of Labor began publishing a **producer price index for hydraulic fracturing sand** beginning in January 2013. Also, **this producer price index should be closely monitored** to help in determining the **inflection point** of the frac sand industry.

PPI - Hydraulic Fracturing Sand



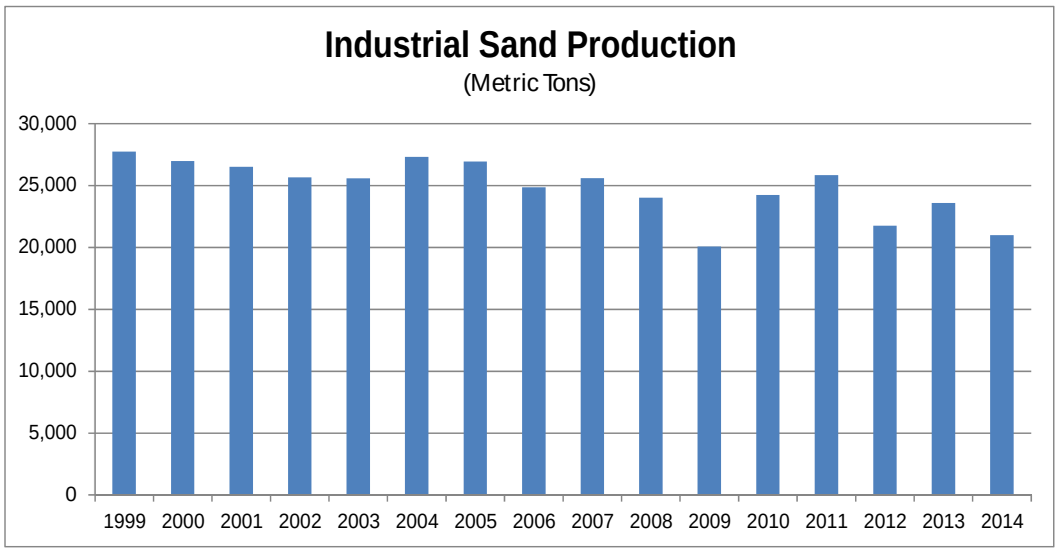
Source: Bureau of Labor Statistics of the U.S. Department of Labor

OTHER SILICA DEMAND

Industrial Silica Demand

The high purity silica is also suitable for a variety of industrial uses, including float/flat glass (automotive windshield and architectural glass), solar glass, computer/cell phone screens, fiberglass, recreation, metallurgical, filtration, crush rock aggregate, building products among others. In addition, ground silica powder is used in the composition of plastics, rubber, polishes, cleansers, paints, specialty coatings, sealants, silicone rubber, epoxies, glazes and precision castings.

Though the industrial silica industry tends to be more stable than the frac sand market, the demand for industrial silica is driven by other cyclical industries, including homebuilding, construction, commercial building, automotive manufacturing, foundry, chemical and other general industrial markets.



Source: USGS Mineral Commodity Summary

Though demand for industrial sand tends to be more stable, prices for industrial sand tends to be lower.

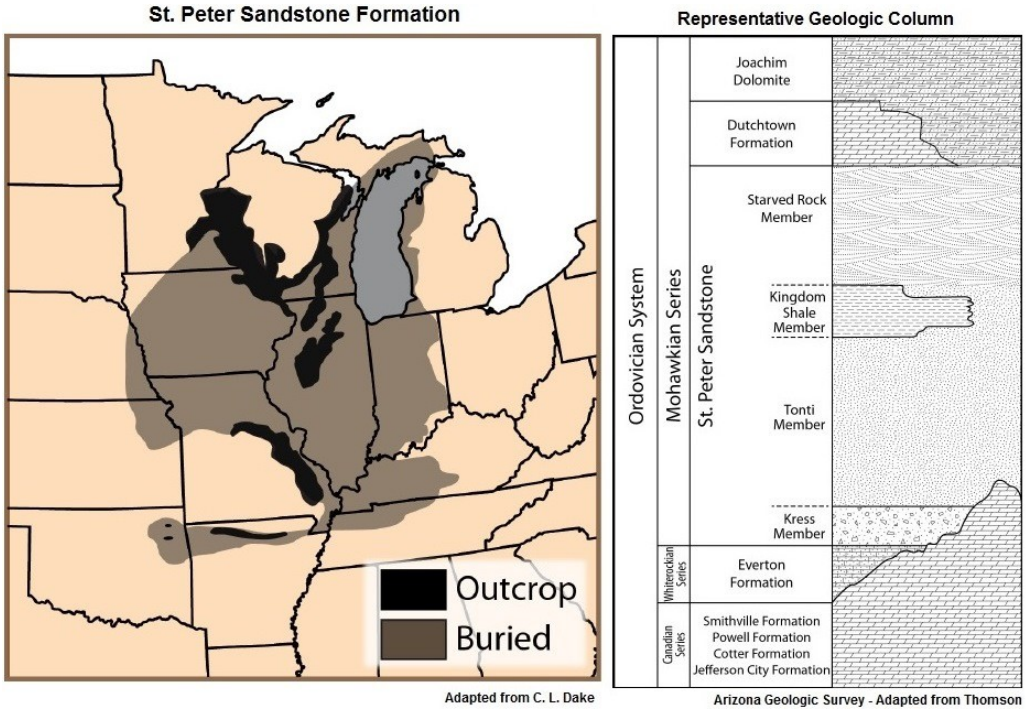
Management anticipates that approximately 26% of Sandtown's production will be processed into **ground silica** and directed towards industrial sand markets, such as glass formulation, paint fillers and cosmetics. The remaining 74% of production will be sold as **granular silica**, not only for the fracking process to the oil & gas industry, but also for industrial purposes, such flat float glass manufacturing, water filtration and recreational applications (beaches, golf bunkers, etc.).

SANDTOWN

Sandtown is a 520 acre property located in northeast Arkansas approximately 2.0 miles WSW of Cave City. The property is underlain by the St. Peter Sandstone Formation, a known source of Ottawa White Tier 1 frac sand and industrial silica sand. The Formation is host to a number of producing Tier 1 frac sand operations, including ones owned by US Silica and Hi Crush. There are several surface outcrops of St. Peter sandstone locally in the bottom of valleys, on hill slopes and on ridge tops and on the property along stream embankments and heights of land.

Geology

The Sandtown property is located in the Salem Plateau section of the Ozark Plateaus region of northern Arkansas and is underlain by the Ordovician St. Peter Sandstone Formation. This sedimentary rock formation is composed almost entirely of silica in the form of quartz sand grains typically varying in size from 2 millimeters in diameter (10 mesh) to less than 0.08 millimeters (200 mesh). The sands are composed of well-rounded grains that have been shaped by an ancient inland sea, when north Arkansas was a shallow sloping sea floor, and subsequent wind erosion (eolian processes).



In general, the thickness of the St. Peter Sandstone Formation varies significantly due to its base resting unconformably on the Everton formation and also due to the erosion of its upper beds. However, generally, the Formation averages between 80 and 100 feet[i] with a maximum of approximately 200 feet.[ii] Specific drill results on the Sandown property confirm thicknesses between 30 and at least 110 feet.

The St. Peter Formation is host to many producing frac sand mines/quarries, specifically in Guion AR, Peverly MO, Kasota WI and Ottawa WI (all operated by Unimin, a subsidiary of Sibelco, a privately-owned mining company headquartered in Belgium), in Pacific Missouri and Ottawa Illinois (both owned by US Silica), Augusta WI (Hi Crush) and Festus MO (Mississippi Sand, LLC), all of which supply Tier 1 frac sand.

Description

The Sandtown property is situated 3.1 miles from Highway 167 and is serviced by an active power line. The nearest rail system, a short line railroad operated by Missouri & Northern Arkansas Railroad, is located approximately 15.5 miles to the south in Batesville. Sand operations that are sited near railroad facilities have the advantage of lower transportation costs. Zigurds Zig" Vitols joined Select Sands in December 2014 to assist in planning the company's rail distribution network and was appointed COO in July 2015.

The Sandtown frac sand asset has **two competitive attributes** which should enable management to achieve its objective of establishing Select Sands as a supplier of premium frac sand: One, Sandtown appears to be a **prospective Tier 1 frac sand asset** with fine grade (40/70 & 100 mesh) sand that can be easily monetized oil and gas prices improve. Also, finer mesh frac sand remains in demand in this low oil price environment as operators optimize fracking techniques by utilizing more finer mesh sand per well. Two, the **location of Sandtown** is competitively advantaged for delivery of frac sand to the Permian and Eagle Ford Basins in Texas.

Ownership

On October 25, 2014, Select Sands entered into a binding Letter of Agreement (LOA) for an option to acquire a 100% undivided right, title and interest in a 520 acre prospective frac sand property (aka Sandtown). The terms of purchase total US$936,000 (or $1,800 per acre) comprised of an initial payment

of US$25,000 (CAD$28,610); additional payments of US$100,000 (CAD$117,015) made on December 22, 2014 and US$75,000 (CAD$85,140) made on February 23, 2015; and a final payment of US$736,000 due on or before April 25, 2016. On March 1st, 2015, an addendum to the original property agreement was signed that allow Select Sand to test mine a 10-acre parcel before the final payment is made providing US$0.75 per ton is paid to the seller for any material sold.

Logistics

Select Sands has a **geographic advantage** to serve the Eagle Ford and Permian Basins in south and west Texas, respectively. Major competitors with mines/quarries in favorable geology of Wisconsin, Minnesota and Illinois are at a serious logistical disadvantage supplying the fields in Texas. The distance of transportation is a key cost factor since logistics can account for up to 60% of delivered cost of frac sand. And in general, sand resources in Texas produce courser Tier 2 and Tier 3 sand, which are unsuitable in the fracking process, and the Tier 1 supply in Texas (known as Texas Gold) is capacity constrained.

The Sandtown property is 650 rail-miles closer to several key shale plays, namely the Permian and Eagle Ford Basins in Texas, than the frac sand mines/quarries in Wisconsin. Transportation costs usually comprise at least 30% of total costs. It is estimated that the savings in transportation costs approximates $15/ton or a discount of 20% relative to Wisconsin-based deposits.

Exploration Program

A **phase 1 drilling program** was conducted on northern 200 acres of the property in **December 2014.** This initial drill program was a reconnaissance program consisting of five diamond drill holes totaling 243 feet. A resource definition **phase 2 infill drilling program**, which was comprised of 16 Rotary Air Blast Rotary (RAB) drill holes totaling 1,157.2 feet, followed in **February and March 2015**. The entire drill program tested an area of 1,200 by 300 meters (3,937 feet by 984 feet) and was drilled on roughly 183-meter (600-foot) centers. All drill holes except one encountered high purity silica over intervals averaging 52 feet with the longest intersect being 104 feet, which incidentally was open-ended.

Sufficient drilling was conducted to determine the sandstone continuity on the northern 200 acres of the property and to perform an NI-43-101-compliant resource estimation. The St. Peter Sandstone Formation occurs at or near surface over the 200 acres drilled on the property. Much of sandstone intersected shows good homogeneity in grain size and composition. However, near the top and the bottom of the unit, variability in color was observed primarily due to iron staining. Also, within the unit, on infrequent occasions, narrow (less than 20cm) clay-rich seams were intersected.

The drill holes intercepted the St. Peter Sandstone (SST) Formation as follows:

Sandtown Drill Program

Drill Hole	Total Depth (feet)	Overburden (feet)	SST Zone Thickness (feet)		Comments
Diamond Drill Program					
ST14-01	22	0	22	Open to depth	Not completed to depth due to mechanical issue
ST14-02	32	0	32		
ST14-03	80	2	77		
ST14-04	57	N/A	34	Open to depth	Not completed to depth due to mechanical issue
ST14-05	52	4	48		
	243				

Sandtown Drill Program					
Drill Hole	Total Depth (feet)	Overburden (feet)	SST Zone Thickness (feet)		Comments
RAB Drill Program					
P-03	81	7	57		
P-04	98.1	10	59		
P-05	49	6	43		
P-06	90	4	0		Medium- Course grained SST
P-07	114	10	104	Open to depth	Hole ended in SST
P-08	89.1	3	86		
P-10	40	1	31		
P-11	43	14	18		Hole stopped due to water
P-12	40	3	25		
P-14	60	13	33		
P-15	81	2	59		
P-17	32	5	7		
P-19	90	3	70		
P-20	100	3	75		
P-21	70	3	60		
P-22	80	3	71		
	1,157				

Source: Mineral Resource Estimate and PEA for the Sandtown Property

The drill samples were analyzed for size, roundness, sphericity, crush resistance, acid solubility, silica content, turbidity and bulk density.

- Sieve fraction analysis of the diamond drilling samples determined that the average estimated **grain size distributions** were favorable at 13% of 30/50 mesh, 32% of 40/70 mesh and 58% of 70/140 mesh.
- Krumbein **roundness** factor values of between 0.6 and 0.9 demonstrate that both the 20/40 and the 40/70 mesh fractions satisfy the recommendations of ISO 13503-2:2006
- Krumbein **sphericity** factor values of between 0.6 and 0.8 show that both the 20/40 and the 40/70 mesh fractions satisfy the recommendations of ISO 13503-2:2006
- **Crush K-value tests**, which represent the maximum stress that the material can withstand without exceeding 10% crush (rounded down to the nearest 1,000 psi value; or K value), demonstrate that the 30/50 mesh fractions have a crush resistance value of 7K, the 40/70 mesh fractions have a crush resistance value of 9K and the 100 mesh fractions have a crush resistance value of 10K.
- **Acid solubility** - Samples from two RAB drill holes (P-19 and P-22) tested within the specifications of ISO 13503-2:2006 (1.3 and 1.4, respectively) for acid solubility in all three mesh fractions (20/40, 40/70 and 70/140). STIM-Lab test results from diamond drill holes ST14-02 and ST14-03 were better, ranging between 1.1 and 0.7 across all three mesh fractions.
- **X-Ray diffractions** (XRD) of two samples from diamond drill holes ST14-02 and ST14-03 indicate silica (SiO2) content of 99% (STIM-Lab tests).
- **Energy dispersive x-ray results** of six samples indicate that 94.5% of the sands elemental is silica (plus oxygen), which correlates well with the x-ray diffraction data.
- **Turbidity** – STIM-Lab test results for turbidity between 11 and 4 from two diamond drill holes (ST14-02 and ST14-03) easily met ISO specifications of less than 250 FTU.
- **Bulk density** - Three samples from the 2014 diamond drill program were analyzed, and the bulk density ranged between 2.12 and 2.28 g/cm^3 with an average of 2.2 g/cm^3, somewhat above the API specifications of approximately 1.5 g/cm^3.

The results demonstrate that the silica sand at Sandtown meets the recommendations set forth in International Standards ISO 13503-2:2006 for sieve size fractions, sphericity, roundness and crush classification. According to the PEA, the sand would be processed in a wet frac sand plant to remove non-silica contaminants and clay impurities, which should enhance the sand's characteristics to the ISO's turbidity and acid solubility specifications.

The St. Peter Sandstone formation remains open to the north and south of the drilled acreage.

Indicated Resource Estimate

In February 2015, during the time of the phase 2 drilling program, Select Sands engaged Tetra Tech to complete a NI 43-101-compliant resource estimate and a preliminary economic assessment (PEA), which was released on June 30, 2015 with an effective date of June 10, 2015.

By applying preliminary pit constraints that allow for drainages, power line right of ways and allowances for pit slopes, an **Indicated silica sand mineral resource of 20 million tonnes** (22.0 million tons) was estimated. Sieve fraction analysis determined that the average estimated grain size distributions were favorable at 13% of 30/50 mesh, 32% of 40/70 mesh and 58% of 100 mesh (the sum of percentages totals 103% due to overlapping zones). The proppant results show that Sandtown silica sand meets the specifications set forth in the International Organization for Standardization ISO 13503-2:2006 (API RP19C) for crush resistance, roundness, sphericity, acid resistance and turbidity. The Indicated resource classification was based on the deposit's relative continuity of thickness and composition, which was determined by the average drill spacing and the results of composite sampling in each hole.

It is worth mentioning that the extent of exploratory drilling, along with the quantity and grade estimations, was sufficiently certain to define an Indicated Mineral Resource. An Indicated Mineral Resource designates that the "quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit."

Preliminary Economic Assessment (PEA)

The Preliminary Economic Assessment, a conceptual study of the potential viability of the Sandtown Project, outlines a potentially high economic return and demonstrates the potential for development of a relatively low-risk frac sand project. Eliminating areas not suitable for mining and processing, including drainage areas and buffer zones, **two distinct mining areas were identified for potential economic development as open pit mines**, namely the east and west pits. The PEA conservatively estimates that only 70% of the estimated Indicated Resource will be recovered as saleable silica product.

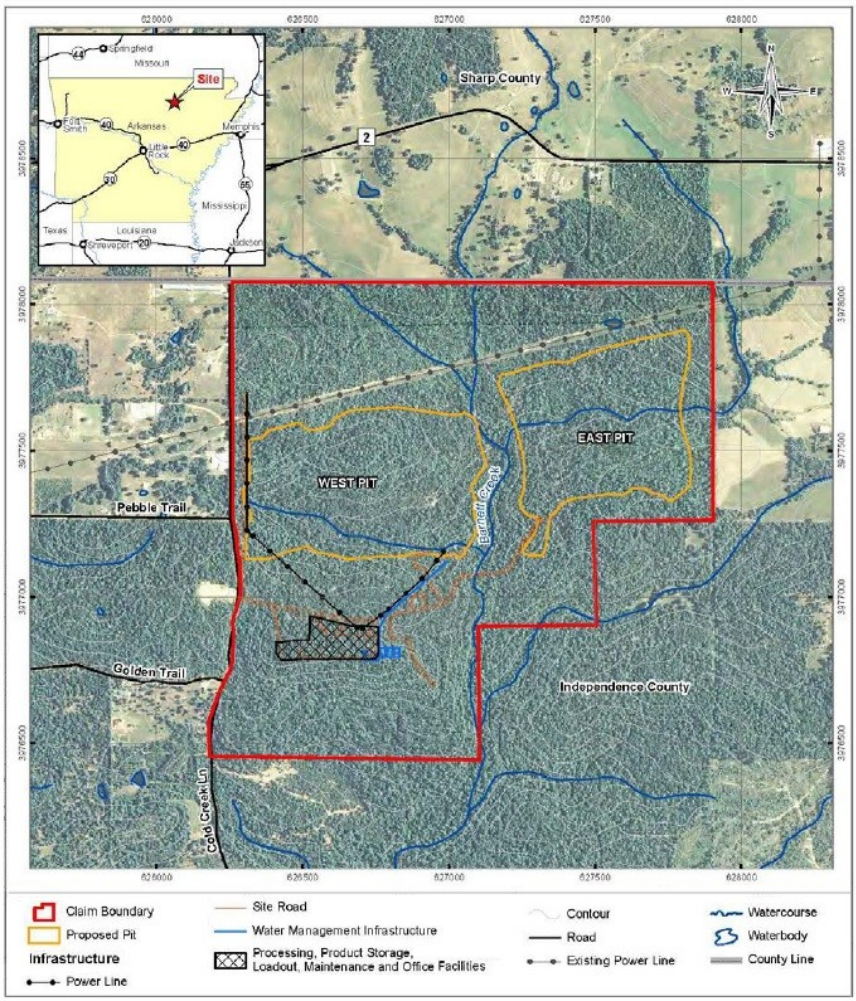
Based on the independent consultant's assumptions, including a Tier 1 frac sand price of approximately US$59 per short ton, the **after-tax Net Present Value (NPV) for the project is estimated to be US$92.0 million** using an 8% discount rate and assuming a 16-year life of mine (LOM), along with two years of pre-production operations. The project's pre-tax Net Present Value (NPV) is estimated to be US$160 million. As a result, project's **pre-tax Internal Rate of Return** (**IRR**) would be 45% and after-tax **IRR** 34%. Total revenues are estimated to be $770 million over the LOM.

PEA Economics

Estimated total revenue of project over LOM	$766.5 million
LOM	16 years
Pretax NPV at 8%	$159.6 million
Pretax IRR	45%
After-tax NPV at 8%	$92.0 million
After-tax IRR	34%

Initial pre-production capital expenditures are expected to be US$42.3 million (including a $3.7 million contingency), which is expected to be funded through debt and/or equity instruments. The operating cost is estimated to be US$19 per processed ton of frac sand. Also, during the first four years of development, management is planning to sell run-of-mine (ROM) ore for $7.50 per short ton to local customers which are within trucking distance. The ROM revenue is intended to contribute towards the initial capital expenditures. Management anticipates ROM sales will begin in the third quarter of 2015. Other than the initial ROM sales, it is anticipated that the primary market for the frac sand will be locations in Texas,

Louisiana and Oklahoma. Rail transportation, off-loading and haulage are assumed to be borne by the end-user.



Tetra Tech proposed that Select Sands conduct a prefeasibility/feasibility assessment, which would include further resource drilling, enhanced work to test targeted resources for economic uses, bulk testing program and certain other studies improve the understanding of pit wall stability, ground water interactions, etc. The additional drilling should further the understanding of the potential variability in the deposit, which would assist in determining the mining and processing methods required to achieve the optimum proppant/industrial sand mix. Also, additional drilling would aid in determining the optimal area for the quarry operation.

Quarry Mining Permit

A Quarry Mining Permit Application was submitted to the Arkansas Department of Environmental Quality on April 16, 2015, and within three weeks, an unconditional 5-year **Authorization to Quarry** was received. Dated May 1, 2015, the Authorization was issued for a 5-year period ending April 30, 2020 and encompasses approximately 100 acres in the area of the planned western pit.

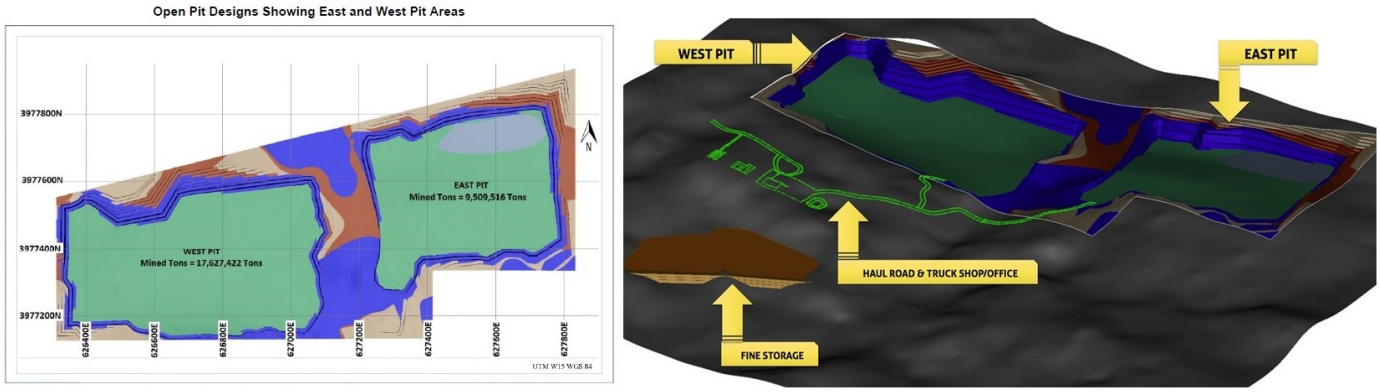
Current Development

Following the land clearing completed in September, Select Sands **started test production** at Sandtown in October 2015. Management contracted Explosive Contractors Inc. of Hollister Missouri to extract the first test silica sand from the starter pit and anticipates **approximately 2,000 tons** out of the 5,600 tons of extracted silica sand will be processed (crushed and screened). The first finished product is anticipated to be delivered to potential customers in the industrial (glass-making, foundry and building) and energy

(hydraulic fracturing and well cementing) markets. A processing plant operator has been identified in the area that can produce finished silica products, (especially finer-mesh, high-purity white sand) on a toll basis, whereby the sand will be processed for a volume-based fee.

Management is utilizing a **two-stage production model** consisting of contract mining and toll processing. At the outset, contract agreements are being utilized to mine and process the sandstone resource at Sandtown, thereby proceeding with the development of the mine and generating cash flow without the need of directly investing capital in the purchase of mining or processing equipment. A processing plant operator has been identified in the area that can produce finished silica products, (especially finer-mesh, high-purity white sand) on a toll basis, whereby the sand will be processed for a volume-based fee.

Proposed Mine Site Layout



Proposed Future Development

Management envisions larger scale test mining and toll processing to begin in the first half of 2016, possibly as early as the first quarter. Depending on market conditions, management plans to build a wash plant on site, possibly in early 2016, with the intent of trucking the washed sand to Batesville for further processing (drying and sieving) at a contract plant before being loaded into railcars or trucks for delivery to the Eagle Ford and Permian Basins.

Ultimately, management envisions construction of processing facilities (crushing and screening plant, wet classification plant, grinding plant and product drying and storage facilities) on site at Sandtown.

VALUATION

Managements of mineral production and exploration companies create value through evaluating, acquiring, exploring and/or developing mining properties. In the case of Select Sands, management's strategy is to increase shareholder value by fast-pacing the development of the **Sandtown silica project** in northern Arkansas. As an exploration company**,** we believe it would be inappropriate to value Select Sands on an earnings, cash flow or book value basis, which would not adequately capture the value of the company's resource base. Since the company has advanced to a milestone point in the exploration phase that the resources have been estimated to a degree of certainty, we are comfortable in utilizing a **resource-based valuation model**.

The recent material change in oil prices demonstrates an inherent weakness of utilizing EV/EBITDA and/or P/E multiples to value companies within a cyclical industry, but especially in an industry undergoing secular change. The frac sand group has exhibited high beta relative the industry and high alpha relative to the market as a whole for those fundamental reasons. High alpha is illustrated by Emerge Energy Services, Hi Crush and U.S. Silica rallying 786%, 312% and 305%, respectively, between May 2013 and their peaks in August/September 2014. Their high beta relative to the oil patch is

exemplified by Emerge Energy Services having declined over 98% (from above $140 to below $2 during the recent downturn in oil prices while Hi-Crush and US Silica have dropped over 94% and 81%, respectively. However, after these significant price declines over the last 19 months, the **frac sand stocks provide leveraged exposure to the improvement of oil prices**.

Industry Comparables	**Pr Chg YTD**	**P/E CFY**	**EPS Gr 5Yr Est**	**Price/ Book**	**Price/ Sales**	**Price/ CF**	**EV/ EBITDA**
SELECT SANDS CORP.	-38.3	N/M	15.0	2.0	N/M	N/M	N/M
Industry Mean	-25.5	23.6	14.0	2.5	0.4	1.6	5.3
Industry Median	-25.0	19.9	13.8	1.4	0.3	0.8	4.7
S&P 500	-6.7	15.2	10.8	6.8	3.5	15.0	N/A
EMERGE ENERGY SVCS. LP	-33.3	N/M	17.5	0.9	0.1	0.6	4.7
US SILICA HOLDINGS	-12.0	N/M	11.0	2.2	1.2	5.0	7.7
HI-CRUSH PARTNERS	-19.9	N/M	15.0	1.4	0.4	0.8	4.7
FMSA HOLDINGS	-37.4	N/M	12.5	7.8	0.2	1.0	6.1
ATHABASCA MINERALS	-25.0	N/M	N/A	0.3	0.3	0.6	3.4

Our calculation of **share value of attributable reserves and resources** is based on the ascertained value of the estimated resources in the northern 200 acres of the Sandtown property plus balance sheet adjustments for working capital, PPE (property, plant and equipment) and marketable securities. The **value of the property** is determined by **adjusting the value of current resources for the expected recovery rate, mining/processing costs, anticipated financing costs, etc.** The reserves/resources are assigned a **confidence factor** that attempts to take into account the risks of each project, such as the locality of the deposits, the assurance level of the reserves/resources, various technical mining/production risks, etc. Estimated prices of frac sand and industrial sand are utilized. The resource valuation methodology involves the following assumptions:

1) The 70% expected recovery rate and the anticipated 74/26 mix between processed mesh sand and ground silica from the PEA were incorporated into the valuation model.
2) A 90% confidence factor was conservatively applied to the resources.
3) A 10% discount factor (which is greater than the 8% used in the PEA) was utilized in calculating the Net Present Value (NPV) of the anticipated operating profit stream.
4) **The valuation model is very sensitive to the expected average selling prices**. Though the anticipated prices to be realized ($58.98 for mesh-graded high purity sand and $46.28 for ground silica) are not unreasonable, we are discounting those prices by 10% until there is evidence that horizontal drilling activity begins to rebound.
5) The Federal income tax (35% rate), state income tax (6.695%) and sales tax (7%) are estimated to total 51.5%, which is being applied on the expected profit. A lower rate of 32% is being applied to the pre-production ROM sand.
6) The southern 320 acres of the Sandtown property have not been assigned a value.
7) The La Ronge Gold Belt claims (Pap-Preview property) and other claims in Canada held by the company have not been assigned a value.

Based on our calculation of share value of attributable resources (see table below), **our target** for the common stock of **Select Sands is US$0.85** for CLICF and **CDN$1.21** for SNS.V**.**

Select Sands Inc

Projects	Type	Indicated Reserves (short tons)	Recovery Rate	Average Production Costs (per short ton)	Estimated Price	Taxes (Federal, State & Sales)	% Ownership	Net Value to SNS	NPV to SNS
Sandtown									
Northern 200 acres	Frac & industrial	15,683,560	70%	19.32	53.08	48.7%	100%	171,148,484	83,688,492
	Ground sand	5,510,440	70%	19.32	41.65	48.7%	100%	39,775,362	19,449,428
	2-stage production	820,000	70%	4.54	7.50	32.0%	100%	1,039,812	775,739
BALANCE SHEET ADJUSTMENTS									
Working capital								181,185	181,185
Initial capital investment								(41,457,000)	(41,457,000)
Anticipated interest expense								(10,921,500)	(10,446,731)
Federal and sate tax adjustments for interest expense								4,860,068	4,648,795
					Net Assets & Resources			164,626,411	56,839,908
					Shares Outstanding			54,599,000	54,599,000
							NAV per outstanding share ($US)		**$1.04**
					Fully diluted shares			66,736,449	66,736,449
							NAV per diluted share ($US)		**$0.85**
							NAV per diluted share ($CDN)		**$1.21**

RISKS

- The frac sand market is relatively new with many focused competitors.
- The supply of and demand for frac sand are subject to various macroeconomic and industry forces. Currently, the demand for frac sand is being adversely impacted by delayed well development by many operators due to lower oil & gas prices. Historically, oil and gas exploration and production has experienced cyclical fluctuations due to global marketplace forces. Also, increased capacity by competitors during this first phase of a new market may lead to an over-expansion of supply.
- Without any current producing operations, the company is dependent on management's ability either to raise additional capital or to enter into an arrangement with other companies in order to develop Sandtown.
- The operating success of frac sand operations is dependent on the ability to develop a customer base within an economic distance of the company's production facilities. In addition, long-term silica sand supply agreements are typical in the silica sand industry and more so now in reaction to lower frac sand prices. It will be challenging for new entrants to entering into contracts with silica sand buyers.

BALANCE SHEET & INCOME STATEMENT

Select Sands Corp.

Year ending July 31st (Canadian Dollars)	FY 2012 7/31/2012	FY 201 7/31/2013	FY 201 7/31/2014	FY 201 7/31/2015	FY 1Q 10/31/2015
ASSETS					
Cash and cash equivalents	3,981,544	1,751,920	324,069	1,222,040	2,473,785
Sales tax recoverable	69,815	7,620	10,925	9,615	15,109
Accounts receivable, net	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid expenses	19,343	28,108	16,878	12,302	10,077
Total Current Assets	**4,070,702**	**1,787,648**	**351,872**	**1,243,957**	**2,498,971**
Investment Deposit	-	-	1,000,000	0	0
Available-for-sale Investments	58,125	1,125	0	0	0
Due From Related Parties	308,610	309,841	0	0	0
Exploration and Evaluation Assets	2,722,772	3,973,60	4,242,81	5,007,38	5,124,97
Other					
TOTAL ASSETS	**7,160,209**	**6,072,218**	**5,594,687**	**6,251,34**	**7,623,950**
Liabilities and Stockholders' Equity					
Accounts payable and accrued liabilities	431,024	86,118	166,456	164,31	117,748
Flow-through premium liability	-	138,750	63,575	0	0
Total Current Liabilities	**431,024**	**224,868**	**230,031**	**164,31**	**117,748**
TOTAL LIABILITIES	**431,024**	**224,868**	**230,031**	**164,31**	**117,748**
Common stock	15,840,445	16,542,63	17,505,28	17,895,45	20,359,68
Commitment To Issue Shares	-	-	-	965,000	85,000
Share Subscriptions Receivable	-	-	(50,000)	241,553	250,685
Share-based Payment Reserve	2,084,381	2,036,335	2,051,394	2,231,409	2,321,891
Accumulated Other Comprehensive Loss	(45,000)	(4,500)	(5,625)	(5,625)	(5,625)
Accumulated deficit	(11,150,641)	(12,727,119)	(14,136,394)	(15,240,760)	(15,505,432)
Total Stockholders' Equity	**6,729,185**	**5,847,350**	**5,364,656**	**6,087,036**	**7,506,202**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**7,160,209**	**6,072,218**	**5,594,687**	**6,251,346**	**7,623,950**
Shares outstanding	33,117,288	37,415,088	41,626,408	44,895,554	51,620,554

Select Sands Corp.

Income Statement (Canadian Dollars)	2012	2013	2014	2015
Period ending	7/31/2012	7/31/2013	7/31/2014	7/31/2015
Revenues	**0**	**0**	**0**	**0**
General and Administrative Expenses				
Administrative services and rent	69,520	49,500	56,047	35,044
Advertising and promotion	166,207	180,247	146,313	180,163
Bad debt provision	-	-	304,841	-
Compensation and consulting	317,428	456,770	486,453	145,450
Interest (Convertible Debentures)	-	-	-	-
Office expense and miscellaneous	34,556	36,263	41,007	45,247
Professional fees	94,292	64,668	-	116,866
Property investigation	-	-	322,277	-
Regulatory and stock transfer fees	71,393	29,415	112,618	22,438
Share-based compensation	695,532	5,304	28,255	167,874
Loss Before Other Income (Expenses)	**1,448,928**	**822,167**	**1,497,811**	**713,082**
Other income (expense):				
Interest income (expense)	22,443	34,440	13,361	5,209
Abandoned claims	(512,761)	(745,596)	-	-
Write off property costs	-	-	-	(107,514)
Gain on sale of equipment	-	-	-	-
Gain (loss) on forgiveness/(settlement) of debt	60,000	-	-	-
Disposal of marketable securities	-	-	-	(347,920)
Realized loss on sale of available-for-sale investment	-	(43,155)	-	-
Management fees	25,000	-	-	-
Part XII.6 interest	(107)	-	-	(2,925)
Other income	5,625	-	-	(1,709)
Total other income (expense)	(399,800)	(754,311)	13,361	(454,859)
Net Income (Loss) Before Income Taxes	**(1,848,728)**	**(1,576,478)**	**(1,484,450)**	**(1,167,941)**
Income Taxes				
Deferred income taxes recovered	383,812	0	75,175	63,575
Net Loss	**(1,464,916)**	**(1,576,478)**	**(1,409,275)**	**(1,104,366)**
Other Comprehensive Loss				
Reclassed to realized loss upon sale-AFS investments	-	45,000	-	-
Unrealized loss on available-for-sale investments	(45,000)	(4,500)	(1,125)	-
Net Loss and Comprehensive Loss	(1,509,916)	(1,535,978)	(1,410,400)	(1,104,366)
Net loss per share:				
Basic and diluted loss per share	**(0.06)**	**(0.05)**	**(0.04)**	**(0.03)**
Wgted avg. shares - basic & diluted	25,153,902	34,036,954	38,251,624	42,496,556

Select Sands Corp.

Income Statement (Canadian Dollars) Period ending	Fiscal Year FY 2014 7/31/2014	1Q FY 201 10/30/2014	2Q FY 201 1/31/2015	3Q FY 201 4/30/2015	4Q FY 201 7/31/2015	Fiscal Year FY 201 7/31/2015
Revenues	**0**	**0**	**0**	**0**	**0**	**0**
General and Administrative Expenses						
Administrative services and rent	56,047	17,600	5,000	5,387	7,057	35,044
Advertising and promotion	146,313	20,583	113,233	23,254	23,093	180,163
Bad debt provision	304,841	-	-	-	-	0
Compensation and consulting	486,453	36,941	42,677	14,866	50,966	145,450
Interest (Convertible Debentures)	-	-	17,850	284	(18,134)	0
Office expense and miscellaneous	41,007	20,588	9,939	9,412	5,308	45,247
Professional fees	-	-	64,585	14,387	37,894	116,866
Property investigation	322,277	13,927	24,854	0	(38,781)	0
Regulatory and stock transfer fees	112,618	834	14,977	2,583	4,044	22,438
Share-based compensation	28,255	0	71,756	(9,151)	105,269	167,874
Loss Before Other Income (Expenses)	**1,497,811**	**110,473**	**364,871**	**61,022**	**176,716**	**713,082**
Other income (expense):						
Interest income (expense)	13,361	(3,185)	140	4,942	3,312	5,209
Abandoned claims	-	-	-	-	-	-
Write off property costs	-	-	-	-	(107,514)	(107,514)
Gain (loss) on sale of equipment	-	-	-	-	-	-
Gain (loss) on forgiveness/(settlement) of debt	-	-	-	-	-	-
Disposal of marketable securities	-		(374,215)	26,881	(586)	(347,920)
Realized loss on sale of available-for-sale inv.	-	-	-	-	-	-
Management fees	-	-	-	-	-	-
Part XII.6 interest	-	0	(2,925)	0	0	(2,925)
Foreign exchange (loss)	-	-	-	(2,285)	576	(1,709)
Other income	-	-	-	-	-	-
Total other income (expense)	13,361	(3,185)	(377,000)	29,538	(104,212)	(454,859)
Net Income (Loss) Before Income Taxes	**(1,484,450)**	**(113,658)**	**(741,871)**	**(31,484)**	**(280,928)**	**(1,167,941)**
Income Taxes						
Deferred income taxes recovered	75,175	0	63,575	0	0	63,575
Net Loss	**(1,409,275)**	**(113,658)**	**(678,296)**	**(31,484)**	**(280,928)**	**(1,104,366)**
Other Comprehensive Loss						
Reclassed to realized loss upon sale-AFS inv.	-	-	-	-	-	-
Unrealized loss on available-for-sale investmts.	(1,125)	-	-	-	-	0
Net Loss and Comprehensive Loss	(1,410,400)	(113,658)	(678,296)	(31,484)	(280,928)	(1,104,366)
Net loss per share:						
Basic and diluted loss per share	**(0.04)**	**(0.00)**	**(0.02)**	**(0.00)**	**(0.01)**	**(0.03)**
Wgted avg. shares - basic & diluted	38,251,624	41,626,408	41,626,408	42,140,630	43,179,776	42,496,556

Income Statement (Canadian Dollars) Period ending	Fiscal Year FY 2015 7/31/2015	1Q FY 201 10/31/2015	1Q E 2016 3/31/2016	2Q E 2016 6/30/2016	3Q E 2016 9/30/2016	Calendar Year 2016 12/31/2016
Revenues	**0**	**0**	**10,000**	**20,000**	**30,000**	**60,000**
Cost of Goods Soold	0	0	3,500	7,000	10,500	21,000
Gross Profit	**0**	**0**	**6,500**	**13,000**	**19,500**	**39,000**
General and Administrative Expenses						
Administrative services and rent	35,044	5,357	6,500	7,000	7,200	26,057
Advertising and promotion	180,163	70,144	45,041	35,000	35,000	
Bad debt provision	0	-	-	-	-	0
Compensation and consulting	145,450	70,241	36,363	53,302	44,832	204,737
Interest (Convertible Debentures)	0	-	-	-	-	0
Office expense and miscellaneous	45,247	24,618	11,312	17,965	14,638	68,533
Professional fees	116,866	71,192	29,217	50,204	39,710	190,323
Property investigation	0	-	-	-	-	0
Regulatory and stock transfer fees	22,438	5,524	5,610	5,567	5,588	22,288
Share-based compensation	167,874	18,870	41,969	30,419	36,194	127,452
Loss Before Other Income (Expenses)	**713,082**	**265,946**	**169,510**	**186,457**	**163,663**	**600,390**
Other income (expense):						
Interest income (expense)	5,209	529	650	600	550	2,329
Abandoned claims	-	-	-	-	-	0
Write off property costs	(107,514)	-	-	-	-	0
Gain (loss) on sale of equipment	-	-	-	-	-	0
Gain (loss) on forgiveness/(settlement) of debt	-	-	-	-	-	0
Disposal of marketable securities	(347,920)	-	-	-	-	0
Realized loss on sale of available-for-sale inv.	-	-	-	-	-	0
Management fees	-	-	-	-	-	0
Part XII.6 interest	(2,925)	-	-	-	-	0
Foreign exchange (loss)	(1,709)	745	-	-	-	745
Other income	-	-	-	-	-	0
Total other income (expense)	(454,859)	1,274	650	600	550	3,074
Net Income (Loss) Before Income Taxes	**(1,167,941)**	**(264,672)**	**(168,860)**	**(185,857)**	**(163,113)**	**(597,316)**
Income Taxes						
Deferred income taxes recovered	63,575	0	0	0	0	0
Net Loss	**(1,104,366)**	**(264,672)**	**(168,860)**	**(185,857)**	**(163,113)**	**(597,316)**
Other Comprehensive Loss						
Reclassed to realized loss upon sale-AFS inv.	-	-	-	-	-	0
Unrealized loss on available-for-sale investmts.	0	-	-	-	-	0
Net Loss and Comprehensive Loss	(1,104,366)	(264,672)	(168,860)	(185,857)	(163,113)	(597,316)
Net loss per share:						
Basic and diluted loss per share	**(0.03)**	**(0.01)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.01)**
Wgted avg. shares - basic & diluted	42,496,556	50,670,282	54,599,000	55,690,980	56,804,800	54,441,265

HISTORICAL ZACKS RECOMMENDATIONS



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Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution is as follows: Buy/Outperform- 25.2%, Hold/Neutral- 49.8%, Sell/Underperform – 19.7%. Data is as of midnight on the business day immediately prior to this publication.

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[i] Missouri Department of Natural Resources, http://dnr.mo.gov/geology/geosrv/imac/stpetersandstone.htm

[ii] Mineral Resource Estimate and Preliminary Economic Assessment – Technical Report for Sandtown Frac Sand Property, Cave City, Arkansas, Tetra-Tech EBA Inc., released June 30, 2015.