REFINITIV

DELTA REPORT

10-Q

SND - SMART SAND, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	886
CHANGES	186
DELETIONS	433
ADDITIONS	267

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2023 March 31, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from ___ to ___

Commission file number 001-37936

Picture1.jpg

SMART SAND, INC.

(Exact name of registrant as specified in its charter)

Delaware	**45-2809926**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*
28420 Hardy Toll Road, 1000 Floral Vale Boulevard, Suite 130 225 **Spring, Texas 77373 Yardley, Pennsylvania 19067**	**(281) 231-2660 (215) 795-7900**
(Address of principal executive offices)	*(Registrant's telephone number)*

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	**SND**	**Nasdaq Global Select Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated Filer ☒ Smaller reporting company ☒ Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Number of shares of common stock outstanding, par value $0.001 per share, as of October 31, 2023 May 6, 2024: 41,295,604 42,574,948

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Certain Definitions

The following definitions apply throughout this quarterly report unless the context requires otherwise:

“We”, “Us”, “Company”, “Smart Sand” or “Our”	Smart Sand, Inc., a company organized under the laws of Delaware, and its subsidiaries.
“shares”, “stock”	The common stock of Smart Sand, Inc., nominal value $0.001 per share.
“ABL Credit Facility”, “ABL Credit Agreement”, “ABL Security Agreement”	The five-year senior secured asset-based lending credit facility (the “ABL Credit Facility”) pursuant to: (i) an ABL Credit Agreement, dated December 13, 2019, between the Company and Jefferies Finance LLC, as amended from time to time (as amended, the “ABL Credit Agreement”); and (ii) a Guarantee and Collateral Agreement, dated December 13, 2019, between the Company and Jefferies Finance LLC, as agent, as amended from time to time (as amended, the “Security Agreement”).
“Oakdale Equipment Financing”, “MLA”	The five-year Master Lease Agreement, dated December 13, 2019, between Nexseer Capital (“Nexseer”) and related lease schedules in connection therewith (collectively, the “MLA”). The MLA is structured as a sale-leaseback of substantially all of the equipment at the Company’s mining and processing facility located near Oakdale, Wisconsin. The Oakdale Equipment Financing is considered a lease under article 2A of the Uniform Commercial Code but is considered a financing arrangement (and not a lease) for accounting or financial reporting purposes.
“Exchange Act”	The Securities Exchange Act of 1934, as amended.
“Securities Act”	The Securities Act of 1933, as amended.
“FASB”, “ASU”, “ASC”, “GAAP”	Financial Accounting Standards Board, Accounting Standards Update, Accounting Standards Codification, Accounting Principles Generally Accepted in the United States, respectively.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SMART SAND, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2024 (unaudited)	March 31, 2024	December 31, 2023

	September 30, 2023 (unaudited)	December 31, 2022
	(in thousands, except share amounts)	
	(in thousands, except share amounts)	
Assets		
Current assets:		
Cash and cash equivalents	$ 9,309	$ 5,510
Accounts receivable	24,015	35,746
Unbilled receivables	165	79
Inventory	25,955	20,185
Prepaid expenses and other current assets	712	6,593
Total current assets	60,156	68,113
Property, plant and equipment, net	255,644	258,843
Operating lease right-of-use assets	24,448	26,075
Intangible assets, net	6,074	6,669

Other assets	Other assets	185	303	
Total assets	Total assets	$346,507	$360,003	
Liabilities and Stockholders' Equity	**Liabilities and Stockholders' Equity**			
Current liabilities:	Current liabilities:			
Current liabilities:				
Current liabilities:				
Accounts payable				
Accounts payable				
Accounts payable	Accounts payable	$ 10,439	$ 14,435	
Accrued expenses and other liabilities	Accrued expenses and other liabilities	15,461	13,430	
Deferred revenue	Deferred revenue	2,018	6,959	
Current portion of long-term debt	Current portion of long-term debt	5,691	6,183	
Current portion of long-term debt				
Current portion of long-term debt				
Current portion of operating lease liabilities	Current portion of operating lease liabilities	11,139	10,910	
Total current liabilities	Total current liabilities	44,748	51,917	
Long-term debt	Long-term debt	6,895	9,807	
Long-term debt				
Long-term debt				
Long-term operating lease liabilities	Long-term operating lease liabilities	14,978	17,642	
Long-term deferred tax liabilities, net		14,142	18,238	
Deferred tax liabilities, net				
Asset retirement obligations	Asset retirement obligations	19,558	18,888	
Other non-current liabilities	Other non-current liabilities	40	40	
Other non-current liabilities				
Other non-current liabilities				
Total liabilities	Total liabilities	100,361	116,532	
Commitments and contingencies (Note 14)				
Commitments and contingencies (Note 12)				Commitments and contingencies (Note 12)
Stockholders' equity	Stockholders' equity			
Common stock, $0.001 par value, 350,000,000 shares authorized; 45,617,642 issued and 38,311,714 outstanding at September 30, 2023; 45,099,067 issued and 43,088,106 outstanding at December 31, 2022		38	43	

Treasury stock, at cost, 7,305,928 and 2,010,961 shares at September 30, 2023 and December 31, 2022, respectively		(14,124)	(5,075)
Common stock, $0.001 par value, 350,000,000 shares authorized; 46,164,730 issued and 38,706,008 outstanding at March 31, 2024; 45,858,022 issued and 38,486,762 outstanding at December 31, 2023			
Common stock, $0.001 par value, 350,000,000 shares authorized; 46,164,730 issued and 38,706,008 outstanding at March 31, 2024; 45,858,022 issued and 38,486,762 outstanding at December 31, 2023			
Common stock, $0.001 par value, 350,000,000 shares authorized; 46,164,730 issued and 38,706,008 outstanding at March 31, 2024; 45,858,022 issued and 38,486,762 outstanding at December 31, 2023			
Treasury stock, at cost, 7,458,722 and 7,371,260 shares at March 31, 2024 and December 31, 2023, respectively			
Additional paid-in capital	Additional paid-in capital	180,934	178,386
Retained earnings	Retained earnings	79,325	69,890
Accumulated other comprehensive income		(27)	227
Accumulated other comprehensive loss			
Total stockholders' equity	Total stockholders' equity	246,146	243,471
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	$346,507	$360,003

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

SMART SAND, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

		Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
		2023	2022	2023	2022	2024	2023
		(in thousands, except per share amounts)				(in thousands, except per share amounts)	
Revenues:	Revenues:						

Sand sales revenue	$72,480	$66,663	$223,013	$172,063
Shortfall revenue	2,389	2,681	4,304	4,596
Logistics revenue	2,031	2,248	6,709	5,252
Sand revenue				
Sand revenue				
Sand revenue				
SmartSystems revenue				
Total revenue Total revenue	76,900	71,592	234,026	181,911
Cost of goods sold	62,502	60,163	195,302	163,492
Cost of goods sold:				
Sand cost of goods sold				
Sand cost of goods sold				
Sand cost of goods sold				
SmartSystems cost of goods sold				
Total cost of goods sold				
Gross profit Gross profit	14,398	11,429	38,724	18,419
Operating expenses: Operating expenses:				
Salaries, benefits and payroll taxes	4,292	3,554	13,800	10,171
Selling, general and administrative				
Selling, general and administrative				
Selling, general and administrative				
Depreciation and amortization Depreciation and amortization	647	556	1,868	1,646
Selling, general and administrative	4,625	4,008	14,834	11,867
Loss (gain) on disposal of fixed assets, net Loss (gain) on disposal of fixed assets, net	(92)	(466)	1,821	(482)
Total operating expenses				
Total operating expenses				
Total operating expenses Total operating expenses	9,472	7,652	32,323	23,202
Operating income (loss) Operating income (loss)	4,926	3,777	6,401	(4,783)
Other income (expenses): Other income (expenses):				
Interest expense, net Interest expense, net	(276)	(411)	(940)	(1,244)
Interest expense, net				

Interest expense, net					
Other income	Other income	198	148	405	416
Total other income (expenses), net		(78)	(263)	(535)	(828)
Income (loss) before income tax expense (benefit)		4,848	3,514	5,866	(5,611)
Income tax expense (benefit)		(1,879)	831	(3,569)	(2,282)
Net income (loss)		$ 6,727	$ 2,683	$ 9,435	$ (3,329)
Net income (loss) per common share:					
Other income					
Other income					
Total other expenses, net					
Income (loss) before income tax expense					
Income tax expense					
Net loss					
Net loss per common share:					
Basic					
Basic					
Basic	Basic	$ 0.18	$ 0.06	$ 0.24	$ (0.08)
Diluted	Diluted	$ 0.18	$ 0.06	$ 0.24	$ (0.08)
Weighted-average number of common shares:	Weighted-average number of common shares:				
Basic	Basic	38,253	42,522	39,153	42,265
Basic					
Basic					
Diluted	Diluted	38,412	42,524	39,239	42,265

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

SMART SAND, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Net income (loss)	$ 6,727	$ 2,683	$ 9,435	$ (3,329)
Other comprehensive (loss) income:				
Foreign currency translation adjustment	(147)	(266)	(254)	(324)
Comprehensive income (loss)	$ 6,580	$ 2,417	$ 9,181	$ (3,653)

	Three Months Ended March 31,	
	2024	2023

	(in thousands)	
Net loss	$ (216)	$ (3,599)
Other comprehensive loss:		
Foreign currency translation adjustment	(26)	(66)
Comprehensive loss	$ (242)	$ (3,665)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

SMART SAND, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

Nine Three Months Ended September 30, 2023 March 31, 2024

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
	Outstanding Shares	Par Value	Shares	Amount				
	(in thousands, except share amounts)							
Balance at December 31, 2022	43,088,106	$43	2,010,961	$ (5,075)	$178,386	$69,890	$ 227	$ 243,471
Balance at December 31, 2023								
Foreign currency translation adjustment Foreign currency translation adjustment	—	—	—	—	—	—	(66)	(66)
Vesting of restricted stock Vesting of restricted stock	4,750	—	—	—	—	—	—	—
Stock-based compensation Stock-based compensation	—	—	—	—	779	—	—	779
Employee stock purchase plan compensation Employee stock purchase plan compensation	—	—	—	—	7	—	—	7
Employee stock purchase plan issuance Employee stock purchase plan issuance	21,810	—	—	—	33	—	—	33
Purchase of treasury stock	(5,177,306)	(5)	5,177,306	(8,848)	—	—	—	(8,853)
Restricted stock buy back								
Restricted stock buy back								
Restricted stock buy back								
Net loss Net loss	—	—	—	—	—	(3,599)	—	(3,599)
Balance at March 31, 2023	37,937,360	$38	7,188,267	$(13,923)	$179,205	$66,291	$ 161	$ 231,772
Foreign currency translation adjustment	—	—	—	—	—	—	(41)	(41)
Vesting of restricted stock	228,036	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	833	—	—	833

Common Stock	Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
(in thousands, except share amounts)				

Employee stock purchase plan compensation	—	—	—	—	8	—	—	8
Employee stock purchase plan issuance	—	—	—	—	—	—	—	—
Purchase of treasury stock	(48,131)	—	48,131	(77)	—	—	—	(77)
Net income	—	—	—	—	—	6,307	—	6,307
Balance at June 30, 2023	38,117,265	$38	7,236,398	$(14,000)	$180,046	$72,598	$ 120	$ 238,802
Foreign currency translation adjustment	—	—	—	—	—	—	(147)	(147)
Vesting of restricted stock	247,368	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	860	—	—	860
Employee stock purchase plan compensation	—	—	—	—	5	—	—	5
Employee stock purchase plan issuance	16,611	—	—	—	23	—	—	23
Purchase of treasury stock	(69,530)	—	69,530	(124)	—	—	—	(124)
Net income	—	—	—	—	—	6,727	—	6,727
Balance at September 30, 2023	38,311,714	$38	7,305,928	$(14,124)	$180,934	$79,325	$ (27)	$ 246,146
Balance at March 31, 2024								

SMART SAND, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (continued)

(UNAUDITED)

Nine Three Months Ended September 30, 2022 March 31, 2023

	Common Stock		Treasury Stock		Additional		Accumulated Other	Total
	Outstanding Shares	Par Value	Shares	Amount	Paid-in Capital	Retained Earnings	Comprehensive (Loss) Income	Stockholders' Equity
	(in thousands, except share amounts)							
Balance at December 31, 2021	42,012,813	$42	1,777,001	$(4,535)	$174,486	$70,593	$ 574	$ 241,160
Balance at December 31, 2022								
Foreign currency translation adjustment Foreign currency translation adjustment	—	—	—	—	—	—	16	16
Vesting of restricted stock								
Vesting of restricted stock								
Vesting of restricted stock Vesting of restricted stock	179,630	—	—	—	—	—	—	—
Stock-based compensation Stock-based compensation	—	—	—	—	826	—	—	826
Employee stock purchase plan compensation Employee stock purchase plan compensation	—	—	—	—	5	—	—	5

Common Stock	Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
(in thousands, except share amounts)				

Employee stock purchase plan issuance	Employee stock purchase plan issuance	16,285	—	—	—	25	—	—	25
Purchase of treasury stock	Purchase of treasury stock	(56,400)	—	56,400	(127)	—	—	—	(127)
Restricted stock buy back									
Net loss									
Balance at March 31, 2023									
Net loss		—	—	—	—	—	(5,923)	—	(5,923)
Balance at March 31, 2022		42,152,328	$42	1,833,401	$(4,662)	$175,342	$64,670	$ 590	235,982
Foreign currency translation adjustment		—	—	—	—	—	—	(74)	(74)
Vesting of restricted stock		130,003	—	—	—	—	—	—	—
Stock-based compensation		—	—	—	—	802	—	—	802
Employee stock purchase plan compensation		—	—	—	—	6	—	—	6
Employee stock purchase plan issuance		—	—	—	—	—	—	—	—
Purchase of treasury stock		(39,479)	—	39,479	(114)	—	—	—	(114)
Net loss		—	—	—	—	—	(90)	—	(90)
Balance at June 30, 2022		42,242,852	$42	1,872,880	$(4,776)	$176,150	$64,580	$ 516	$ 236,512
Foreign currency translation adjustment		—	—	—	—	—	—	(266)	(266)
Vesting of restricted stock		473,032	—	—	—	—	—	—	—
Stock-based compensation		—	—	—	—	808	—	—	808
Employee stock purchase plan compensation		—	—	—	—	7	—	—	7
Employee stock purchase plan issuance		18,238	—	—	—	27	—	—	27
Purchase of treasury stock		(86,788)	—	86,788	(210)	—	—	—	(210)
Net income		—	—	—	—	—	2,683	—	2,683
Balance at September 30, 2022		42,647,334	$42	1,959,668	$(4,986)	$176,992	$67,263	$ 250	$ 239,561

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

SMART SAND, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

		Nine Months Ended September 30,			
Three Months Ended March 31,				Three Months Ended March 31,	
		2023	2022	2024	2023
		(in thousands)		(in thousands)	
Operating activities:	Operating activities:			Operating activities:	
Net income (loss)		$ 9,435	$ (3,329)		

Adjustments to reconcile net loss to net cash provided by operating activities:			
Net loss			
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation, depletion and accretion of asset retirement obligations			
Depreciation, depletion and accretion of asset retirement obligations			
Depreciation, depletion and accretion of asset retirement obligations	Depreciation, depletion and accretion of asset retirement obligations	20,359	19,904
Amortization of intangible assets	Amortization of intangible assets	596	596
Loss (gain) on disposal of fixed assets		1,821	(482)
Provision for bad debt		—	1
Net loss on disposal of fixed assets			
Amortization of deferred financing cost			
Amortization of deferred financing cost			
Amortization of deferred financing cost	Amortization of deferred financing cost	79	79
Accretion of debt discount	Accretion of debt discount	140	140
Deferred income taxes	Deferred income taxes	(4,096)	(2,784)
Stock-based compensation		2,472	2,436
Stock-based compensation, net			
Employee stock purchase plan compensation	Employee stock purchase plan compensation	20	18
Changes in assets and liabilities:	Changes in assets and liabilities:		
Changes in assets and liabilities:			

Changes in assets and liabilities:			
Accounts receivable			
Accounts receivable			
Accounts receivable	Accounts receivable	11,888	(14,238)
Unbilled receivables	Unbilled receivables	(244)	(593)
Inventory	Inventory	(5,770)	(5,594)
Prepaid expenses and other assets	Prepaid expenses and other assets	4,856	3,072
Deferred revenue	Deferred revenue	(4,942)	(6,365)
Accounts payable	Accounts payable	(3,871)	2,784
Accrued and other expenses	Accrued and other expenses	907	4,187
Net cash provided by (used in) operating activities		33,650	(168)
Net cash (used in) provided by operating activities			
Investing activities:	Investing activities:		
Acquisition of Blair facility		—	(6,547)
Purchases of property, plant and equipment			
Purchases of property, plant and equipment			
Purchases of property, plant and equipment	Purchases of property, plant and equipment	(16,126)	(9,535)
Proceeds from disposal of assets	Proceeds from disposal of assets	123	995
Net cash used in investing activities	Net cash used in investing activities	(16,003)	(15,087)
Financing activities:	Financing activities:		
Repayments of notes payable	Repayments of notes payable	(8,952)	(5,474)
Repayments of notes payable			
Repayments of notes payable			
Payments under finance leases	Payments under finance leases	(323)	(88)

Payment of deferred financing and debt issuance costs			
Proceeds from revolving credit facility	Proceeds from revolving credit facility	15,000	6,000
Repayment of revolving credit facility	Repayment of revolving credit facility	(15,000)	—
Employee stock purchase plan issuance	Employee stock purchase plan issuance	56	52
Purchase of treasury stock	Purchase of treasury stock	(4,629)	(451)
Net cash used in financing activities		(13,848)	39
Net decrease in cash and cash equivalents		3,799	(15,216)
Net cash provided by financing activities			
Net (decrease) increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year	Cash and cash equivalents at beginning of year	5,510	25,588
Cash and cash equivalents at end of period	Cash and cash equivalents at end of period	$ 9,309	$10,372
Supplemental disclosure of cash flow information	Supplemental disclosure of cash flow information		
Purchases of property, plant and equipment in accounts payable and accrued expenses	Purchases of property, plant and equipment in accounts payable and accrued expenses	$ 2,351	$ 685
Purchases of property, plant and equipment in accounts payable and accrued expenses			

Purchases of property, plant and equipment in accounts payable and accrued expenses			
Treasury stock purchased with debt	Treasury stock purchased with debt	$ 4,425	$ —
Additions to asset retirement obligations		$ —	$ 8,281

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

SMART SAND, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

NOTE 1 — Organization and Nature of Business

The Company was incorporated in July 2011 and is headquartered in Spring, Texas. Yardley, Pennsylvania. The Company primarily operates as a fully integrated frac and industrial sand supply and services company. The Company offers complete mine to wellsite proppant supply and logistics solutions to our frac sand customers in the oil and natural gas industry. These operations include the excavation, processing and sale of sand, or proppant, for hydraulic fracturing operations as well as proppant logistics and wellsite storage solutions through its SmartSystemsTM products and services. The Company also provides sand to customers for industrial uses through its Industrial Product Solutions (“IPS”), such as glass, foundry, building products, filtration, geothermal, renewables, ceramics, turf & landscape, retail, and recreation, all of which the Company calls its “Industrial Product Solutions (“IPS”). recreation.

Sand Mines and Processing Facilities

The Company’s integrated Oakdale facility, with on-site rail infrastructure and wet and dry sand processing facilities, has access to two Class I rail lines which enable the Company to process and cost effectively deliver products to its customers. The Company commenced operations at its mine and processing facility near Oakdale, Wisconsin in July 2012, and subsequently expanded its operations in 2014, 2015 and 2018. Currently, the annual processing capacity at the Company’s Oakdale facility is approximately 5.5 million tons.

In September 2020, the Company acquired two frac sand mines and related processing facilities in Utica, Illinois and New Auburn, Wisconsin. The Utica facility has an annual processing capacity of is approximately 1.6 million tons and it has access to the Burlington Northern Santa Fe Class I rail line through the Peru, Illinois transload facility. The Company began operating the Utica, Illinois mine and Peru, Illinois transload facility in October 2020. The Company currently has no plans to operate the New Auburn facility for the foreseeable future.

In March 2022, the Company entered into acquired a Membership Interest Purchase Agreement (the “Purchase Agreement”) with Hi-Crush Inc., a Delaware corporation (“HCR”), and Hi-Crush Blair LLC, a Delaware limited liability company and wholly-owned subsidiary of HCR (“Blair”), pursuant to which the Company acquired all of the issued and outstanding limited liability company interests of Blair from HCR for aggregate cash consideration of approximately $6,450, subject to customary purchase price adjustments as set forth in the Purchase Agreement (the “Transaction”).

The primary assets of Blair consisted of an idle frac sand mine and related processing facility located in Blair, Wisconsin. The Blair facility has approximately 2.9 million tons of total annual processing capacity and contains an onsite, unit train capable rail terminal with access to the Class 1 Canadian National Railway. The Company commenced operations at the Blair facility in April 2023.

Transload & Logistics Solutions

The Company also offers proppant logistics solutions to its customers through, among other things, its network of in-basin transloading terminals and its SmartSystemsTM wellsite proppant storage and management capabilities. The Company has direct access to four Class I rail lines and the ability to access all Class 1 rail lines within the United States and Canada.

The Company has several in-basin rail terminals. The Company acquired rights in March 2018 to operate a unit train capable transloading terminal in Van Hook, North Dakota to service the Bakken Formation in the Williston Basin. In 2020, the Company, as part of its acquisition of the Utica, Illinois facility, obtained rights to use a rail terminal located in El Reno, Oklahoma. In September 2021, the Company acquired the rights to construct and operate a transloading terminal in Waynesburg, Pennsylvania to service the Appalachian Basin, including the Marcellus and Utica Formations, which became operational in January 2022. The Company is expanding the Waynesburg terminal 2022 and expects this expansion to be completed then further expanded in the fourth quarter of 2023. In December 2023 and January 2024, the Company acquired rights to use transloading terminals in Minerva, Ohio and Dennison, Ohio, respectively. These terminals will service the Appalachian Basin and are expected to commence operations in the second quarter of 2024.

The Company’s SmartSystems offer proppant storage solutions that create efficiencies, flexibility, enhanced safety and reliability for customers by providing the capability to unload, store and deliver proppant at the wellsite, as well as having the ability to rapidly set up, takedown and transport the entire system. The SmartDepotTM silo includes passive and active dust suppression technology, along with the capability of gravity-fed operation. The self-contained SmartPath® transloader is a mobile sand transloading system designed to work with bottom dump trailers and features a drive over conveyor, surge bin, and dust collection system. The Company has developed the SmartbeltTM a belt system to pair with its SmartPath, which allows for feeding sand directly into the hopper at the wellsite. Rapid deployment trailers are designed for quick setup, takedown and transportation of the entire SmartSystem, and they detach from the wellsite equipment, which allows for removal from the wellsite during operation. A proprietary software program, the SmartSystem TrackerTM, allows customers to monitor silo-specific information, including location, proppant type and proppant inventory.

NOTE 2 — Summary of Significant Accounting Policies

The information presented below supplements the complete description of our significant accounting policies disclosed in our 2022 2023 Form 10-K, filed with the Securities and Exchange Commission ("SEC") on February 28, 2023 March 11, 2024.

Revision of Previously Issued Financial Statements

The Company has reclassified some prior year line items on its condensed consolidated statements of operations to conform to the current financial statement presentation. These reclassifications have no effect on previously reported total revenue or net income. The Company changed the names and types of revenue that are reported on each line item under revenues. Sand revenue now includes sand sales, shortfall, railcar rental, and transportation. SmartSystems revenue is primarily from the rental of our patented SmartSystems equipment and related services provided to customers. There has been no change in the manner in which we recognize revenue.

Basis of Presentation and Consolidation

The accompanying unaudited quarterly condensed consolidated financial statements ("interim statements") of the Company are presented in accordance with the rules and regulations of the SEC for quarterly reports on Form 10-Q and therefore do not include all the information and notes required by GAAP. In the opinion of management, all adjustments and disclosures necessary for a fair presentation of these interim statements have been included. All adjustments are of a normal recurring nature. The results reported in these interim statements are not necessarily indicative of the results that may be reported for the entire year. The consolidated balance sheet as of December 31, 2022 December 31, 2023 was derived from the audited consolidated financial statements as of and for the year ended December 31, 2022 December 31, 2023. These interim statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2022 December 31, 2023.

Revision of Previously Issued Financial Statements for Immaterial Misstatements

During the quarter ended March 31, 2023, the Company identified a misclassification in the operating expenses section of the statement of operations in the audited financial statements for the year ended December 31, 2022. The misclassification was an overstatement of salaries, benefits and payroll taxes and an understatement of selling, general and administrative in the amount of $1,462. For the three and twelve months ended December 31, 2022, the Company has decreased salaries, benefits and payroll taxes and increased selling, general and administrative line items by $1,462. There was no effect to the amounts reported in the first, second or third quarter financial statements of 2022. Pursuant to the guidance of Staff Accounting Bulletin ("SAB") No. 99, "Materiality", the Company evaluated the materiality of this misclassification quantitatively and qualitatively and concluded that it was not material to any of its prior annual or quarterly financial statements or trends of financial results. The Company has reclassified the prior year financial statement presentation to conform to the current financial statement presentation. These reclassifications have no effect on previously reported net income. Additionally, certain 2022 operating expenses have been reclassified to conform to the current financial statement presentation. The reclassifications have no effect on previously reported net income.

Use of Estimates

The preparation of interim statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of these financial statements include, but are not limited to: impairment considerations of assets, including intangible assets, fixed assets, and inventory; estimated cost of future asset retirement obligations; fair value of acquired assets and assume liabilities; recoverability of deferred tax assets; inventory reserve; the collectability of receivables; and certain liabilities.

Actual results could differ from management's best estimates as additional information or actual results become available in the future, and those differences could be material. Additionally, global events such as the ongoing conflict in Ukraine and the recent conflict in the Middle East may affect oil and natural gas prices and significant volatility in the oilfield service sector. The Company is currently unable to estimate the effect of current or future events on its future financial position and results of operations. Therefore, the Company can give no assurances that these events will not have a material adverse effect on its financial position or results of operations.

Employee Retention Credit

The Company qualified for federal government assistance through employee retention credit provisions of the Consolidated Appropriations Act of 2021. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company included $522 and $1,180, respectively, in prepaid expenses and other current assets on its consolidated balance sheets related to receivables for the employee retention credits. The calculation of the credit was based on employees continued employment and represents a portion of the wages paid to them. For income tax purposes, the credit will result in decreased expense related to the wages it offsets in the period received.

(IN THOUSANDS, EXCEPT PER SHARE DATA)
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Recent Accounting Pronouncements

There are no recent accounting pronouncements that materially affect In November 2023, the financial statements FASB issued ASU 2023-07, Segment Reporting, which updates various reportable disclosure requirements, primarily through incremental disclosures of segment expenses in both annual and interim reporting. The Update is effective for the Company as of the Company.

NOTE 3 — Acquisition

Asset Acquisition - Blair Facility

On March 4, 2022, the Company entered into a Membership Interest Purchase Agreement (the “Purchase Agreement”) with Hi-Crush Inc., a Delaware corporation (“HCR”), annual reporting period beginning January 1, 2024 and Hi-Crush Blair LLC, a Delaware limited liability company and wholly-owned subsidiary of HCR (“Blair”), pursuant to which the Company acquired all of the issued and outstanding limited liability company interest of Blair from HCR for aggregate cash consideration of $6,450, subject to customary purchase price adjustments as set forth in the Purchase Agreement (the “Transaction”).

The primary assets of Blair consisted of an idle frac sand mine and related processing facility located in Blair, Wisconsin. The Blair facility, which has approximately 2.9 million tons of total annual processing capacity and contains an onsite, unit train capable rail terminal with access to the Class 1 Canadian National Railway, became operational in April 2023.

The Company accounted for this transaction as an asset acquisition based on an evaluation of the guidance in ASC 805. The Company determined that there was not a substantive process in place that generates outputs that can be sold to a customer, and therefore the acquisition did not meet the definition of a business. The Company recognized identifiable assets acquired on a relative fair value basis. All assets acquired are allocated to property, plant and equipment, net on the balance sheet as of March 31, 2022. As of March 31, 2022, the Company also recorded an increase to its asset retirement obligations and a corresponding increase in purchases of property plant and equipment in the amount of $8,281 and subsequently revised the estimate to $1,988 based on its mine plan as of December 31, 2022.

The table below presents the calculation of the total purchase consideration:

Base price consideration	$	6,450
Net working capital adjustments and capitalized costs		97
Total purchase consideration	$	6,547

NOTE 4 — Inventory

Inventory consisted of the following:

	September 30, 2023		December 31, 2022	
Raw material	$	330	$	844
Work in progress		8,511		6,240
Finished goods		9,102		7,534
Spare parts		8,012		5,567
Total inventory	$	25,955	$	20,185

interim periods beginning January

1, 2025. While the Company is still in the process of evaluating the effects of ASU 2023-07 and its related updates on the consolidated financial statements, at the time of adoption, it believes the primary effect will be updated note disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes, which updates various disclosures including enhancing the income tax rate reconciliation and income taxes paid disclosures by requiring greater disaggregation of information. The other amendments in this Update are intended to improve the effectiveness and comparability of disclosures. The Update is effective for the Company for the annual reporting period beginning January 1, 2025 and for interim periods beginning January 1, 2026. While the

Company is still in the process of evaluating the effects of ASU 2023-07 and its related updates on the consolidated financial statements, at the time of adoption, it believes the primary effect will be updated note disclosures.

NOTE 5 3 — Inventory

Inventory consisted of the following:

	March 31, 2024	December 31, 2023
Raw material	$ 1,509	$ 467
Work in progress	6,076	9,391
Finished goods	9,237	8,244
Spare parts	8,762	8,721
Total inventory	$ 25,584	$ 26,823

NOTE 4 — Property, Plant and Equipment, net

Net property, plant and equipment consisted of:

		September 30, 2023	December 31, 2022		
	March 31, 2024			March 31, 2024	December 31, 2023
Machinery, equipment and tooling	Machinery, equipment and tooling	$ 40,114	$ 36,483		
SmartSystems	SmartSystems	30,229	28,376		
Vehicles	Vehicles	4,066	3,835		
Furniture and fixtures	Furniture and fixtures	1,452	1,421		
Plant and building	Plant and building	208,685	200,480		
Real estate properties	Real estate properties	6,184	6,155		
Railroad and sidings	Railroad and sidings	33,765	33,698		
Land and land improvements	Land and land improvements	40,506	40,433		
Asset retirement obligations	Asset retirement obligations	22,583	22,583		
Mineral properties	Mineral properties	7,442	7,442		
Deferred mining costs	Deferred mining costs	3,802	2,470		
Construction in progress	Construction in progress	9,108	10,421		
		407,936	393,797		
	417,436				
Less: accumulated depreciation and depletion	Less: accumulated depreciation and depletion	152,292	134,954		
Total property, plant and equipment, net	Total property, plant and equipment, net	$255,644	$258,843		

Depreciation expense was $6,776 $6,981 and $6,498 $6,342 for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $19,661 and $19,309 for the nine months ended September 30, 2023 and 2022, 2023, respectively.

SMART SAND, INC.

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NOTE 6 5 — Accrued and Other Expenses

Accrued and other expenses were comprised of the following:

		September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Employee related expenses	Employee related expenses	$ 2,342	$ 1,172		
Accrued equipment expense					
Accrued equipment expense					
Accrued equipment expense	Accrued equipment expense	485	597		
Accrued professional fees	Accrued professional fees	481	295		
Accrued royalties	Accrued royalties	2,961	3,470		
Accrued freight and delivery charges	Accrued freight and delivery charges	5,152	4,117		
Accrued real estate tax	Accrued real estate tax	2,013	1,008		
Accrued utilities	Accrued utilities	1,111	1,604		
Sales tax liability	Sales tax liability	145	829		
Income tax payable	Income tax payable	247	—		
Other accrued liabilities	Other accrued liabilities	524	338		
Total accrued liabilities	Total accrued liabilities	$ 15,461	$ 13,430		

NOTE 6 — Debt

The current portion of long-term debt consists of the following:

	March 31, 2024	December 31, 2023
ABL Credit Facility	$ 14,000	$ 8,000
Oakdale Equipment Financing	6,854	6,462
Notes payable	983	1,011
Finance leases	208	238
Current portion of long-term debt	$ 22,045	$ 15,711

Long-term debt, net of current portion consists of the following:

	March 31, 2024	December 31, 2023
Oakdale Equipment Financing	$ —	$ 1,388
Notes payable	1,972	1,519
Finance leases	473	542
Long-term debt	$ 2,445	$ 3,449

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NOTE 7 — Debt

The current portion of long-term debt consists of the following:

	September 30, 2023	December 31, 2022
Oakdale Equipment Financing	$ 4,220	$ 4,041
Notes payable	1,273	1,782
Finance leases	198	360
Current portion of long-term debt	$ 5,691	$ 6,183

Long-term debt, net of current portion consists of the following:

	September 30, 2023	December 31, 2022
ABL Credit Facility	$ —	$ —
Oakdale Equipment Financing, net	4,705	7,753
Notes payable	1,618	1,594
Finance leases	572	460
Long-term debt	$ 6,895	$ 9,807

The follow summarizes the maturity of our debt:

		ABL Credit Facility	Oakdale Equipment Financing	Notes Payable	Finance Leases	Total
Remainder of 2023		$ —	$ 1,160	$ 407	$ 82	$ 1,649
2024		—	6,889	1,290	257	8,436
		ABL Credit Facility	ABL Credit Facility	Oakdale Equipment Financing	Notes Payable	Finance Leases
Remainder of 2024						
2025	2025	—	1,724	680	257	2,661
2026	2026	—	—	622	246	868
2027	2027	—	—	339	59	398
2028 and thereafter		—	—	—	7	7
2028						
2029 and thereafter						
Total minimum payments	Total minimum payments	—	9,773	3,338	908	14,019

Amount representing interest	Amount representing interest	—	(626)	(447)	(138)	(1,211)
Amount representing unamortized lender fees	Amount representing unamortized lender fees	—	(222)	—	—	(222)
Present value of payments	Present value of payments				770	
Less: current portion	Less: current portion	—	(4,220)	(1,273)	(198)	(5,691)
Less: current portion						
Less: current portion						
Total long-term debt	Total long-term debt	$ —	$ 4,705	$ 1,618	$ 572	$ 6,895

ABL Credit Facility

On December 13, 2019, the Company entered into a $20,000 five-year senior secured asset-based credit facility with Jefferies Finance LLC. The available borrowing amount under the ABL Credit Facility as of September 30, 2023 March 31, 2024 was $20,000 and is based on the Company's eligible accounts receivable and inventory, inventory. The Company had $14,000 outstanding and $6,000 available to be drawn under this facility as described in of March 31, 2024. The weighted average interest rate on our ABL credit facility for the ABL Credit Agreement. As of September 30, 2023, there were $1,000 in letters of credit outstanding under the ABL Credit Facility with $19,000 available to

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be drawn. As of September 30, 2023 and December 31, 2022, the Company three months ended March 31, 2024 was in compliance with all financial covenants. As of September 30, 2023, there were no outstanding borrowings under our credit facility. 8.25%.

Oakdale Equipment Financing

On December 13, 2019, the Company received net proceeds of $23,000 in an equipment financing arrangement with Nexseer. Substantially all of the Company's mining and processing equipment at its Oakdale facility are pledged as collateral under the Oakdale Equipment Financing. The Oakdale Equipment Financing bears interest at a fixed rate of 5.79%.

Notes Payable

The Company has entered into various financing arrangements, primarily to finance heavy equipment purchases as well as its manufactured wellsite proppant storage solutions equipment. Upon completion of the equipment manufacturing, title to the subject certain equipment passes may pass to the financial institutions as collateral. As of September 30, 2023 March 31, 2024, these notes payable bear interest at rates between 3.99% and 7.49%.

On February 28, 2023, the Company purchased 5,176 shares of the Company's common stock from Clearlake Capital Partners II (Master), L.P., an affiliate of Clearlake Capital Group ("Clearlake"), for $8,850, of which $4,425 was paid in cash and the remainder was financed through an unsecured promissory note, bearing interest of 10% 10.00%, issued to Clearlake. This purchase represented all of the common stock previously owned by Clearlake and approximately 11.3% of the number of outstanding shares of the Company's common stock as of immediately prior to the purchase. At the time of purchase, Clearlake was a related party to the Company, and José Feliciano, the Co-Founder and Managing Partner of Clearlake, remains was on our board of directors.As directors. José Feliciano resigned from our board of September 30, 2023, directors as of December 31, 2023 and the entire balance of the unsecured promissory note has been paid was repaid in full. May 2023.

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NOTE 8 7 — Leases

Lessee

The operating and financing components of the Company's right-of-use assets and lease liabilities on the consolidated balance sheets were as follows:

		Balance Sheet Location	September 30, 2023	December 31, 2022	Balance Sheet Location	March 31, 2024	December 31, 2023
		Balance Sheet Location					
Right-of-use assets	Right-of-use assets						
Operating							
Operating							
Operating	Operating	Operating right-of-use assets	$ 24,448	$ 26,075			
Financing	Financing	Property, plant and equipment, net	766	699			
Total right-of use assets	Total right-of use assets		$ 25,214	$ 26,774			
Lease liabilities	Lease liabilities						
Lease liabilities							
Lease liabilities							
Operating							
Operating							
Operating	Operating	Operating lease liabilities, current and long-term portions	$ 26,117	$ 28,552			
Financing	Financing	Long-term debt, current and long-term portions	770	820			
Total lease liabilities	Total lease liabilities		$ 26,887	$ 29,372			

Operating lease costs are recorded as a single expense on the statement of operations and allocated to the right-of-use assets and the related lease liabilities as depreciation expense and interest expense, respectively. Lease cost recognized in the consolidated statement of operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 was as follows:

	Three Months Ended March 31, 2024	2023
Finance lease cost		
Amortization of right-of-use assets	$ 57	$ 94
Interest on lease liabilities	18	16
Operating lease cost	3,387	3,195
Short-term lease cost	9	9
Total lease cost	$ 3,471	$ 3,314

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	Three Months Ended September 30, 2023	2022	Nine Months Ended September 30, 2023	2022

Finance lease cost				
Amortization of right-of-use assets	$ 89	$ 30	$ 232	$ 96
Interest on lease liabilities	21	5	55	16
Operating lease cost	3,692	3,174	10,305	9,054
Short-term lease cost	9	101	27	547
Total lease cost	$ 3,811	$ 3,310	$ 10,619	$ 9,713

Other information related to the Company's leasing activity for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 is as follows:

		Nine Months Ended September 30,		Three Months Ended March 31,	
		2023	2022		
		Three Months Ended March 31,			
		2024		2024	2023
Cash paid for amounts included in the measurement of lease liabilities	Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows used for finance leases					
Operating cash flows used for finance leases					
Operating cash flows used for finance leases	Operating cash flows used for finance leases	$ 55	$ 16		
Operating cash flows used for operating leases	Operating cash flows used for operating leases	$ 11,112	$ 9,810		
Financing cash flows used for finance leases	Financing cash flows used for finance leases	$ 323	$ 88		
Right-of-use assets obtained in exchange for new operating lease liabilities	Right-of-use assets obtained in exchange for new operating lease liabilities	$ 7,805	$ 6,301		
Right-of-use assets obtained in exchange for new operating lease liabilities					
Right-of-use assets obtained in exchange for new operating lease liabilities					
Weighted average remaining lease term - finance leases					
Weighted average remaining lease term - finance leases					

(IN THOUSANDS, EXCEPT PER SHARE DATA)

Weighted average remaining lease term - finance leases	Weighted average remaining lease term - finance leases	3.4 years	1.1 years		3.0 years	
Weighted average discount rate - finance leases	Weighted average discount rate - finance leases	9.63 %	6.87 %	Weighted average discount rate - finance leases	9.62 %	8.98 %
Weighted average remaining lease term - operating leases	Weighted average remaining lease term - operating leases	2.7 years	3.0 years	Weighted average remaining lease term - operating leases	2.7 years	2.9 years
Weighted average discount rate - operating leases	Weighted average discount rate - operating leases	6.32 %	5.81 %	Weighted average discount rate - operating leases	6.53 %	5.83 %

Maturities of the Company's lease liabilities as of September 30, 2023 March 31, 2024 are as follows:

		Operating Leases	Finance Leases	Total
Remainder of 2023		$ 2,954	$ 82	$ 3,036
2024		12,074	257	12,331
		Operating Leases		Operating Leases / Finance Leases / Total
Remainder of 2024				
2025	2025	7,235	257	7,492
2026	2026	3,912	246	4,158
2027	2027	1,663	59	1,722
2028				
Thereafter	Thereafter	626	7	633
Total cash lease payments	Total cash lease payments	28,464	908	29,372
Less: amounts representing interest	Less: amounts representing interest	(2,347)	(138)	(2,485)
Total lease liabilities	Total lease liabilities	$ 26,117	$ 770	$ 26,887

NOTE 9 8 — Asset Retirement Obligations

The Company had a post-closure reclamation and site restoration obligation of $19,558 $20,172 as of September 30, 2023 March 31, 2024. The following is a reconciliation of the total reclamation liability for asset retirement obligations.

Balance at December 31, 2022 December 31, 2023	$	18,888 19,923
Accretion expense		670 249
Balance at September 30, 2023 March 31, 2024	$	19,558 20,172

SMART SAND, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10 9 — Revenue

Disaggregation of Revenue

The following table presents the Company's revenues disaggregated by type and percentage of total revenues for the periods indicated.

	Three Months Ended September 30,								Nine Months Ended September 30,							
	2023				2022				2023				2022			
	Revenue		Percentage of Total Revenue		Revenue		Percentage of Total Revenue		Revenue		Percentage of Total Revenue		Revenue		Percentage of Total Revenue	
Sand sales revenue	$	72,480	94	%	$	66,663	93	%	$	223,013	95	%	$	172,063	94	%
Shortfall revenue		2,389	3	%		2,681	4	%		4,304	2	%		4,596	3	%
Logistics revenue		2,031	3	%		2,248	3	%		6,709	3	%		5,252	3	%
Total revenue	$	76,900	100	%	$	71,592	100	%	$	234,026	100	%	$	181,911	100	%

	Three Months Ended March 31,							
	2024				2023			
	Revenue		Percentage of Total Revenue		Revenue		Percentage of Total Revenue	
Sand revenue	$	79,719	96	%	$	80,019	97	%
SmartSystems revenue		3,333	4	%		2,331	3	%
Total revenue	$	83,052	100	%	$	82,350	100	%

The Company recorded $6,959 $1,154 of deferred revenue on the consolidated balance sheet as of December 31, 2022 December 31, 2023, all of which $6,824 has been recognized in the nine three months ended September 30, 2023 and the remaining amount is expected to be recognized during the remainder of 2023. March 31, 2024. As of September 30, 2023 March 31, 2024, the Company had $159,418 $184,180 in unsatisfied performance obligations related to contracts with customers. The Company expects to perform these obligations and recognize revenue of $15,696, $71,386, $98,950 and $72,336 $85,230 in the remainder of 2023, 2024 and 2025, respectively.

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NOTE 11 — Earnings Per Share

Basic net income (loss) per share of common stock is computed by dividing net income attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period, excluding the dilutive effects of restricted stock. Diluted net income (loss) per share of common stock is computed by dividing the net income attributable to common stockholders by the sum of the weighted-average number of shares of common stock outstanding during the period plus the potential dilutive effects of shares of restricted stock outstanding during the period calculated in accordance with the treasury stock method, although shares of restricted stock are excluded if their effect is anti-dilutive. The number of shares underlying equity-based awards that were excluded from the calculation of diluted earnings per share as their effect would be anti-dilutive was 1,915 and 2,625 for the three months ended September 30, 2023 and 2022, respectively. The number of shares underlying equity-based awards that were excluded from the calculation of diluted earnings per share as their effect would be anti-dilutive was 1,922 and 2,093 for the nine months ended September 30, 2023 and 2022, respectively. Other periods presented below are in periods with a net loss and there was no difference between basic and diluted net loss per share of common stock. The following table reconciles the weighted-average common shares outstanding used in the calculation of basic net (loss) income per share to the weighted average common shares outstanding used in the calculation of diluted net income per share.

(IN THOUSANDS, EXCEPT PER SHARE DATA) in thousands of U.S. dollars, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Weighted average common shares outstanding	38,253	42,522	39,153	42,265
Assumed conversion of restricted stock	159	2	86	—
Diluted weighted average common stock outstanding	38,412	42,524	39,239	42,265

NOTE 12 10 — Income Taxes

The Company calculates its interim income tax provision by estimating the annual expected effective tax rate and applying that rate to its ordinary year-to-date earnings or loss. In addition, the effect of changes in enacted tax laws, rates or tax status is recognized in the interim period in which the change occurs.

For the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, the effective tax rate was approximately (38.8)% 155.2% and 23.6%, respectively, based on the annual effective tax rate net of discrete federal and state taxes. For the nine months ended September 30, 2023 and 2022, the effective tax rate was approximately (60.8) (79.9)% and 40.7%, respectively, based on the annual effective tax rate net of discrete federal and state taxes. For the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, the statutory tax rate was 21.0%. The computation of the effective tax rate includes modifications from the statutory rate such as income tax credits, tax depletion deduction, carrybacks, and state apportionment changes, among other items.

The Company has recorded a liability for uncertain tax positions included in its consolidated balance sheet of $2,240 as of December 31, 2022 December 31, 2023. There was no material change for the nine three months ended September 30, 2023 March 31, 2024.

The Company determined that it is more likely than not that it will not be able to fully realize the benefits of certain existing deductible temporary differences and has recorded a partial valuation allowance against the gross deferred tax assets, which is included in the long-term deferred tax liabilities, net on its consolidated balance sheets. At December 31, 2022 December 31, 2023, the Company recorded a partial valuation allowance against the gross deferred tax assets on its consolidated balance sheet in the amount of $1,588. $874. There was no material change for the three and nine months ended September 30, 2023 March 31, 2024.

The Company's federal income tax returns subsequent to 2017 remain open to audit by taxing authorities. The Company has not been informed that its tax returns are the subject of any audit or investigation by taxing authorities.

NOTE 13 11 — Concentrations

As of September 30, 2023 March 31, 2024, six four customers accounted for 79% 63% of the Company's total accounts receivable. As of December 31, 2022 December 31, 2023, 65% four customers accounted for 70% of the Company's total accounts receivable balance was with receivable.

During the three months ended March 31, 2024, 60% of the Company's revenues were earned from three customers. During the three months ended March 31, 2023, 57% of the Company's revenues were earned from three customers.

During the three months ended September 30, 2023, 40% of the Company's revenues were earned from two customers. During the three months ended September 30, 2022, 62% of the Company's revenues were earned from four customers. During the nine months ended September 30, 2023, 41% of the Company's revenues were earned from two customers. During the nine months ended September 30, 2022, 65% of the Company's revenues were earned from four customers.

As of September 30, 2023 March 31, 2024, one vendor two vendors accounted for 14% 29% of the Company's accounts payable. As of December 31, 2022 December 31, 2023, one vendor accounted for 17% 11% of the Company's accounts payable.

During the three months ended September 30, 2023 March 31, 2024, one supplier two vendors accounted for 21% 35% of the Company's cost of goods sold. During the three months ended September 30, 2022 March 31, 2023, two suppliers vendors accounted for 37% of the Company's cost of goods sold. During the nine months ended September 30, 2023, two suppliers accounted for 33% of the Company's cost of goods sold. During the nine months ended September 30, 2022, two suppliers accounted for 33% 35% of the Company's cost of goods sold.

The Company's primary product is Northern White sand and its mining operations are limited to Wisconsin and Illinois. There is a risk of loss if there are significant environmental, legal or economic changes to these the geographic areas of our mines, the oil and natural gas producing basins they serve, or the transportation routes between them.

NOTE 14 12 — Commitments and Contingencies

Litigation

In addition to the matters described below, the Company may be subject to various legal proceedings, claims and governmental inspections, audits or investigations arising out of our operations in the normal course of business, which cover matters such as general commercial, governmental and trade regulations, product liability, environmental, intellectual property, employment and other actions. Although the outcomes of these routine claims cannot be predicted with certainty, in the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on our financial statements.

Cory Berg, et al. v. Hi-Crush Blair LLC, LLC et al., Case No. 2019-cv-65, Trempealeau County, Wisconsin

Leland Drangstveit, et al. v. Hi-Crush Blair, LLC, et al., Case No. 2019-cv-66, Trempealeau County, Wisconsin

On April 22, 2019 and September 29, 2021, Cory Berg, et al. and Leland Drangstveit, et al., respectively (collectively, the "Plaintiffs"), filed complaints and an amended complaint in separate actions against Blair, certain of its subcontractors and its and their respective insurance companies in the Circuit Court of the State of Wisconsin in and for Trempealeau County (Case Nos. 19-CV-65 and 19-CV-66, respectively). The Plaintiffs allege that Blair and its subcontractors were negligent and created a nuisance by, among other things, generating excessive noise, light and dust. The Plaintiffs are seeking unspecified monetary damages and other relief. The insurance companies included as defendants have asserted counterclaims seeking declarations as to their rights and liabilities under their respective applicable commercial general liability insurance policies. HCR has agreed under the Purchase Agreement to indemnify the Company for any actions or omissions of HCR or its affiliates (including Blair) that occurred prior to the closing of the Company's acquisition of Blair. The cases are currently in the discovery phase and at this time, the Company is unable to express an opinion as to the likely outcome in the matter.

Bonds

The Company has performance bonds with various public and private entities regarding reclamation, permitting and maintenance of public roadways. Total aggregate principal amount of performance bonds outstanding as of September 30, 2023 March 31, 2024 was $18,868. $19,727.

SMART SAND, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(UNAUDITED)

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity and cash flows of the Company as of and for the periods presented below. The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and related information contained herein and our audited financial statements as of December 31, 2022 December 31, 2023 contained in our Annual Report on Form 10-K. We use contribution margin, EBITDA, Adjusted EBITDA and free cash flow herein as non-GAAP measures of our financial performance. For further discussion of contribution margin, EBITDA, Adjusted EBITDA and free cash flow, see the section entitled "Non-GAAP Financial Measures." We define various terms to simplify the presentation of information in this Quarterly Report on Form 10-Q (this "Report"). All share amounts are presented in thousands.

Forward-Looking Statements

This discussion contains forward-looking statements that are based on the beliefs of our management, as well as assumptions made by, and information currently available to our management. Actual results could differ materially from those discussed in or implied by forward-looking statements as a result of various factors, including those discussed herein and in the section entitled "Risk Factors" in our Form 10-K for the year ended December 31, 2022 December 31, 2023. Our estimates and forward-looking statements are primarily based on our current expectations and estimates of future events and trends, which affect or may affect our business and operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to us. Important factors, in addition to the factors described in this Report, may adversely affect our results as indicated in forward-looking statements. You should read this Report and the documents that we have filed as exhibits hereto completely and with the understanding that our actual future results may be materially different from what we expect. The words "may," "will," "should," "could," "expect," "plan," "anticipate," "believe," "estimate," "predict," "intend," "potential," "might," "would," "continue" or the negative of these terms or other comparable terminology and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements speak only as of the date they were made, and, except to the extent required by law, we undertake no obligation to update, to revise or to review any estimate and/or forward-looking statement because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. As a result of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this Report might not occur and our future results, level of activity, performance or achievements may differ materially from those expressed in these forward-looking statements due to, including, but not limited to, the factors mentioned above, and the differences may be material and adverse. Because of these uncertainties, you should not place undue reliance on these forward-looking statements.

Overview

The Company

We are a fully integrated frac and industrial sand supply and services company. We offer complete mine to wellsite proppant supply and logistics solutions to our frac sand customers. We produce low-cost, high quality Northern White sand, which is a premium sand used as proppant used to enhance hydrocarbon recovery rates in the hydraulic fracturing of oil and natural gas wells and for a variety of industrial applications. We also offer proppant logistics solutions to our customers through our in-basin transloading terminals a network of third party in-basin transloading terminals and our SmartSystems™SmartSystems™ wellsite proppant storage services. Our IPS business offers sand for industrial uses capabilities. In recent years, we have expanded our product line to offer Industrial Products Solutions ("IPS") in order to diversify our customer base and provides diversification to markets other than the oil and gas industry.

we serve by offering sand for industrial uses. We market our products and services to oil and natural gas exploration and production companies, oilfield service companies, and industrial products distributors and manufacturers. We sell our sand through long-term contracts, short-term supply agreements or spot sales in the open market. We provide wellsite proppant storage solutions services and equipment under flexible contract terms custom tailored to meet the needs of our customers. We believe that, among other things, things: (i) the size and favorable geologic characteristics of our sand reserves, reserves; (ii) the strategic location and logistical advantages of our facilities with access to all Class I rail lines, facilities; (iii) our proprietary SmartDepot™ portable wellsite storage silos, SmartPath® transloader and SmartBelt™ conveyor;

SMART SAND, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
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proprietary SmartDepot™ portable wellsite proppant storage silos, our proprietary SmartPath® transloader, (iv), access to all Class I rail lines; and (v) the industry experience of our senior management team make us as a highly attractive provider of sand and logistics services.services

We incorporated in Delaware in July 2011 and began operations at our Oakdale, Wisconsin facility with 1.1 million tons of annual processing capacity in July 2012. After several expansions, our current annual processing capacity at our Oakdale facility, is 5.5 million tons, which has access to both the Canadian Pacific and Union Pacific rail networks. networks, is approximately 5.5 million tons. In 2020, we acquired our Utica, Illinois mine and processing facility, which has an annual processing capacity of approximately 1.6 million tons and access to the Burlington Northern Santa Fe rail network.

In March 2022, we acquired our Blair, Wisconsin facility, which has approximately 2.9 million tons of total annual processing capacity and contains an onsite, unit train capable rail terminal with access to the Class 1 Canadian National rail network. We commenced operations at the Blair facility in the second quarter of 2023. Our total annual processing capacity of our operating facilities is approximately 10.0 million tons.

We sell frac sand through a network of in-basin rail terminals. We directly control three five in-basin transloading facilities and have access to third party transloading terminals in all operating basins. We operate a unit train capable transloading terminal in Van Hook, North Dakota to service the Bakken Formation in the Williston Basin. We operate this terminal under a long-term agreement with Canadian Pacific Railway. We also serve the Appalachian Basin through three company-controlled terminals. In January 2022, we began operations at a unit train capable transloading terminal in Waynesburg, Pennsylvania, which has been providing Northern White Sand in-basin we expanded in 2023. In December 2023 we acquired the right to our customers since operate a terminal in Minerva, Ohio and in January 2024 we acquired the Van Hook rights to operate a terminal became in Dennison, Ohio. We expect these two Ohio terminals to become operational in April 2018. In 2020, as part the second quarter of our acquisition of the Utica, Illinois mining facility, we obtained 2024. We also have rights to use a rail terminal located in El Reno, Oklahoma. In January 2022, These terminals allow us to offer more efficient and sustainable delivery options to our customers. Additionally, we began operations at an additional unit train capable transloading have longstanding relationships with third party terminal in Waynesburg, Pennsylvania operators that allow us access to service the Appalachian Basin, including the Marcellus all oil and Utica Formations. We are expanding our terminal in Waynesburg and expect this expansion to be completed in the fourth quarter natural gas exploration production basins of 2023. North America.

We also offer to our customers portable wellsite proppant storage and management solutions through our SmartSystems products and services. Our SmartSystems provide our customers with the capability to unload, store and deliver proppant at the wellsite, as well as the ability to rapidly set up, takedown and transport the entire system. This capability creates efficiencies, flexibility, enhanced safety and reliability for customers. Through our SmartSystems wellsite proppant storage solutions, we offer the SmartDepot and SmartDepotXL™ silo systems, the Smartbelt conveyor, SmartPath transloader SmartBelt conveyor, and our rapid deployment trailers. Our SmartDepot silos include passive and active dust suppression technology, along with the capability of a gravity-fed operation. Our self-contained SmartPath transloader is a mobile sand transloading system designed to work with bottom dump trailers and features a drive over conveyor, surge bin, and dust collection system. We believe this system has the ability Our SmartBelt conveyor is designed to keep up with any hydraulic fracturing operation. The Smartbelt is a belt system that is paired work with our SmartPath which allows feeding transloader to directly feed sand directly into the hopper at the wellsite leading to more efficient delivery of the sand into hopper. blender. Our rapid deployment trailers are designed for quick setup, takedown and transportation of the entire SmartSystem, and detach from the wellsite equipment, which allows for efficient removal from the wellsite during operation. We believe the system has the ability to keep up with any hydraulic fracturing operation. We have also developed a proprietary software program, the SmartSystem Tracker™, which allows our SmartSystems customers to monitor silo-specific information, including location, proppant type and proppant inventory. We believe that our SmartSystems reduce trucking and related fuel consumption for our customers, helping them meet their goals to reduce their carbon footprint in their daily operations.

We have expanded our product line to offer industrial sand through IPS. In late 2021, 2023, we started completed the installation of blending and cooling assets at our Utica, Illinois facility that we believe will provide new opportunities to increase our customer base in the IPS business whereby we offer our sand business. While sales of IPS to customers for various were a small portion of our overall sand sales in 2022 and 2023, we expect to continue to expand and diversify to serve the major industrial purposes, such as markets throughout North America, including glass, foundry, building products, filtration, geothermal, renewables, ceramics, turf & landscape, retail, recreation and recreation. We believe this business will provide us with the ability to diversify our sales into more stable, consumer-driven products to help mitigate price volatility in the oil and gas industry. We are expanding our IPS processing at our Utica, Illinois plant to provide blending and cooling capabilities. We expect this expansion to be operational in the fourth quarter of 2023. 2024.

Market Trends

Our historical results of operations and cash flows may not be indicative of results of operations and cash flows to be expected in the future.

During most 2023 and through the first quarter of 2020, 2024, supply and demand for frac Northern White Sand has been in relative balance. We saw an increase in the volume of sand declined significantly sold in the first half of 2023 followed by a slowdown in activity later in the year due to decreased customers having exhausted their budgeted spending earlier in the year. Activity has improved in the first quarter of 2024 as customers ramped up activity based on 2024 budget plans. Pricing for sand moderated in the second half of 2023 due to lower demand for and has stabilized in the first quarter of 2024. High levels of inflation have led to increasing operating expenses in 2023 and the first quarter of 2024. Softening economic activities in certain countries, the continuation of the war in Ukraine, the conflict in the Middle East, along with President Biden's pause on liquified natural gas permits could impact oil and natural gas as a result of the ongoing effects of the coronavirus ("COVID-19") pandemic, which caused a global decrease in all means of travel, the closure of borders between countries and a general slowing of economic activity worldwide. Activity in the oil and gas industry began to rebound in the fourth quarter of 2020 and through 2021 as the global distribution of COVID-19 vaccines ramped up and travel restrictions lessened. However, the prices of frac sand remained depressed during 2021 as supply remained out of balance with demand even though market activity was improving. Beginning in the first quarter of 2022 and continuing through the third quarter of 2023, supply and demand fundamentals have shifted, which has led to pricing improvements in frac sand. Currently, completion activity has moderated due to normal reductions in spending and seasonal slowdowns in activity in the fourth quarter of the year leading to supply and demand for northern white sand being relatively balanced and average sand prices flattening out.

The ongoing conflict in Ukraine and recent developments in the Middle East may effect oil and natural gas prices and overall oil and gas activity thereby leading to substantial volatility in demand and pricing in the oilfield service sector. Additionally, other economic factors, including future. The continued high inflation and slower economic growth could lead to a global economic recession that could have a negative affect on global volatility in oil and natural gas demand which may lead and the current availability of sufficient supply of sand has led to continued volatility reluctance by some customers to enter into long-term contracts. As such, some customers have instead trended toward purchasing their frac sand supply in the oil field service sector. spot market or under short term supply agreements at current market prices. We cannot predict if positive pricing trends for our products will continue, increase, decrease or stabilize.

Supplies of high-quality Northern White frac sand which is found are limited to select areas, predominantly in western Wisconsin and limited portions areas of Minnesota Illinois, and Missouri**,** is considered a premium proppant due to its favorable physical characteristics. While we believe that regional sand will continue to affect the demand for Northern White sand in some of the oil and natural gas producing basins in which we operate, we believe there will continue to be demand for our high-quality Northern White sand. In particular, we believe that Northern White sand has logistical advantages in the Appalachian basin, Bakken basin, and in Canada. We expect demand for our frac sand to continue to be supported by customers who are focused on long-term well performance and ultimate recovery of reserves from the oil and natural gas wells they are completing as well as those interested in the efficiency of their logistics supply chain and delivery of sand to the wellsite. Additionally, we believe market trends continue to support increased proppant usage per well drilled due to operator focus on well efficiencies through increasing lengths of drilling laterals, use of simul-fracking techniques and other well enhancement strategies. As the amount of sand per well continues to increase, we believe the delivery of sand to the operating basins by rail in bulk shipments to terminals in close proximity to drilling activity provides more sustainable and efficient delivery of sand to meet a customer's long-term proppant needs. Finally, we believe that the adoption of our SmartSystems in the marketplace, which can deliver higher quantities of sand has a smaller footprint on customer sites than other sand storage solutions, will allow us to sell more sand when packaged with our last mile solutions. Illinois. We believe the combination ability to obtain large contiguous reserves in these areas is a key constraint and can be an important supply consideration when assessing the economic viability of our high quality a potential frac sand processing facility. Further constraining the supply and throughput of Northern White frac sand delivered is that not all of the large reserve mines have on-site excavation, processing or logistics capabilities, which impact the long-term competitiveness of these mines due to lower efficiency and higher cost structures. Historically, much of the capital investment in bulk to Northern White frac sand mines was used for the development of coarser deposits in basin terminals and ultimately delivered western Wisconsin, which is inconsistent with the increasing demand for finer mesh frac sand in recent years. As such, competitors in the Northern White frac sand market have shuttered or idled operations at certain facilities due to the wellsite through our SmartSystems wellsite proppant storage solutions provide our customers efficient higher demand for finer sands and sustainable due to lower cost regional sand supply to sources that has eroded the wellsite that will reduce trucking ongoing economic viability of mines with coarser reserve deposits and related fuel consumption for our customers, helping them to meet their goals to reduce their carbon footprint in their daily operations. inefficient mining and logistics facilities.

Demand in the IPS business is relatively stable as customers are spread over a wide range of industries including glass, foundry, building products, filtration, geothermal, renewables, ceramics, turf & landscape, retail, recreation and more. The IPS business is primarily influenced by macroeconomic drivers such as consumer demand and population growth. We believe that as this business grows, it will provide us with the ability to diversify our sales into more stable, consumer-driven products to help mitigate price volatility in the oil and gas industry.

SMART SAND, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
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GAAP Results of Operations

Three Months Ended September 30, 2023 March 31, 2024 Compared to Three Months Ended September 30, 2022 March 31, 2023

The following table summarizes our revenue and expenses for the periods indicated.

		Three Months Ended September 30,		Change		Three Months
		2023	2022	Dollars	Percentage	2024
Revenues:	Revenues:					
Sand sales revenue		$ 72,480	$ 66,663	$ 5,817	9 %	
Shortfall revenue		2,389	2,681	(292)	(11) %	
Logistics revenue		2,031	2,248	(217)	(10) %	

Revenues:								
Revenues:								
Sand revenue								
Sand revenue								
Sand revenue								$ 79,719
SmartSystems revenue							SmartSystems revenue	3,333
Total revenue	Total revenue	76,900	71,592	5,308	7	%	Total revenue	83,052
Cost of goods sold		62,502	60,163	2,339	4	%		
Cost of goods sold:								
Sand cost of goods sold								
Sand cost of goods sold								
Sand cost of goods sold								68,967
SmartSystems cost of goods sold							SmartSystems cost of goods sold	2,274
Total cost of goods sold							Total cost of goods sold	71,241
Gross profit	Gross profit	14,398	11,429	2,969	26	%	Gross profit	11,811
Operating expenses:	Operating expenses:							
Salaries, benefits and payroll taxes		4,292	3,554	738	21	%		
Selling, general and administrative								
Selling, general and administrative								
Selling, general and administrative								10,350
Depreciation and amortization	Depreciation and amortization	647	556	91	16	%	Depreciation and amortization	674
Selling, general and administrative		4,625	4,008	617	15	%		
Loss (gain) on disposal of fixed assets, net	Loss (gain) on disposal of fixed assets, net	(92)	(466)	374	80	%	Loss (gain) on disposal of fixed assets, net	3
Total operating expenses								
Total operating expenses								
Total operating expenses	Total operating expenses	9,472	7,652	1,820	24	%	11,027	
Operating income (loss)	Operating income (loss)	4,926	3,777	1,149	30	%	Operating income (loss)	784
Other income (expenses):	Other income (expenses):							
Interest expense, net	Interest expense, net	(276)	(411)	135	33	%		
Interest expense, net								
Interest expense, net								(489)
Other income	Other income	198	148	50	34	%	Other income	96
Total other income (expenses), net		(78)	(263)	185	70	%		
Income (loss) before income tax expense (benefit)		4,848	3,514	1,334	38	%		
Income tax expense (benefit)		(1,879)	831	(2,710)	(326)	%		

Net income (loss)	$ 6,727	$ 2,683	$ 4,044	151 %

Total other expenses, net	(393)
Income (loss) before income tax benefit	391
Income tax benefit	607
Net loss	$ (216)

Revenues

Revenues were $76.9 million $83.1 million and tons sold were approximately 1,219,000 1,336,000 for the three months ended September 30, 2023 March 31, 2024. Revenues for the three months ended September 30, 2022 March 31, 2023 were $71.6 million $82.4 million, during which time we sold approximately 1,110,000 1,195,000 tons of sand. The key factors contributing to the increase in revenues for the three months ended September 30, 2023 March 31, 2024 as compared to the three months ended September 30, 2022 March 31, 2023 were as follows:

- Sand sales revenue increased 9% from $66.7 million was relatively constant at $79.7 million for the three months ended September 30, 2022 to $72.5 million March 31, 2024 versus $80.0 million for the three months ended September 30, 2023 March 31, 2023. Revenues Total volumes increased by approximately 12%, however, average sand prices were lower in the first quarter of 2024 as a result of greater tons sold. Frac sand supply and demand remained strong due shifts have become more in balance compared to continuing trends of utilizing more frac sand per well completed, the same period in 2023. We also recognized higher oil and natural gas demand and higher oil prices. contractual shortfall revenue in the prior year.

- Logistics Smart Systems revenue, which is primarily SmartSystems rentals, was marginally lower at approximately $2.0 million $3.3 million for the three months ended September 30, 2023 March 31, 2024 compared to $2.2 million $2.3 million for the three months ended September 30, 2022 March 31, 2023. The drop increase in logistics SmartSystems revenue was due to lower higher utilization of our SmartSystems fleet utilization in the third quarter and expanded use of 2023 due to the timing of well completion activity of SmartSystem customers. our SmartBelt technology.

Cost of Goods Sold

Cost of goods sold was $62.5 million $71.2 million and $60.2 million $70.7 million for the three months ended September 30, 2023 March 31, 2024 and 2022, March 31, 2023, respectively. The increase was primarily due to higher tons freight and transloading costs at in-basin terminals as a result of higher volumes sold which led to an increase in freight costs, maintenance, and higher labor expenses, offset by lower utilities and excavation costs. the current period.

Gross Profit

Gross profit was $14.4 million $11.8 million and $11.6 million for the three months ended September 30, 2023 March 31, 2024 and March 31, 2023, compared to $11.4 million respectively. The increase in the gross profit for the three months ended September 30, 2022. The increase in profitability for the three months ended September 30, 2023 March 31, 2024 as compared to the three months ended September 30, 2022 March 31, 2023 was primarily due to higher tons sold. sales volumes partially offset by lower average sales prices of our sand relative to the cost to produce and deliver products to our customers. Smart Systems contributed more to gross profit as a result of higher utilization.

Operating Selling, General and Administrative Expenses

Operating Selling, general and administrative expenses were $9.5 million and $7.7 million decreased to $10.4 million for the three months ended September 30, 2023 and 2022, respectively. Salaries, benefits and payroll taxes increased March 31, 2024 compared to $4.3 million $10.8 million for the three months ended September 30, 2023 as compared to $3.6 million for the three months ended September 30, 2022 March 31, 2023, due primarily to increased wages as cost reduction measures put in place by management, which were partially offset by additional costs incurred related to financing activities. Additionally, in the first quarter of 2023, we recorded a result $1.9 million net loss on disposal of increased headcount fixed assets as we began production at reconfigured one of our Blair facility. Selling, general wet plants to increase the efficiency of its operations and administrative expenses increased to $4.6 million for the three months ended September 30, 2023 compared to $4.0 million for the three months ended September 30, 2022, primarily due to an increase in royalties and real estate taxes paid related to upgraded some of our Blair facility. mining equipment.

Interest Expense, net

We incurred $0.3 million $0.5 million and 0.4 million $0.4 million of net interest expense for the three months ended September 30, 2023 March 31, 2024 and 2022, March 31, 2023, respectively.

Income Tax (Benefit) Expense

For the three months ended September 30, 2023 March 31, 2024 and 2022, March 31, 2023, our effective tax rate was approximately (38.8)% 155.2% and 23.6% (79.9)%, respectively, based on the annual effective tax rate net of discrete federal and state taxes. The computation of the effective tax rate includes modifications from the statutory rate such as income tax credits, tax depletion deduction, carrybacks, and state apportionment changes, among other items.

As of September 30, 2023 March 31, 2024, we have recorded a liability for uncertain tax positions included in on our balance sheet, related to our depletion deduction methodology. As of September 30, 2023 March 31, 2024, we determined that it is more likely than not that we will not be able to fully realize the benefits of certain existing deductible temporary differences and have recorded a partial valuation allowance against the gross deferred tax assets, which is included in liabilities, long-term, net on our balance sheet, and a corresponding increase to the income tax expense on our condensed consolidated statement of operations.

Net Income Loss

Net income loss was $6.7 million $0.2 million for the three months ended September 30, 2023 as compared to net income of $2.7 million for the three months ended September 30, 2022. The improvement in net income in the current period relative to the prior period is primarily due to increase in total tons sold due to higher demand, partially offset by an increase in operating expenses.

SMART SAND, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
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Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022

The following table summarizes our revenue and expenses for the periods indicated.

	Nine Months Ended September 30,		Change	
	2023	2022	Dollars	Percentage
	(in thousands)			
Revenues:				
Sand sales revenue	$ 223,013	$ 172,063	$ 50,950	30 %
Shortfall revenue	4,304	4,596	(292)	(6)%
Logistics revenue	6,709	5,252	1,457	28 %
Total revenue	234,026	181,911	52,115	29 %
Cost of goods sold	195,302	163,492	31,810	19 %
Gross profit	38,724	18,419	20,305	110 %
Operating expenses:				
Salaries, benefits and payroll taxes	13,800	10,171	3,629	36 %
Depreciation and amortization	1,868	1,646	222	13 %
Selling, general and administrative	14,834	11,867	2,967	25 %
Loss (gain) on disposal of fixed assets, net	1,821	(482)	2,303	478 %
Total operating expenses	32,323	23,202	9,121	39 %
Operating income (loss)	6,401	(4,783)	11,184	234 %
Other income (expenses):				
Interest expense, net	(940)	(1,244)	304	24 %
Other income	405	416	(11)	(3)%
Total other income (expenses), net	(535)	(828)	293	35 %
Income (loss) before income tax benefit	5,866	(5,611)	11,477	205 %
Income tax benefit	(3,569)	(2,282)	(1,287)	56 %
Net income (loss)	$ 9,435	$ (3,329)	$ 12,764	383 %

Revenues

Revenues were $234.0 million and tons sold were approximately 3,498,000 for the nine months ended September 30, 2023. Revenues for the nine months ended September 30, 2022 were $181.9 million, during which time we sold approximately 3,158,000 tons of sand. The key factors contributing to the increase in revenues for the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022 were as follows:

- Sand sales revenue increased 30% from $172.1 million for the nine months ended September 30, 2022 to $223.0 million for the nine months ended September 30, 2023 as a result of an approximately 11% increase in total volumes sold and higher average sales prices for our sand. Average sand prices improved in the first nine months of 2023 due to higher demand, compared to the same period in 2023, as customer completion activity accelerated in the first half of 2023.

- Logistics revenue, which includes primarily SmartSystems rentals, was approximately $6.7 million for the nine months ended September 30, 2023 compared to $5.3 million for the nine months ended September 30, 2022. The increase in logistics revenue was due to higher utilization of our SmartSystems fleet.

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Cost of Goods Sold

Cost of goods sold was $195.3 million and $163.5 million for the nine months ended September 30, 2023 and September 30, 2022, respectively. The increase was primarily due to higher volumes sold in the current period and the related increase in production costs, and freight costs and transloading costs at in-basin terminals.

Gross Profit

Gross profit was $38.7 million and $18.4 million for the nine months ended September 30, 2023 and September 30, 2022, respectively. The increase in the gross profit for the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022 was primarily due to higher sales volumes and higher average sales prices of our sand relative to the cost to produce and deliver products to our customers.

Operating Expenses

Operating expenses were $32.3 million and $23.2 million for the nine months ended September 30, 2023 and September 30, 2022, respectively. Salaries, benefits and payroll taxes increased to $13.8 million for the nine months ended September 30, 2023 as compared to $10.2 million for the nine months ended September 30, 2022, due primarily to increased staffing to support our business as we expand our Blair facility. Selling, general and administrative expenses increased to $14.8 million for the nine months ended September 30, 2023 compared to $11.9 million for the nine months ended September 30, 2022, due to higher royalties from increased sales activity at our Blair facility and increased insurance expense. In the first quarter of 2023, we recorded a $1.9 million net loss on disposal of fixed assets as we reconfigured one of our wet plants to increase the efficiency of its operations and upgraded some of our mining equipment.

Interest Expense, net

We incurred $0.9 million and 1.2 million of net interest expense for the nine months ended September 30, 2023 and September 30, 2022, respectively.

Income Tax Benefit

For the nine months ended September 30, 2023 and September 30, 2022, our effective tax rate was approximately (60.8)% and 40.7%, respectively, based on the annual effective tax rate net of discrete federal and state taxes. The computation of the effective tax rate includes modifications from the statutory rate such as income tax credits, tax depletion deduction, carrybacks, and state apportionment changes, among other items.

As of September 30, 2023, we have recorded a liability for uncertain tax positions included on our balance sheet, related to our depletion deduction methodology. As of September 30, 2023, we determined that it is more likely than not that we will not be able to fully realize the benefits of certain existing deductible temporary differences and have recorded a partial valuation allowance against the gross deferred tax assets, which is included in liabilities, long-term, net on our balance sheet, and a corresponding increase to the income tax expense on our condensed consolidated statement of operations.

Net Income

Net income was $9.4 million for the nine months ended September 30, 2023 March 31, 2024 as compared to net loss of $3.3 million $3.6 million for the nine three months ended September 30, 2022 March 31, 2023. The Gross profit was consistent in both periods. An increase in net operating income year-over-year is for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023, was primarily attributable to an increase in higher total volumes sold and higher average sales prices of lower total selling, general and administrative expenses, driven by cost-saving measures by management to reduce our sand, partially offset by cost of goods sold, higher overall operating expenses and costs. The three months ended March 31, 2023 also included a $1.9 million of net loss on disposal of fixed assets as we reconfigured one of our wet plants to increase the efficiency of its operations and upgraded some of our mining equipment in the current prior period.

Non-GAAP Financial Measures

Contribution margin, EBITDA, Adjusted EBITDA and free cash flow are not financial measures presented in accordance with GAAP. We believe that the presentation of these non-GAAP financial measures will provide useful information to investors in assessing our financial condition and results of operations. Gross profit is the GAAP measure most directly comparable to contribution margin, net income is the GAAP measure most directly comparable to EBITDA and Adjusted EBITDA and net cash provided by operating activities is the GAAP measure most directly comparable to free cash flow. Our

EBITDA and net cash provided by operating activities is the GAAP measure most directly comparable to free cash flow. Our non-GAAP financial measures should not be considered as alternatives to the most directly comparable GAAP financial measures. Each of these non-GAAP financial measures has important limitations as analytical tools because they exclude some but not all items that affect the most directly comparable GAAP financial measures. You should not consider contribution margin, EBITDA, Adjusted EBITDA or free cash flow in isolation or as substitutes for an analysis of our results as reported under GAAP. Because contribution margin, EBITDA, Adjusted EBITDA and free cash flow may be defined differently by other companies in our industry, our definitions of these non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

Contribution Margin

We use contribution margin, which we define as total revenues less cost of goods sold excluding depreciation, depletion and accretion of asset retirement obligations, to measure our financial and operating performance. Contribution margin excludes other operating expenses and income, including costs not directly associated with the operations of our business such as accounting, human resources, information technology, legal, sales and other administrative activities.

We believe that reporting contribution margin and contribution margin per ton sold provides useful performance metrics to management and external users of our financial statements, such as investors and commercial banks, because these metrics provide an operating and financial measure of our ability, as a combined business, to generate margin in excess of our operating cost base.

Gross profit is the GAAP measure most directly comparable to contribution margin. Contribution margin should not be considered an alternative to gross profit presented in accordance with GAAP. Since contribution margin may be defined differently by other companies in our industry, our definition of contribution margin may not be comparable to similarly titled measures of other companies, thereby diminishing its utility. The following table presents a reconciliation of gross profit to contribution margin.

		Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
		2023	2022	2023	2022	2024	2023
		(in thousands, except per ton amounts)				(in thousands, except per ton amounts)	
	(in thousands, except per ton amounts)						
Revenue	Revenue	$ 76,900	$ 71,592	$ 234,026	$ 181,911		
Cost of goods sold	Cost of goods sold	62,502	60,163	195,302	163,492		
Gross profit (loss)		14,398	11,429	38,724	18,419		
Gross profit							
Depreciation, depletion, and accretion of asset retirement obligations	Depreciation, depletion, and accretion of asset retirement obligations	6,573	6,340	19,088	18,854		
Contribution margin	Contribution margin	$ 20,971	$ 17,769	$ 57,812	$ 37,273		
Contribution margin per ton	Contribution margin per ton	$ 17.20	$ 16.01	$ 16.53	$ 11.80		
Total tons sold	Total tons sold	1,219	1,110	3,498	3,158		

Contribution margin was $21.0 million $18.5 million and $17.8 million, or $17.20 $13.85 and $16.01 $14.89 per ton sold, for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively. Contribution margin was $57.8 million and $37.3 million, or $16.53 and $11.80 per ton sold, for the nine months ended September 30, 2023 and 2022, 2023, respectively. The increase in overall contribution margin and contribution margin per ton for the three months ended September 30, 2023 March 31, 2024, when compared to the same period in 2022, 2023, was primarily due to higher tons sold. sold and the increased utilization of our SmartSystems fleet. The increase decrease in contribution margin per ton sold was primarily due to lower average sand sales prices for the nine three months ended September 30, 2023 March 31, 2024, compared to the nine three months ended September 30, 2022, was due primarily to higher sales volumes and higher average sales prices along with increased IPS sales and higher utilization of our SmartSystems fleet in the current period. March 31, 2023.

EBITDA and Adjusted EBITDA

We define EBITDA as net income, plus: (i) depreciation, depletion and amortization expense; (ii) income tax expense (benefit); and other results of operations based taxes; and (iii) interest expense; and (iv) franchise taxes. expense. We define Adjusted EBITDA as EBITDA, plus: (i) gain or loss on sale of fixed assets or discontinued operations; (ii) integration and transition costs associated with specified transactions; (iii) equity compensation; (iv) acquisition and development costs; (v) non-recurring cash charges related to restructuring, retention and other similar actions; (vi) earn-out, contingent consideration obligations and other acquisition and development costs; and (vii) restructuring, retention and other similar actions; (vi) earn-out, contingent consideration obligations; and (vii) non-cash charges and unusual or non-recurring charges. Adjusted EBITDA is used as a supplemental financial measure by management and by external users of our financial statements, such as investors and commercial banks, to assess:

- the financial performance of our assets without regard to the impact of financing methods, capital structure or historical cost basis of our assets;
- the viability of capital expenditure projects and the overall rates of return on alternative investment opportunities;
- our ability to incur and service debt and fund capital expenditures;
- our operating performance as compared to those of other companies in our industry without regard to the impact of financing methods or capital structure; and
- our debt covenant compliance, as Adjusted EBITDA is a key component of critical covenants to the ABL Credit Facility.

We believe that our presentation of EBITDA and Adjusted EBITDA will provide useful information to investors in assessing our financial condition and results of operations. Net income is the GAAP measure most directly comparable to EBITDA and Adjusted EBITDA. EBITDA and Adjusted EBITDA should not be considered alternatives to net income presented in accordance with GAAP. Because EBITDA and Adjusted EBITDA may be defined differently by other companies in our industry, our definitions of EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other companies, thereby diminishing their utility. The following table presents a reconciliation of net loss to EBITDA and Adjusted EBITDA for each of the periods indicated.

		Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
		2023	2022	2023	2022	2024	2023
		(in thousands)				(in thousands)	
Net income (loss)		$ 6,727	$ 2,683	$ 9,435	$ (3,329)		
Net loss							
Depreciation, depletion and amortization	Depreciation, depletion and amortization	6,985	6,705	20,285	19,931		
Income tax expense (benefit)		(1,879)	831	(3,569)	(2,282)		
Income tax expense and other taxes							
Interest expense	Interest expense	304	431	1,203	1,282		
Franchise taxes		66	77	504	268		
EBITDA	EBITDA	$ 12,203	$ 10,727	$ 27,858	$ 15,870		
Net (gain) loss on disposal of fixed assets		(92)	(466)	1,821	(482)		
Net loss on disposal of fixed assets							
Equity compensation	Equity compensation	850	713	2,388	2,023		
Acquisition and development costs	Acquisition and development costs	70	97	341	434		
Acquisition and development costs							
Acquisition and development costs							
Cash charges related to restructuring and retention of employees							

Cash charges related to restructuring and retention of employees				
Cash charges related to restructuring and retention of employees	—	31	18	137
Accretion of asset retirement obligations	235	189	670	569
Adjusted EBITDA	$ 13,266	$ 11,291	$ 33,096	$ 18,551

Adjusted EBITDA was $13.3 million $9.3 million for the three months ended September 30, 2023 March 31, 2024 compared to $11.3 million $8.3 million for the three months ended September 30, 2022, with the increase primarily due to an increase in tons sold. Adjusted EBITDA was $33.1 million for the nine months ended September 30, 2023 compared to $18.6 million for the nine months ended September 30, 2022 March 31, 2023. The increase in Adjusted EBITDA for the nine three months ended September 30, 2023 March 31, 2024, compared to the same period in 2022, 2023, was primarily due to higher sales volumes, and higher average sales prices of our sand along with increased IPS sales and higher utilization of our SmartSystems. SmartSystems fleet.

SMART SAND, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
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(UNAUDITED)

Free Cash Flow

Free cash flow, which we define as net cash provided by operating activities less purchases of property, plant and equipment, is used as a supplemental financial measure by our management and by external users of our financial statements, such as investors and commercial banks, to measure the liquidity of our business.

SMART SAND, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
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Net cash provided by operating activities is the GAAP measure most directly comparable to free cash flows. Free cash flows should not be considered an alternative to net cash provided by operating activities presented in accordance with GAAP. Because free cash flows may be defined differently by other companies in our industry, our definition of free cash flows may not be comparable to similarly titled measures of other companies, thereby diminishing its utility. The following table presents a reconciliation of net cash provided by (used in) operating activities to free cash flows.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands, except per ton amounts)			
Net cash provided by (used in) operating activities	$ 12,477	$ 10,780	$ 33,650	$ (169)
Acquisition of Blair facility	—	—	—	(6,547)
Purchases of property, plant and equipment, net	(6,881)	(4,398)	(16,126)	(9,535)
Free cash flow	$ 5,596	$ 6,382	$ 17,524	$ (16,251)

	Three Months Ended March 31,	
	2024	2023
	(in thousands, except per ton amounts)	
Net cash (used in) provided by operating activities	$ (3,863)	$ 5,105
Purchases of property, plant and equipment	(1,646)	(4,018)
Free cash flow	$ (5,509)	$ 1,087

Free cash flow was $5.6 million $(5.5) million for the three months ended September 30, 2023 March 31, 2024 compared to $6.4 million $1.1 million for the three months ended September 30, 2022. Free cash flow was $17.5 million for the nine months ended September 30, 2023 compared to $(16.3) million for the nine months ended September 30, 2022 March 31, 2023. The decrease in free cash flow for the three months ended September 30, 2023 March 31, 2024 was due to increase a decrease in capital expenditures, and the increase in free net cash flow provided by operating activities for the nine three months ended September 30, 2023 March 31, 2024 in comparison to the same period in 2022 2023. The decline in cash provided by operating activities was primarily attributable to positive cash flows from operating activities due to higher net income and higher conversion of an increase in working capital to cash . support higher sales volumes.

Liquidity and Capital Resources

Our primary sources of liquidity are cash flow generated from operations and availability under our ABL Credit Facility and other equipment financing sources. As of September 30, 2023 March 31, 2024, cash on hand was $9.3 million $4.6 million and we had $19.0 million $6.0 million in undrawn availability on our ABL Credit Facility. We are in the process of refinancing this facility.

Based on our balance sheet, cash flows, current market conditions, and information available to us at this time, we believe that we have sufficient liquidity and other available capital resources, to meet our cash needs for the next twelve months.

Material Cash Requirements

Capital Requirements

We expect full year 2023 2024 capital expenditures to be between $20.0 million $15.0 million and $23.0 million $20.0 million. Our expected capital expenditures for 2023 2024 are primarily for process improvement and efficiency projects at our Oakdale mine sites, upgrading mining equipment and Utica facilities, expansion the build out of our Waynesburg, Pennsylvania rail terminal, and the commencement of operations at our Blair facility. new Ohio terminals. We expect to fund these capital expenditures with cash from operations, equipment financing options available to us or borrowings under the ABL Credit Facility.

SMART SAND, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
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Indebtedness

Our debt facilities include the Oakdale Equipment Financing, various notes payable and our ABL Credit Facility. Our Oakdale Equipment Financing is secured by substantially all of the assets at our Oakdale facility. The outstanding balance under the Oakdale Equipment Financing as of September 30, 2023 March 31, 2024 was $8.9 million $6.9 million. Minimum cash payments on this facility for the remainder of 2023 2024 are anticipated to be $1.2 million $5.7 million. Our various notes payable are primarily secured by heavy equipment purchases as well as some of our manufactured SmartSystems. Total debt under these notes payable as of September 30, 2023 March 31, 2024 was $2.9 $3.0 million. Minimum cash payments on these notes payable for the remainder of 2023 2024 are anticipated to be $0.4 million $0.9 million. There was no $14.0 million outstanding balances on our ABL Credit Facility as of September 30, 2023 March 31, 2024, which matures December 13, 2024. We are in the process of refinancing this facility.

SMART SAND, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
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Operating Leases

We use leases primarily to procure certain office space, railcars and heavy equipment as part of our operations. The majority of our lease payments are fixed and determinable. Our operating lease liabilities as of September 30, 2023 March 31, 2024 were $26.1 million $21.6 million. Minimum cash payments on operating leases for the remainder of 2023 2024 are anticipated to be $3.0 million $8.3 million.

Mineral Rights Property

The Company is obligated under certain contracts for minimum payments for the right to use land for extractive activities. The annual minimum payments under these contracts are approximately $2.5 million per year in the aggregate for the next 14 13 years.

Off-Balance Sheet Arrangements

We had outstanding performance bonds of $18.9 $19.7 million at September 30, 2023 March 31, 2024.

Contractual Obligations

REFINITIV

As of September 30, 2023 March 31, 2024, we had contractual obligations for the ABL Credit Facility, Oakdale Equipment Financing, notes payable, operating and finance leases, delivery of sand, royalties and similar minimum payments for the rights to mine land, capital expenditures, asset retirement obligations, and other commitments to municipalities for maintenance.

Environmental Matters

We are subject to various federal, state and local laws and regulations governing, among other things, hazardous materials, air and water emissions, environmental contamination and reclamation and the protection of the environment and natural resources. We have made, and expect to make in the future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures.

Seasonality

Our business is affected to some extent by seasonal fluctuations in weather that impact the production levels for a portion of our wet sand processing capacity. While our dry plants are able to process finished product volumes evenly throughout the year, same of our excavation and our wet sand processing activities have historically been limited during winter months. As a consequence, we typically have experienced lower cash operating costs in the first and fourth quarter of each calendar year, and higher cash operating costs in the second and third quarter of each calendar year when we have overproduced sand to meet demand in the winter months. These higher cash operating costs are capitalized into inventory and expensed when these tons are sold, which can lead to us having higher overall cost of production in the first and fourth quarters of each calendar year as we expense inventory costs that were previously capitalized. We have indoor wet processing facilities at two of our plant locations, which allow us to produce wet sand inventory year-round to support a portion of our dry sand processing capacity, which may reduce certain of the effects of this seasonality. We may also sell frac sand for use in oil and natural gas producing basins where severe weather conditions may curtail drilling activities and, as a result, our sales volumes to those areas may be reduced during such severe weather periods.

Customer Concentration

For the nine three months ended September 30, 2023 March 31, 2024, revenue from EQT Production Equitable Gas Corporation, and Liberty Oilfield Halliburton Energy Services and Encino Energy accounted for 27.6% 37.4%, 11.4% and 12.9% 11.2% respectively, of total revenue. For the nine three months ended September 30, 2022 March 31, 2023, EQT Production Corporation, Halliburton Energy Services, Encino Energy, and Liberty Oilfield Services accounted for 22.5% 32.5%, 16.1%, 13.4% 13.3%, and 13.0% 10.8%, respectively, of total revenue.

SMART SAND, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
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Critical Accounting Policies and Estimates

There have been no material changes in our critical accounting policies and procedures during the nine three months ended September 30, 2023 March 31, 2024.

Use of Estimates

The preparation of interim statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of these financial statements include, but are not limited to: impairment considerations of assets, including intangible assets, fixed assets, and inventory; estimated cost of future asset retirement obligations; fair values of acquired assets and assumed liabilities; recoverability of deferred tax assets; inventory reserve; and the collectability of receivables; and certain liabilities.

Actual results could differ from management's best estimates as additional information or actual results become available in the future, and those differences could be material. Future economic performance is uncertain due to current high inflation and other economic concerns. We continue to actively monitor the global impact of current events, but we are unable to estimate the impact of future events on our financial position and results of operations or give any assurances that these events will not have a material adverse effect on our financial position or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

The majority of our debt is financed under fixed interest rates. Borrowings under the ABL Credit Facility bear interest at a rate per annum equal to an applicable margin, plus, at our option, either a LIBOR rate or an alternate base rate ("ABR"). The applicable margin is 2.00% for LIBOR loans and 1.00% for ABR loans. There was no $14.0 million outstanding balance borrowings under our ABL Credit Facility as of September 30, 2023 March 31, 2024. We do not believe this represents a material interest rate risk.

We have considered other changes in our exposure to market risks during the nine three months ended September 30, 2023 March 31, 2024 and have determined that there have been no additional material changes to our exposure to market risks from those described in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, filed with the SEC on February 28, 2023 March 11, 2024.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There have been no changes in internal control over financial reporting for the quarter ended September 30, 2023 March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time we may be involved in litigation relating to claims arising out of our operations in the normal course of business. The disclosure called for by Part II, Item 1 regarding our legal proceedings is incorporated by reference herein from Part I, Item 1. Note 14 - Commitments and Contingencies - Litigation of the notes to the condensed consolidated financial statements in this Form 10-Q for the three and nine months ended September 30, 2023 March 31, 2024.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors described in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the three months ended September 30, 2023 March 31, 2024, no shares were sold by the Company without registration under the Securities Act of 1933, as amended.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

We are committed to maintaining a culture that prioritizes mine safety. We believe that our commitment to safety, the environment and the communities in which we operate is critical to the success of our business. Our sand mining operations are subject to mining safety regulation. The U.S. Mining Safety and Health Administration ("MSHA") is the primary regulatory organization governing frac sand mining and processing. Accordingly, MSHA regulates quarries, surface mines, underground mines and the industrial mineral processing facilities associated with and located at quarries and mines. The mission of MSHA is to administer the provisions of the Federal Mine Safety and Health Act of 1977 and to enforce compliance with mandatory miner safety and health standards. As part of MSHA's oversight, representatives perform at least two unannounced inspections annually for each above-ground facility.

We are also subject to regulations by the U.S. Occupational Safety and Health Administration, which has promulgated rules for workplace exposure to respirable silica for several other industries. Respirable silica is a known health hazard for workers exposed over long periods. MSHA is expected to adopt similar rules as part of its "Long Term Items" for rulemaking. Airborne respirable silica is associated with work areas at our site and is monitored closely through routine testing and MSHA inspection. If the workplace exposure limit is lowered significantly, we may be required to incur certain capital expenditures for equipment to reduce this exposure.

Our operations are subject to the Federal Mine Safety and Health Act of 1977, as amended by the Mine Improvement and New Emergency Response Act of 2006, which imposes stringent health and safety standards on numerous aspects of mineral extraction and processing operations, including the training of personnel, operating procedures, operating equipment, and other matters. Our failure to comply with such standards, or changes in such standards or the interpretation or enforcement thereof, could have a material adverse effect on our business and financial condition or otherwise impose significant restrictions on our ability to conduct mineral extraction and processing operations. Following passage of The Mine Improvement and New Emergency Response Act of 2006, MSHA significantly increased the numbers of citations and orders charged against mining operations. The dollar penalties assessed for citations issued has also increased in recent years. Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95.1 to this Report.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

3.1	Second Amended and Restated Certificate of Incorporation of Smart Sand, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on November 15, 2016)
3.2	Second Amended and Restated Bylaws of Smart Sand, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on November 15, 2016)
31.1*	Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*†	Certification Pursuant to 18 U.S.C. adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*†	Certification Pursuant to 18 U.S.C. adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
95.1*	Mine Safety Disclosure Exhibit
101.INS	Extracted XBRL Instance Document - the instance document does not appear in the Interactive Data File as XBRL tags are embedded in the Inline XBRL document.
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed Herewith.

† This certification is deemed not filed for purposes of section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Smart Sand, Inc.

November 7, 2023 May 13, 2024 By: /s/ Lee E. Beckelman

Lee E. Beckelman, Chief Financial Officer

(Principal Financial Officer)

Smart Sand, Inc.

November 7, 2023 May 13, 2024 By: /s/ Christopher M. Green

Christopher M. Green, Vice President of Accounting

(Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER

I, Charles E. Young, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Smart Sand, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 7, 2023 May 13, 2024

/s/ Charles E. Young

Charles E. Young, Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION BY PRINCIPAL FINANCIAL OFFICER

I, Lee E. Beckelman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Smart Sand, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 7, 2023 May 13, 2024

/s/ Lee E. Beckelman

Lee E. Beckelman, Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Smart Sand, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles E. Young, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2023 May 13, 2024

/s/ Charles E. Young

Charles E. Young, Chief Executive Officer
(Principle Executive Officer)

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,**

AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Smart Sand, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lee E. Beckelman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2023 May 13, 2024

/s/ Lee E. Beckelman

Lee E. Beckelman, Chief Financial Officer
(Principle Financial Officer)

Exhibit 95.1

MINE SAFETY DISCLOSURES

The following disclosures are provided pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act") and Item 104 of Regulation S-K, which requires certain disclosures by companies required to file periodic reports under the Securities Exchange Act of 1934, as amended, that operate mines regulated under the Federal Mine Safety and Health Act of 1977 (the "Mine Act").

Mine Safety Information

Whenever the Federal Mine Safety and Health Administration ("MSHA") believes a violation of the Mine Act, any health or safety standard or any regulation has occurred, it may issue a citation which describes the alleged violation and fixes a time within which the U.S. mining operator must abate the alleged violation. In some situations, such as when MSHA believes that conditions pose a hazard to miners, MSHA may issue an order removing miners from the area of the mine affected by the condition until the alleged hazards are corrected. When MSHA issues a citation or order, it generally proposes a civil penalty, or fine, as a result of the alleged violation, that the operator is ordered to pay. Citations and orders can be contested and appealed, and as part of that process, may be reduced in severity and amount, and are sometimes dismissed. The number of citations, orders and proposed assessments vary depending on the size and type (underground or surface) of the mine as well as by the MSHA inspector(s) assigned.

Mine Safety Data

The following provides additional information about references used in the table below to describe the categories of violations, orders or citations issued by MSHA under the Mine Act:

- *Section 104 S&S Citations:* Citations received from MSHA under section 104 of the Mine Act for violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard.
- *Section 104(b) Orders:* Orders issued by MSHA under section 104(b) of the Mine Act, which represents a failure to abate a citation under section 104(a) within the period of time prescribed by MSHA. This results in an order of immediate withdrawal from the area of the mine affected by the condition until MSHA determines that the violation has been abated.
- *Section 104(d) Citations and Orders:* Citations and orders issued by MSHA under section 104(d) of the Mine Act for an unwarrantable failure to comply with mandatory health or safety standards.
- *Section 110(b)(2) Violations:* Flagrant violations issued by MSHA under section 110(b)(2) of the Mine Act.
- *Section 107(a) Orders:* Orders issued by MSHA under section 107(a) of the Mine Act for situations in which MSHA determined an "imminent danger" (as defined by MSHA) existed.

Pattern or Potential Pattern of Violations

The following provides additional information about references used in the table below to describe elevated pattern of violation enforcement actions taken by MSHA under the Mine Act:

- *Pattern of Violations*: A pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of mine health or safety hazards under section 104(e) of the Mine Act.

- *Potential Pattern of Violations*: The potential to have a pattern of violations under section 104(e).

Pending Legal Actions

The following provides additional information of the types of proceedings brought before the Federal Mine Safety and Health Review Commission ("FMSHRC"):

- *Contest Proceedings:* A contest proceeding may be filed by an operator to challenge the issuance of a citation or order issued by MSHA.
- *Civil Penalty Proceedings:* A civil penalty proceeding may be filed by an operator to challenge a civil penalty MSHA has proposed for a violation contained in a citation or order. The operator does not institute civil penalty proceedings based solely on the assessment amount of proposed penalties. Any initiated adjudications address substantive matters of law and policy instituted on conditions that are alleged to be in violation of mandatory standards of the Mine Act.
- *Discrimination Proceedings:* Involves a miner's allegation that he or she has suffered adverse employment action because he or she engaged in activity protected under the Mine Act, such as making a safety complaint. Also includes temporary reinstatement proceedings involving cases in which a miner has filed a complaint with MSHA stating that he or she has suffered discrimination and the miner has lost his or her position.
- *Compensation Proceedings:* A compensation proceeding may be filed by miners entitled to compensation when a mine is closed by certain closure orders issued by MSHA. The purpose of the proceeding is to determine the amount of compensation, if any, due to miners idled by the orders.
- *Temporary Relief:* Applications for temporary relief are applications filed under section 105(b)(2) of the Mine Act for temporary relief from any modification or termination of any order.
- *Appeals:* An appeal may be filed by an operator to challenge judges' decisions or orders to the Commission, including petitions for discretionary review and review by the Commission on its own motion.

For the Three Months Ended September 30, 2023 March 31, 2024:

Mine (1)	Oakdale, WI 4703625	Taylor, WI 4703759	Ottawa, IL 1103253
Section 104 citations for violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard (#)	—	—	—
Section 104(b) orders (#)	—	—	—
Section 104(d) citations and orders (#)	—	—	—
Section 110(b)(2) violations (#)	—	—	—
Section 107(a) orders (#)	—	—	—
Proposed assessments under MSHA (2)	$500	$—	$—
Mining-related fatalities (#)	—	—	—
Section 104(e) notice	—	—	—
Notice of the potential for a pattern of violations under Section 104(e)	—	—	—
Legal actions before the FMSHRC initiated (#)	—	—	—
Legal actions before the FMSHRC resolved (#)	—	—	—
Legal actions pending before the FMSHRC, end of period:	—	—	—
Contests of citations and orders referenced in Subpart B of 29 CFR Part 2700 (#)	—	—	—
Contests of proposed penalties referenced in Subpart C of 29 CFR Part 2700 (#)	—	—	—
Complaints for compensation referenced in Subpart D of 29 CFR Part 2700 (#)	—	—	—
Complaints of discharge, discrimination or interference referenced in Subpart E of 29 CFR Part 2700 (#)	—	—	—
Applications for temporary relief referenced in Subpart F of 29 CFR Part 2700 (#)	—	—	—
Appeals of judges' decisions or orders referenced in Subpart H of 29 CFR Part 2700 (#)	—	—	—
Total pending legal actions (#)	—	—	—

Mine (1)	Oakdale, WI 4703625	Taylor, WI 4703759	Ottawa, IL 1103253
Section 104 citations for violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard (#)	—	—	—
Section 104(b) orders (#)	—	—	—
Section 104(d) citations and orders (#)	—	—	—
Section 110(b)(2) violations (#)	—	—	—

Section 107(a) orders (#)	—	—	—
Proposed assessments under MSHA (2)	$294	$—	$147
Mining-related fatalities (#)	—	—	—
Section 104(e) notice	—	—	—
Notice of the potential for a pattern of violations under Section 104(e)	—	—	—
Legal actions before the FMSHRC initiated (#)	—	—	1
Legal actions before the FMSHRC resolved (#)	—	—	—
Legal actions pending before the FMSHRC, end of period:	—	—	1
Contests of citations and orders referenced in Subpart B of 29 CFR Part 2700 (#)	—	—	—
Contests of proposed penalties referenced in Subpart C of 29 CFR Part 2700 (#)	—	—	1
Complaints for compensation referenced in Subpart D of 29 CFR Part 2700 (#)	—	—	—
Complaints of discharge, discrimination or interference referenced in Subpart E of 29 CFR Part 2700 (#)	—	—	—
Applications for temporary relief referenced in Subpart F of 29 CFR Part 2700 (#)	—	—	—
Appeals of judges' decisions or orders referenced in Subpart H of 29 CFR Part 2700 (#)	—	—	—
Total pending legal actions (#)	—	—	1

(1) The definition of mine under section 3 of the Mine Act includes the mine, as well as other items used in, or to be used in, or resulting from, the work of extracting minerals, such as land, structures, facilities, equipment, machines, tools

and minerals preparation facilities. Unless otherwise indicated, any of these other items associated with a single mine have been aggregated in the totals for that mine. MSHA assigns an identification number to each mine and may or may not assign separate identification numbers to related facilities such as preparation facilities. We are providing the information in the table by mine rather than MSHA identification number because that is how we manage and operate our mining business and we believe this presentation will be more useful to investors than providing information based on MSHA identification numbers.

(2) Represents the total dollar value of the proposed assessments from MSHA under the Mine Act, for the three months preceding September 30, 2023 March 31, 2024, for all citations / orders assessed, not just those disclosed in the rows preceding such dollar value.

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