



The 3 Major MYTHS of the Frac Sand Market



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THE 3 MAJOR MYTHS

MYTH

1

Low barriers to entry, especially for new Permian sand mines.

MYTH

2

New capacity will quickly oversupply the market.

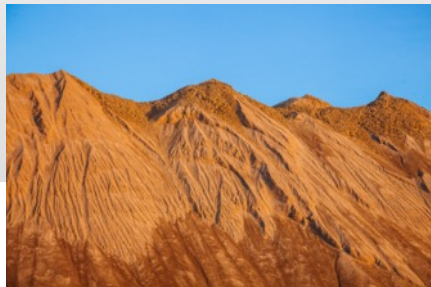
MYTH

3

Macro events and industry trends affect all sand suppliers equally.

The word "MYTH" in a white, distressed font on a blue background.

Low barriers to entry,
especially for new
Permian sand mines.

The word "FACT" in a white, clean font on a green background.

Despite all of the industry
talk, it's hard to add
capacity.



It's a Lot More Complicated Than it Looks

Numerous Challenges in the Permian

- Water
- Infrastructure
- Trucking
- Threatened species
- Labor
- Reserve quality



Resources & Relationships Critical for Success

- Need a lot of cash and strong customer relationships
- Land and equipment getting more expensive
- Only a subset of E&Ps want local sand
- Once long-term contracts signed, unlikely more capacity will be needed



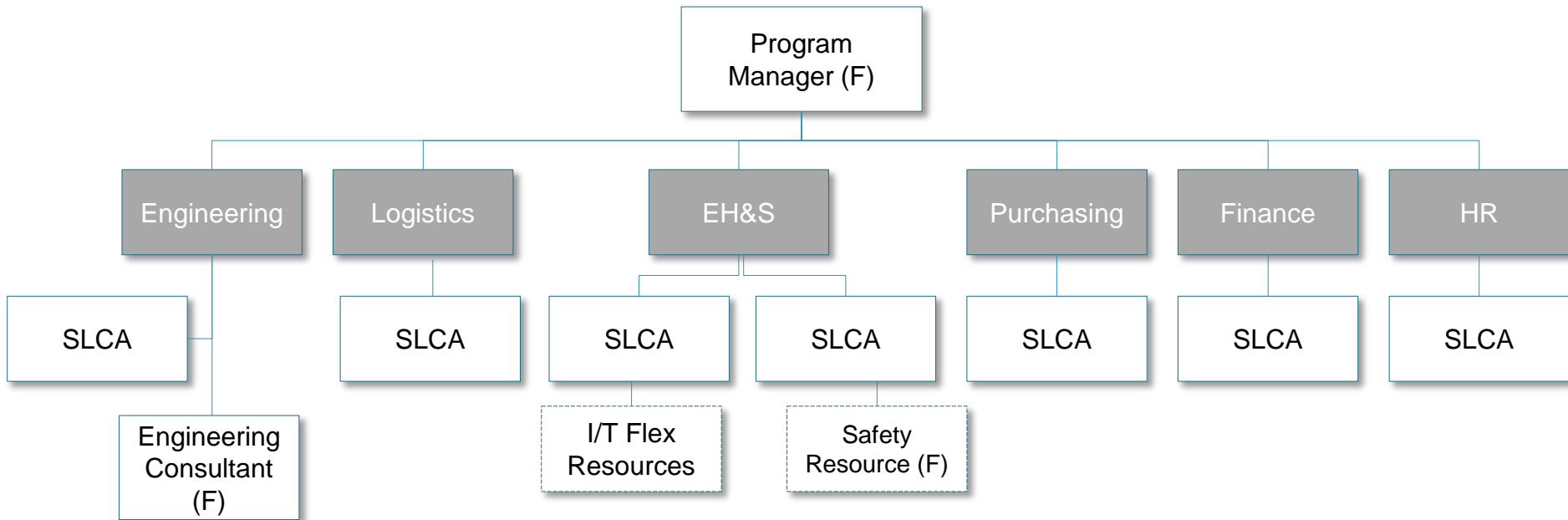
Full Court Press Applied to Capacity Adds

SLCA Sr. Advisory Team

Vice President, Operations

Vice President, Supply Chain

Vice President, Information Technology



(F) = Flex Resources

The word "MYTH" in a white, distressed, stencil-like font on a blue background.

New capacity will quickly oversupply the market.

The word "FACT" in a white, clean, sans-serif font on a green background.

Industry needs to add capacity to meet customer's needs.



Industry Needs to Add Capacity

- Total projected industry demand greatly exceeds prior peak
 - 2017: 70M-75M tons
 - 2018: >100M tons
- Sand is not fungible due to logistics and reserve characteristics
 - 2017: 70M-75M tons of demand implies 90M-100M tons to balance
 - 2018: >100M tons of demand implies 125M+ tons to balance
- Customers interested in securing long-term supply contracts and willing to provide capital upfront

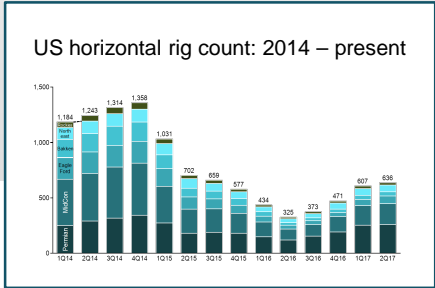


- Estimate 20-25 million tons of in-basin capacity will be added (All fine grades, mostly 100 mesh)
- Timing difficult to predict (water access, permitting, etc.)
- Permian 100 mesh demand ~20% of total market demand
- Demand for fine sand expected to grow and outpace supply growth
- Fine Northern White and Brady sand still expected to be needed
- Less efficient white sand could be displaced





Macro events
and industry trends
impact sand suppliers
equally.



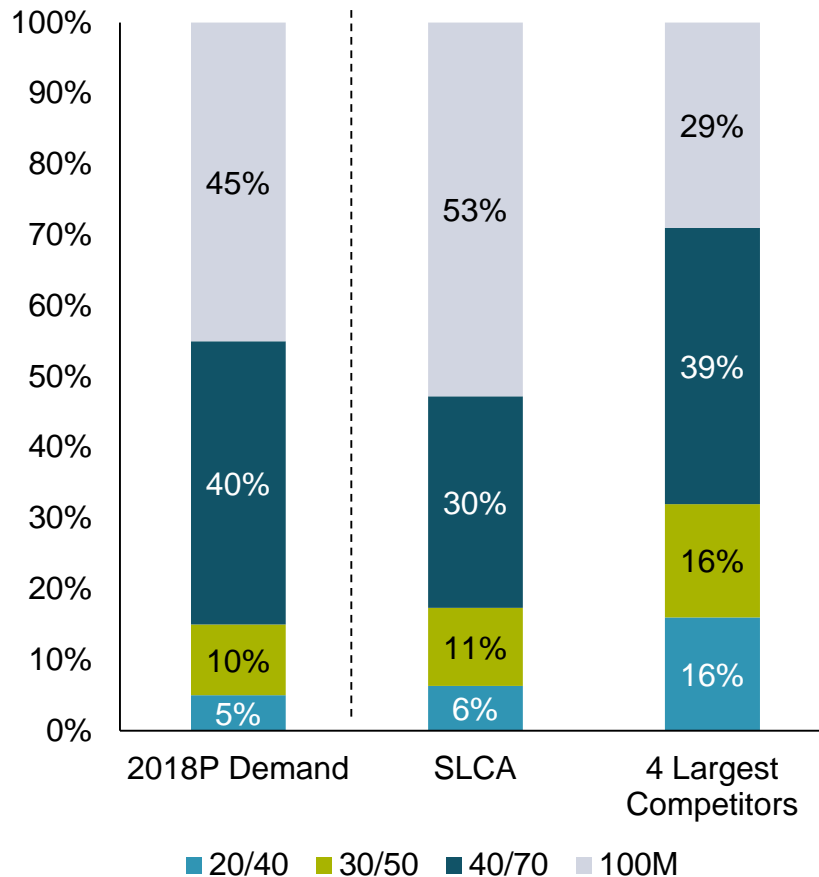
FACT

SLCA the clear industry
leader with compelling
competitive advantages
and best positioned to win.



SLCA Portfolio Best Matches Demand

By Grade



- Product mix better matched to market demand than peers
- Demand for fine grades expected to stay strong
- Multiple products in multiple locations offers customers greater flexibility
- Brownfield expansions adding 1M to 2M tons by end of 2017
- New Greenfield plant adds 4M tons of fine grade products

Coupled with a Robust Transload Network

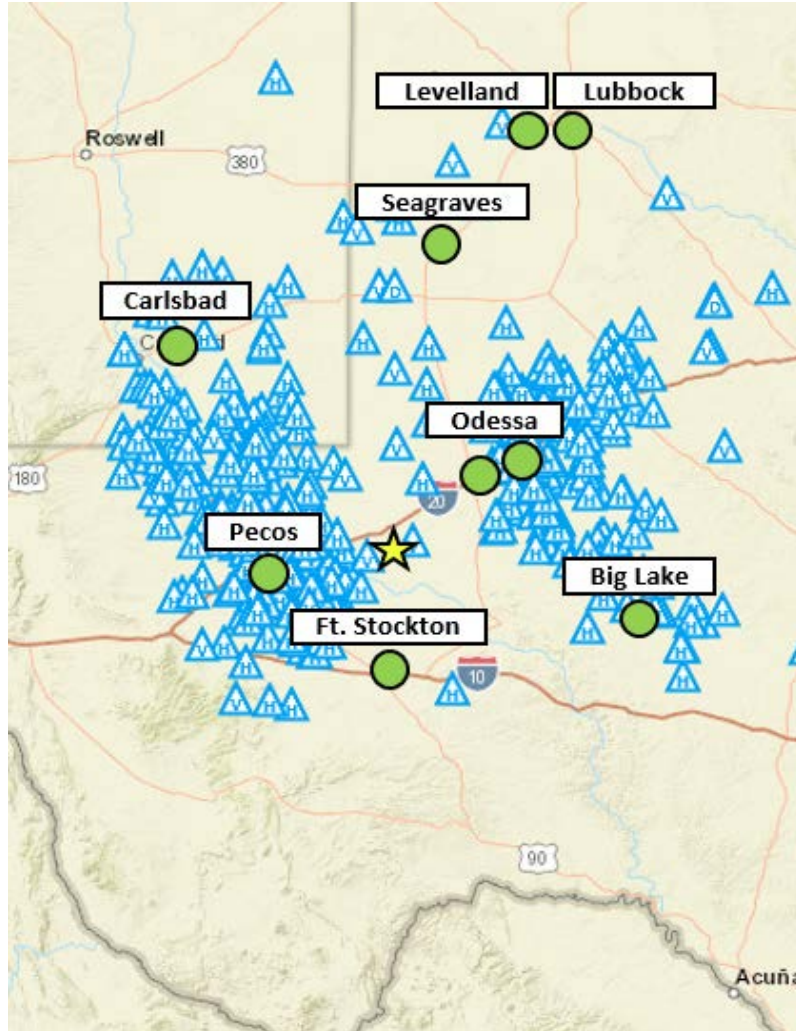
Key Considerations

- Operating costs and capital investments vary by basin
- Close proximity to rigs is crucial – 35+ site footprint needed to cover all US basins, multiple sites needed in every basin
- Vertically integrated transloads are high initial capital cost and high fixed

Ownership Strategy

- U.S. Silica owns assets at transloads where we identify durable, high volume opportunities that create attractive capital paybacks (e.g. San Antonio and Odessa)
- For other opportunities, third party facilities provide flexibility and limit risks surrounding cyclical and market movements

Gives SLCA Unparalleled Coverage of the Permian Basin; Including Both Delaware and Midland Plays



High Velocity: current Permian network can generate over 600k tons monthly throughput (7MM+ tons annually)

Low Risk: SLCA is diversified among Class I railroads and maintains a highly variable cost structure with transload partners

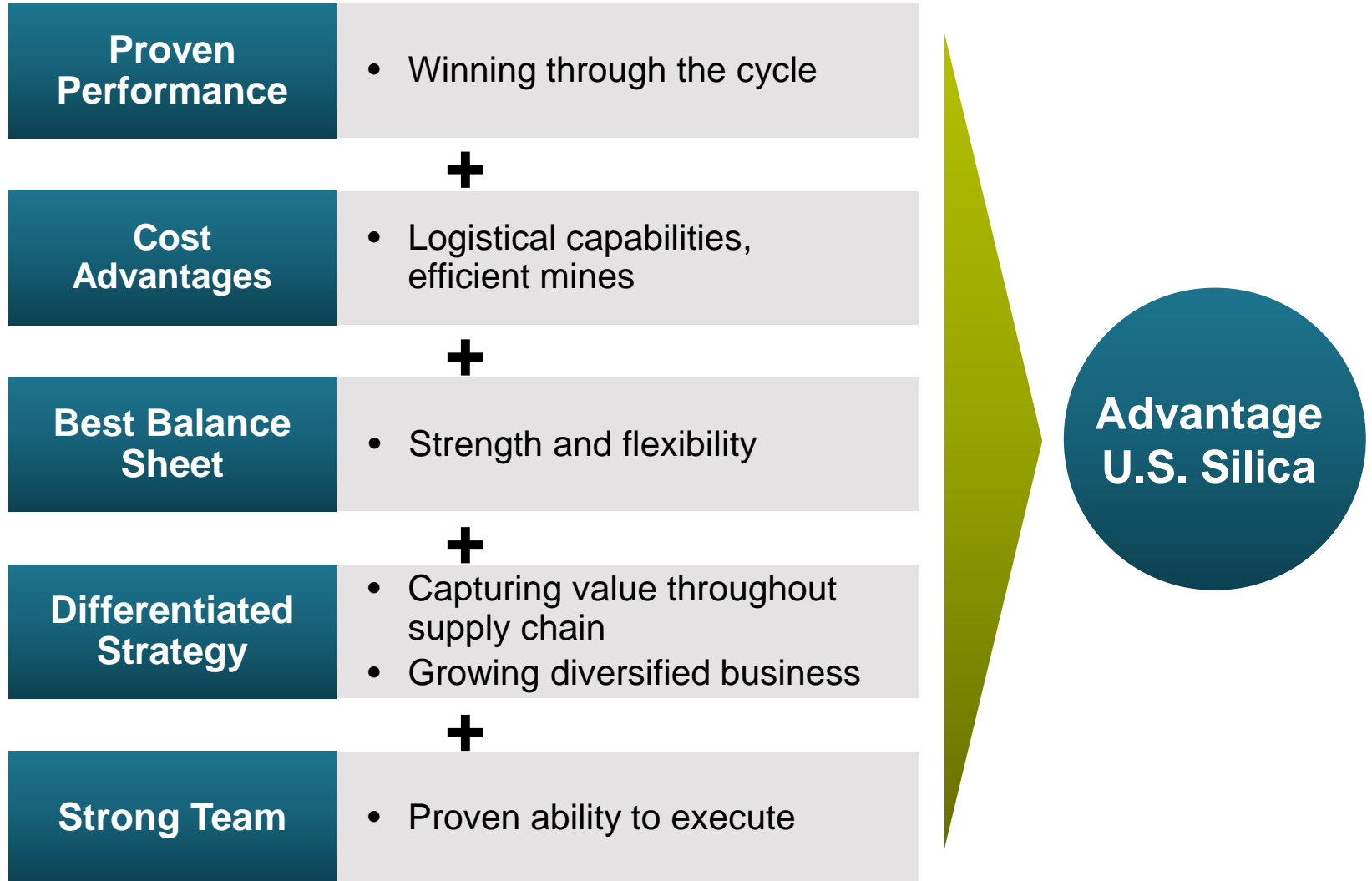
Great Coverage: >95% of all Permian rigs within 60 miles of a U.S. Silica Transload, 100% within 100 miles

Add Sandbox: Tailor Made for New Permian Opportunities

- Total cycle times reduced by more than 30 percent with Sandbox vs. pneumatics.
- Faster unload times with Sandbox (~85%) compared with pneumatics
- Approximately 30 percent less trucks required with Sandbox vs. pneumatics
- Greatly reduces demurrage charges at unloading
- Provides buffer inventory at the well site - increasing flexibility of truck scheduling and decreasing risk of well scheduling and decreasing risk of well shutdown
- Adds ability for companies to pool assets and inventory for multiple well sites in similar locations



U.S. Silica Best Positioned to Win





Questions??

