

**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 June 30, 2021

OR

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

Commission file number 001-35416



U.S. Silica Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
Incorporation or Organization)

26-3718801
(I.R.S. Employer
Identification No.)

24275 Katy Freeway, Suite 600
Katy, Texas 77494
(Address of Principal Executive Offices) (Zip Code)
(281) 258-2170
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.01 par value	SLCA	New York Stock Exchange

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 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

As of July 23, 2021, 74,753,918 shares of common stock, par value \$0.01 per share, of the registrant were outstanding.

U.S. SILICA HOLDINGS, INC.
FORM 10-Q
For the Quarter Ended June 30, 2021

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PART I-FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

U.S. SILICA HOLDINGS, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited; dollars in thousands)

	June 30, 2021	December 31, 2020
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 212,700	\$ 150,920
Accounts receivable, net	223,229	206,934
Inventories, net	113,346	104,684
Prepaid expenses and other current assets	19,915	23,147
Income tax deposits	—	628
Total current assets	<u>569,190</u>	<u>486,313</u>
Property, plant and mine development, net	1,300,211	1,368,092
Lease right-of-use assets	37,103	37,469
Goodwill	185,649	185,649
Intangible assets, net	154,815	159,582
Other assets	8,310	9,842
Total assets	<u>\$ 2,255,278</u>	<u>\$ 2,246,947</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 135,595	\$ 121,920
Current portion of operating lease liabilities	15,074	17,388
Current portion of long-term debt	38,841	42,042
Current portion of deferred revenue	10,464	13,545
Total current liabilities	<u>199,974</u>	<u>194,895</u>
Long-term debt, net	1,196,409	1,197,660
Deferred revenue	17,053	20,147
Liability for pension and other post-retirement benefits	31,739	48,169
Deferred income taxes, net	57,148	49,386
Operating lease liabilities	71,068	76,361
Other long-term liabilities	33,148	33,538
Total liabilities	<u>1,606,539</u>	<u>1,620,156</u>
Commitments and Contingencies (Note N)		
Stockholders' Equity:		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized; zero issued and outstanding at June 30, 2021 and December 31, 2020	—	—
Common stock, \$0.01 par value, 500,000,000 shares authorized; 84,116,110 issued and 74,751,699 outstanding at June 30, 2021; 83,143,176 issued and 73,986,566 outstanding at December 31, 2020	837	827
Additional paid-in capital	1,207,670	1,200,023
Retained deficit	(390,238)	(395,496)
Treasury stock, at cost, 9,364,411 and 9,156,610 shares at June 30, 2021 and December 31, 2020, respectively	(183,420)	(181,615)
Accumulated other comprehensive income (loss)	3,161	(8,479)
Total U.S. Silica Holdings, Inc. stockholders' equity	<u>638,010</u>	<u>615,260</u>
Non-controlling interest	10,729	11,531
Total stockholders' equity	<u>648,739</u>	<u>626,791</u>
Total liabilities and stockholders' equity	<u>\$ 2,255,278</u>	<u>\$ 2,246,947</u>

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

U.S. SILICA HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; dollars in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Sales:				
Product	\$ 268,087	\$ 160,200	\$ 459,477	\$ 382,361
Service	49,214	12,337	92,240	59,775
Total sales	317,301	172,537	551,717	442,136
Cost of sales (excluding depreciation, depletion and amortization):				
Product	153,962	114,130	296,759	279,626
Service	38,993	10,613	73,185	46,434
Total cost of sales (excluding depreciation, depletion and amortization)	192,955	124,743	369,944	326,060
Operating expenses:				
Selling, general and administrative	27,509	39,126	53,733	69,178
Depreciation, depletion and amortization	41,165	37,086	82,513	75,535
Goodwill and other asset impairments	—	3,956	38	107,822
Total operating expenses	68,674	80,168	136,284	252,535
Operating income (loss)	55,672	(32,374)	45,489	(136,459)
Other (expense) income:				
Interest expense	(17,918)	(22,179)	(35,629)	(44,456)
Other (expense) income, net, including interest income	(186)	(1,670)	2,419	16,001
Total other expense	(18,104)	(23,849)	(33,210)	(28,455)
Income (loss) before income taxes	37,568	(56,223)	12,279	(164,914)
Income tax (expense) benefit	(11,666)	23,605	(7,312)	59,691
Net income (loss)	\$ 25,902	\$ (32,618)	\$ 4,967	\$ (105,223)
Less: Net loss attributable to non-controlling interest	(126)	(264)	(283)	(524)
Net income (loss) attributable to U.S. Silica Holdings, Inc.	\$ 26,028	\$ (32,354)	\$ 5,250	\$ (104,699)
Earnings (loss) per share attributable to U.S. Silica Holdings, Inc.:				
Basic	\$ 0.35	\$ (0.44)	\$ 0.07	\$ (1.42)
Diluted	\$ 0.34	\$ (0.44)	\$ 0.07	\$ (1.42)
Weighted average shares outstanding:				
Basic	74,339	73,620	74,135	73,545
Diluted	76,136	73,620	75,948	73,545
Dividends declared per share	\$ —	\$ —	\$ —	\$ 0.02

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

U.S. SILICA HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited; dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income (loss)	\$ 25,902	\$ (32,618)	\$ 4,967	\$ (105,223)
Other comprehensive income (loss):				
Unrealized gain on derivatives (net of tax of zero and \$675 for the three months ended June 30, 2021 and 2020, respectively, and zero and \$742 for the six months ended June 30, 2021 and 2020, respectively)	—	2,117	—	2,328
Foreign currency translation adjustment (net of tax of \$36 and \$102 for the three months ended June 30, 2021 and 2020, respectively, and \$(144) and \$10 for the six months ended June 30, 2021 and 2020, respectively)	113	320	(456)	31
Pension and other post-retirement benefits liability adjustment (net of tax of \$619 and \$(91) for the three months ended June 30, 2021 and 2020, respectively, and \$3,853 and \$(1,725) for the six months ended June 30, 2021 and 2020, respectively)	1,945	(287)	12,096	(5,415)
Comprehensive income (loss)	\$ 27,960	\$ (30,468)	\$ 16,607	\$ (108,279)
Less: Comprehensive loss attributable to non-controlling interest	(126)	(264)	(283)	(524)
Comprehensive income (loss) attributable to U.S. Silica Holdings, Inc.	\$ 28,086	\$ (30,204)	\$ 16,890	\$ (107,755)

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

U.S. SILICA HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited; dollars in thousands, except per share amounts)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Total U.S. Silica Holdings Inc., Stockholders' Equity	Non-controlling Interest	Total Stockholders' Equity
Balance at March 31, 2021	\$ 832	\$ (182,515)	\$ 1,203,922	\$ (416,267)	\$ 1,103	\$ 607,075	\$ 11,200	\$ 618,275
Net income	—	—	—	26,028	—	26,028	(126)	25,902
Foreign currency translation adjustment	—	—	—	—	113	113	—	113
Pension and post-retirement liability	—	—	—	—	1,945	1,945	—	1,945
Cash dividends	—	—	—	1	—	—	1	1
Distributions to non-controlling interest	—	—	—	—	—	—	(345)	(345)
Common stock-based compensation plans activity:								
Equity-based compensation	—	—	3,753	—	—	3,753	—	3,753
Tax payments related to shares withheld for vested restricted stock and stock units	5	(905)	(5)	—	—	(905)	—	(905)
Balance at June 30, 2021	\$ 837	\$ (183,420)	\$ 1,207,670	\$ (390,238)	\$ 3,161	\$ 638,010	\$ 10,729	\$ 648,739
Balance at March 31, 2020	\$ 824	\$ (181,369)	\$ 1,187,962	\$ (353,862)	\$ (25,060)	\$ 628,495	\$ 11,099	\$ 639,594
Net loss	—	—	—	(32,354)	—	(32,354)	(264)	(32,618)
Unrealized gain on derivatives	—	—	—	—	2,117	2,117	—	2,117
Foreign currency translation adjustment	—	—	—	—	320	320	—	320
Pension and post-retirement liability	—	—	—	—	(287)	(287)	—	(287)
Cash dividends	—	—	—	106	—	106	—	106
Distributions to non-controlling interest	—	—	—	—	—	—	(28)	(28)
Common stock-based compensation plans activity:								
Equity-based compensation	—	—	4,108	—	—	4,108	—	4,108
Tax payments related to shares withheld for vested restricted stock and stock units	2	(44)	(2)	—	—	(44)	—	(44)
Balance at June 30, 2020	\$ 826	\$ (181,413)	\$ 1,192,068	\$ (386,110)	\$ (22,910)	\$ 602,461	\$ 10,807	\$ 613,268

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

	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive (Loss) Income	Total U.S. Silica Holdings Inc., Stockholders' Equity	Non-controlling Interest	Total Stockholders' Equity
Balance at December 31, 2020	\$ 827	\$ (181,615)	\$ 1,200,023	\$ (395,496)	\$ (8,479)	\$ 615,260	\$ 11,531	\$ 626,791
Net income	—	—	—	5,250	—	5,250	(283)	4,967
Foreign currency translation adjustment	—	—	—	—	(456)	(456)	—	(456)
Pension and post-retirement liability	—	—	—	—	12,096	12,096	—	12,096
Cash dividends	—	—	—	8	—	8	—	8
Distributions to non-controlling interest	—	—	—	—	—	—	(519)	(519)
Common stock-based compensation plans activity:								
Equity-based compensation	—	—	7,896	—	—	7,896	—	7,896
Proceeds from options exercised	—	344	(239)	—	—	105	—	105
Tax payments related to shares withheld for vested restricted stock and stock units	10	(2,149)	(10)	—	—	(2,149)	—	(2,149)
Balance at June 30, 2021	\$ 837	\$ (183,420)	\$ 1,207,670	\$ (390,238)	\$ 3,161	\$ 638,010	\$ 10,729	\$ 648,739
Balance at December 31, 2019	\$ 823	\$ (180,912)	\$ 1,185,116	\$ (279,956)	\$ (19,854)	\$ 705,217	\$ 11,363	\$ 716,580
Net loss	—	—	—	(104,699)	—	(104,699)	(524)	(105,223)
Unrealized gain on derivatives	—	—	—	—	2,328	2,328	—	2,328
Foreign currency translation adjustment	—	—	—	—	31	31	—	31
Pension and post-retirement liability	—	—	—	—	(5,415)	(5,415)	—	(5,415)
Cash dividend declared (\$0.02 per share)	—	—	—	(1,455)	—	(1,455)	—	(1,455)
Distributions to non-controlling interest	—	—	—	—	—	—	(32)	(32)
Common stock-based compensation plans activity:								
Equity-based compensation	—	—	6,955	—	—	6,955	—	6,955
Tax payments related to shares withheld for vested restricted stock and stock units	3	(501)	(3)	—	—	(501)	—	(501)
Balance at June 30, 2020	\$ 826	\$ (181,413)	\$ 1,192,068	\$ (386,110)	\$ (22,910)	\$ 602,461	\$ 10,807	\$ 613,268

U.S. SILICA HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; dollars in thousands)

	Six Months Ended June 30,	
	2021	2020
Operating activities:		
Net income (loss)	\$ 4,967	\$ (105,223)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	82,513	75,535
Goodwill and other asset impairments	38	107,822
Debt issuance amortization	2,537	2,574
Original issue discount amortization	514	518
Deferred income taxes	4,053	(61,090)
Deferred revenue	(9,993)	(5,002)
Gain on disposal of property, plant and equipment	(211)	(1,445)
Equity-based compensation	7,896	6,955
Allowance for credit losses, net of recoveries	(981)	705
Other	26,063	(282)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(15,314)	96,278
Inventories	(8,662)	9,941
Prepaid expenses and other current assets	3,838	(16,134)
Income taxes	953	1,169
Accounts payable and accrued expenses	15,874	(106,979)
Operating lease liabilities	(14,135)	(31,782)
Liability for pension and other post-retirement benefits	(16,418)	6,731
Other noncurrent assets and liabilities	(1,579)	7,624
Net cash provided by (used in) operating activities	<u>81,953</u>	<u>(12,085)</u>
Investing activities:		
Capital expenditures	(7,078)	(23,229)
Capitalized intellectual property costs	(150)	(499)
Proceeds from sale of property, plant and equipment	344	2,478
Net cash used in investing activities	<u>(6,884)</u>	<u>(21,250)</u>
Financing activities:		
Dividends paid	(40)	(6,078)
Proceeds from options exercised	105	—
Tax payments related to shares withheld for vested restricted stock and stock units	(2,149)	(501)
Proceeds from draw down of the Revolver	—	25,000
Payments on short-term debt	(4,157)	(5,055)
Payments on long-term debt	(6,400)	(7,024)
Distributions to non-controlling interest	(519)	(32)
Principal payments on finance lease obligations	(129)	(39)
Net cash (used in) provided by financing activities	<u>(13,289)</u>	<u>6,271</u>
Net increase (decrease) in cash and cash equivalents	61,780	(27,064)
Cash and cash equivalents, beginning of period	150,920	185,740
Cash and cash equivalents, end of period	\$ 212,700	\$ 158,676

U.S. SILICA HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited; dollars in thousands)

	Six Months Ended June 30,	
	2021	2020
Supplemental cash flow information:		
Cash paid (received) during the period for:		
Interest	\$ 32,359	\$ 39,818
Taxes, net of refunds	\$ (13,633)	\$ (36,527)
Non-cash items:		
Accrued capital expenditures	\$ 1,848	\$ 16,829
Net assets assumed in business acquisition	\$ 68	\$ 8,367

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

U.S. SILICA HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; dollars in thousands, except per share amounts)

NOTE A—ORGANIZATION AND BASIS OF PRESENTATION

Organization

U.S. Silica Holdings, Inc. (“Holdings,” and together with its subsidiaries “we,” “us” or the “Company”) is a global performance materials company and a leading producer of commercial silica used in the oil and gas industry and in a wide range of industrial applications. In addition, through our subsidiary EP Minerals, LLC (“EPM”), we are an industry leader in the production of industrial minerals, including diatomaceous earth, clay (calcium bentonite and calcium montmorillonite) and perlite. During our 121-year history, we have developed core competencies in mining, processing, logistics and materials science that enable us to produce and cost-effectively deliver products to customers across our end markets. Our operations are organized into two reportable segments based on end markets served: (1) Oil & Gas Proppants and (2) Industrial & Specialty Products. See Note T - Segment Reporting for more information on our reportable segments.

Basis of Presentation and Consolidation

The accompanying unaudited Condensed Consolidated Financial Statements for the quarter ended June 30, 2021 included in this Quarterly Report on Form 10-Q have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X issued by the U.S. Securities and Exchange Commission (“SEC”). They do not contain certain information included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020; therefore, the unaudited Condensed Consolidated Financial Statements should be read in conjunction with that Annual Report on Form 10-K. Operating results for the six-month period ended June 30, 2021 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2021. In the opinion of management, all adjustments necessary for a fair presentation have been included. Such adjustments are of a normal, recurring nature.

The unaudited Condensed Consolidated Financial Statements include the accounts of Holdings and its direct and indirect wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Throughout this report we refer to (i) our unaudited Condensed Consolidated Balance Sheets as our “Balance Sheets,” (ii) our unaudited Condensed Consolidated Statements of Operations as our “Income Statements,” and (iii) our unaudited Condensed Consolidated Statements of Cash Flows as our “Cash Flows.”

Reclassifications

Certain reclassifications of prior period presentations were made to conform to the current period presentation.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates and Assumptions

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The areas requiring the use of management estimates and assumptions relate to the purchase price allocation for businesses acquired; mineral reserves that are the basis for future cash flow estimates utilized in impairment calculations and units-of-production amortization calculations; environmental, reclamation and closure obligations; estimates of recoverable minerals; estimates of allowance for credit losses; estimates of fair value for certain reporting units and asset impairments (including impairments of goodwill, intangible assets and other long-lived assets); write-downs of inventory to net realizable value; equity-based compensation expense; post-employment, post-retirement and other employee benefit liabilities; valuation allowances for deferred tax assets; contingent considerations; reserves for contingencies and litigation and the fair value and accounting treatment of financial instruments. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates under different assumptions or conditions.

New Accounting Pronouncements Recently Adopted

None.

New Accounting Pronouncements Not Yet Adopted

None.

NOTE C—EARNINGS PER SHARE

Basic earnings per common share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per common share is computed similarly to basic earnings per common share except that the weighted average number of common shares outstanding is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued.

Diluted net earnings per share assumes the conversion of contingently convertible securities and stock options under the treasury stock method, if dilutive. Contingently convertible securities and stock options are excluded from the calculation of fully diluted earnings per share if they are anti-dilutive, including when we incur a loss from continuing operations.

The following table shows the computation of basic and diluted earnings per share:

<i>In thousands, except per share amounts</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Numerator:				
Net income (loss) attributable to U.S. Silica Holdings, Inc.	\$ 26,028	\$ (32,354)	\$ 5,250	\$ (104,000)
Denominator:				
Weighted average shares outstanding	74,339	73,620	74,135	73,620
Diluted effect of stock awards	1,797	—	1,813	—
Weighted average shares outstanding assuming dilution	76,136	73,620	75,948	73,620
Earnings (loss) per share attributable to U.S. Silica Holdings, Inc.:				
Basic earnings (loss) per share	\$ 0.35	\$ (0.44)	\$ 0.07	\$ (1.41)
Diluted earnings (loss) per share	\$ 0.34	\$ (0.44)	\$ 0.07	\$ (1.41)

Potentially dilutive shares were excluded from the calculation of diluted weighted average shares outstanding and diluted earnings per share because we were in a net loss position during 2020. Certain stock options, restricted stock awards and performance share units were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive. Such potentially dilutive shares and stock awards excluded from the calculation of diluted earnings per common share were as follows:

<i>In thousands</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Potentially dilutive shares excluded	N/A	91	N/A	77
Stock options excluded	590	826	590	826
Restricted stock and performance share unit awards excluded	55	7,169	56	4,817

NOTE D—ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) consists of fair value adjustments associated with accumulated adjustments for net experience losses and prior service costs related to employee benefit plans and foreign currency translation adjustments, net of tax. The following table presents the changes in accumulated other comprehensive income (loss) by component (in thousands):

			For the Six Months Ended June 30, 2021			
	Foreign currency translation adjustments		Pension and other post-retirement benefits liability	Total		
Beginning Balance	\$	583	\$	(9,062)	\$	(8,479)
Other comprehensive (loss) gain before reclassifications		(456)		11,700		11,244
Amounts reclassified from accumulated other comprehensive loss		—		396		396
Ending Balance	\$	127	\$	3,034	\$	3,161

Amounts reclassified related to pension and other post-retirement benefits are included in the computation of net periodic benefit costs at their pre-tax amounts.

NOTE E—BUSINESS COMBINATIONS

During the first quarter of 2020, we settled multiple intellectual property and contractual lawsuits involving our SandBox Logistics unit and Arrows Up, LLC. As part of the settlement, SandBox Logistics took control of Arrows Up's existing business, including all equipment and sand logistics contracts, while also receiving a cash payment.

We accounted for the acquisition of Arrows Up, LLC under the acquisition method of accounting in accordance with ASC 805, Business Combinations. Estimates of fair value included in the Condensed Consolidated Financial Statements represented our best estimates and valuations. In accordance with the acquisition method of accounting, the fair values were subject to adjustment until we completed our analysis, which was during the first quarter of 2021. This business combination resulted in a bargain purchase pursuant to ASC 805-30-25 because no consideration was paid for the fair value of assets acquired and liabilities assumed. The fair value of assets acquired, which included cash, accounts receivable, inventories, lease right-of-use assets, and property plant, and equipment, was \$20.1 million. The fair value of liabilities assumed, which included lease liabilities and other long-term liabilities, was \$2.5 million. A gain on bargain purchase of \$17.6 million was recorded in "Other income, net, including interest income" in the Condensed Consolidated Statement of Operations.

In the three months ended March 31, 2021, we recorded a \$0.1 million increase to accounts receivable, which was our final adjustment to the purchase price. The total adjustments during the measurement period of \$2.4 million were recorded as a net decrease to the initial gain on bargain purchase and recorded in "Other (expense) income, net, including interest income" in the Condensed Consolidated Statement of Operations.

NOTE F—ACCOUNTS RECEIVABLE

Accounts receivable are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of our accounts receivable, net of the allowance for credit losses, represents their estimated net realizable value. Accounts receivable (in thousands) consisted of the following:

	June 30, 2021	December 31, 2020
Trade receivables	\$ 204,587	\$ 171,230
Less: Allowance for credit losses	(5,599)	(6,604)
Net trade receivables	198,988	164,626
Other receivables ⁽¹⁾	24,241	42,308
Total accounts receivable	<u>\$ 223,229</u>	<u>\$ 206,934</u>

(1) At June 30, 2021 and December 31, 2020, other receivables included \$21.5 million and \$37.4 million, respectively, of refunds related to NOL carryback claims filed for various tax years in accordance with certain provisions of the CARES Act.

We classify our trade receivables into the following portfolio segments: Oil & Gas Proppants and Industrial & Specialty Products, which also aligns with our reporting segments. We estimate the allowance for credit losses based on historical collection trends, the age of outstanding receivables, risks attributable to specific customers, such as credit history, bankruptcy or other going concern issues, and current economic and industry conditions. If events or circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due balances are written off when we have exhausted our internal and external collection efforts and have been unsuccessful in collecting the amount due.

The following table reflects the change of the allowance for credit losses (in thousands):

	Oil & Gas Proppants	Industrial & Specialty Products	Total
Beginning balance, December 31, 2020	\$ 5,684	\$ 920	\$ 6,604
Allowance for credit losses	(1,000)	19	(981)
Write-offs	(16)	(8)	(24)
Ending balance, June 30, 2021	<u>\$ 4,668</u>	<u>\$ 931</u>	<u>\$ 5,599</u>

Our ten largest customers accounted for 49% and 45% of total sales for the three and six months ended June 30, 2021 and 40% and 36% for the three and six months ended June 30, 2020, respectively. One of our customers accounted for 15% of our total sales for the three months ended June 30, 2021. One of our customers accounted for 10% of our total sales for the three months ended June 30, 2020. No customers accounted for 10% or more of our total sales for the six months ended June 30, 2021 or 2020. At June 30, 2021, one of our customer's accounts receivable represented 23% of our total trade accounts receivable. At December 31, 2020, the same customer's accounts receivable represented 24% of our total trade accounts receivable. No other customers accounted for 10% or more of our total trade accounts receivable during the same periods.

NOTE G—INVENTORIES

Inventories (in thousands) consisted of the following:

	June 30, 2021	December 31, 2020
Supplies	\$ 42,968	\$ 42,329
Raw materials and work in process	36,710	33,723
Finished goods	33,668	28,632
Total inventories	<u>\$ 113,346</u>	<u>\$ 104,684</u>

During 2020, there was an unprecedented drop in global demand combined with the breakdown of the Organization of the Petroleum Exporting Countries and other oil producing nations ("OPEC+") agreement to restrict oil production that led to one of the largest annual crude oil inventory builds in history. This led to sharp reductions in global crude oil prices. Containment measures and other economic, travel, and business disruptions caused by COVID-19 also affected refinery activity and future demand for crude oil, and consequently, the services and products of our Oil & Gas Proppants Segment. As a result of these events, we recorded impairment charges of \$1.0 million and \$6.7 million for the three and six months ended June 30, 2020, respectively, primarily related to unused inventory at idled plants. These charges related to the Oil & Gas Proppants Segment and were recorded in "Goodwill and other asset impairments" in the Condensed Consolidated Statements of Operations. No impairment charges were recorded related to inventory for the six months ended June 30, 2021.

NOTE H—PROPERTY, PLANT AND MINE DEVELOPMENT

Property, plant and mine development (in thousands) consisted of the following:

	June 30, 2021	December 31, 2020
Mining property and mine development	\$ 789,830	\$ 788,2
Asset retirement cost	15,985	15,9
Land	55,292	54,7
Land improvements	76,221	76,0
Buildings	70,128	69,8
Machinery and equipment	1,173,465	1,171,3
Furniture and fixtures	3,932	4,0
Construction-in-progress	30,314	27,2
	2,215,167	2,207,4
Accumulated depreciation, depletion, amortization and impairment charges	(914,956)	(839,4
Total property, plant and mine development, net	\$ 1,300,211	\$ 1,368,0

Depreciation, depletion, and amortization expense related to property, plant and mine development was \$38.3 million and \$34.0 million for the three months ended June 30, 2021 and 2020, respectively, and \$76.9 million and \$69.4 million for the six months ended June 30, 2021 and 2020, respectively.

During 2020, there was an unprecedented drop in global demand combined with the breakdown of the OPEC+ agreement to restrict oil production that led to one of the largest annual crude oil inventory builds in history. This led to sharp reductions in global crude oil prices. Containment measures and other economic, travel, and business disruptions caused by COVID-19 also affected refinery activity and future demand for crude oil, and consequently, the services and products of our Oil & Gas Proppants Segment. As a result of these events, we recorded impairment charges of \$1.3 million and \$11.6 million for the three and six months ended June 30, 2020, respectively, related primarily to our Kosse, Texas facility, which was idled. These impairment charges related to the Oil & Gas Proppants Segment and were recorded in "Goodwill and other asset impairments" in the Condensed Consolidated Statements of Operations. No impairment charges were recorded related to property, plant and mine development for the six months ended June 30, 2021.

NOTE I—GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill (in thousands) by business segment consisted of the following:

	Oil & Gas Proppants Segment	Industrial & Specialty Products Segment	Totals
Balance at December 31, 2020	\$ —	\$ 185,649	\$ 185,649
Impairment loss	—	—	—
Balance at June 30, 2021	\$ —	\$ 185,649	\$ 185,649

Goodwill and trade names are evaluated for impairment annually as of October 31, or more frequently when indicators of impairment exist. We evaluated events and circumstances since the date of our last qualitative assessment, including macroeconomic conditions, industry and market conditions, and our overall financial performance.

During 2020, there was an unprecedented drop in global demand combined with the breakdown of the OPEC+ agreement to restrict oil production that led to one of the largest annual crude oil inventory builds in history. This led to sharp reductions in global crude oil prices. Containment measures and other economic, travel, and business disruptions caused by COVID-19 also affected refinery activity and future demand for crude oil, and consequently, the services and products of our Oil & Gas Proppants Segment. As a result of these triggering events, we performed a quantitative analysis and determined that the goodwill of our Oil & Gas reporting unit was impaired. We recognized goodwill impairment charges of \$86.1 million during the first quarter of 2020, which were recorded in "Goodwill and other asset impairments" in the Condensed Consolidated Statements of Operations. There were no triggering events during the first or second quarters of 2021, therefore, no impairment charges were recorded related to goodwill for the six months ended June 30, 2021.

The changes in the carrying amount of intangible assets (in thousands) consisted of the following:

	June 30, 2021				December 31, 2020			
	Gross Carrying Amount	Accumulated Amortization	Impairments	Net	Gross Carrying Amount	Accumulated Amortization	Impairments	Net
Technology and intellectual property	\$ 71,125	\$ (22,666)	\$ —	\$ 48,459	\$ 71,052	\$ (18,854)	\$ (1,373)	\$ 50,825
Customer relationships	66,999	(25,583)	—	41,416	66,999	(23,182)	—	43,817
Total definite-lived intangible assets:	\$ 138,124	\$ (48,249)	\$ —	\$ 89,875	\$ 138,051	\$ (42,036)	\$ (1,373)	\$ 94,642
Trade names	64,240	—	—	64,240	65,390	—	(1,150)	64,240
Other	700	—	—	700	700	—	—	700
Total intangible assets:	\$ 203,064	\$ (48,249)	\$ —	\$ 154,815	\$ 204,141	\$ (42,036)	\$ (2,523)	\$ 159,582

Estimated useful life of technology and intellectual property is 15 years. Estimated useful life of customer relationships is a range of 13 - 20 years.

Amortization expense was \$2.4 million and \$4.8 million for the three and six months ended June 30, 2021 and \$2.7 million and \$5.4 million for the three and six months ended June 30, 2020, respectively.

The estimated amortization expense related to definite-lived intangible assets (in thousands) for the five succeeding years is as follows:

2021 (remaining six months)	\$	4,845
2022		9,670
2023		9,665
2024		9,667
2025		9,665

NOTE J—DEBT

Debt (in thousands) consisted of the following:

	June 30, 2021	December 31, 2020
Senior secured credit facility:		
Revolver expiring May 1, 2023 (4.13% at June 30, 2021 and 4.19% at December 31, 2020)	\$ 25,000	\$ 25,000
Term Loan—final maturity May 1, 2025 (5.00% at June 30, 2021 and 5.00% at December 31, 2020)	1,228,400	1,234,800
Less: Unamortized original issue discount	(3,862)	(4,300)
Less: Unamortized debt issuance cost	(17,720)	(20,200)
Insurance financing notes payable	28	4,100
Finance leases (See Note P - Leases)	3,404	3,400
Total debt	1,235,250	1,239,700
Less: current portion	(38,841)	(42,000)
Total long-term portion of debt	\$ 1,196,409	\$ 1,197,700

Senior Secured Credit Facility

On May 1, 2018, we entered into a Third Amended and Restated Credit Agreement (the "Credit Agreement"), which increased our existing senior debt by entering into a new \$1.380 billion senior secured credit facility, consisting of a \$1.280 billion term loan (the "Term Loan") and a \$100 million revolving credit facility (the "Revolver") (collectively the "Credit Facility") that may also be used for swingline loans or letters of credit, and we may elect to increase the term loan in accordance with the terms of the Credit Agreement. Borrowings under the Credit Agreement will bear interest at variable rates as determined at our election, at LIBOR or a base rate, in each case, plus an applicable margin. In addition, under the Credit Agreement, we are required to pay a per annum facility fee and fees for letters of credit. The Credit Agreement is secured by substantially all of our assets and of our domestic subsidiaries' assets and a pledge of the equity interests in such entities. The Term Loan matures on May 1, 2025, and the Revolver expires May 1, 2023. We capitalized \$38.7 million in debt issuance costs and original issue discount as a result of the new Credit Agreement.

The Credit Facility contains covenants that, among other things, limit our ability, and certain of our subsidiaries' abilities, to create, incur or assume indebtedness and liens, to make acquisitions or investments, to sell assets and to pay dividends. The Credit Agreement also requires us to maintain a consolidated leverage ratio of no more than 3.75:1.00 as of the last day of any fiscal quarter whenever usage of the Revolver (other than certain undrawn letters of credit) exceeds 30% of the Revolver commitment. These covenants are subject to a number of important exceptions and qualifications. The Credit Agreement includes events of default and other affirmative and negative covenants that are usual for facilities and transactions of this type. As of June 30, 2021 and December 31, 2020, we are in compliance with all covenants in accordance with our senior secured Credit Facility.

Term Loan

At June 30, 2021, contractual maturities of our Term Loan (in thousands) are as follows:

2021 (remaining six months)	\$	6,4
2022		12,4
2023		12,4
2024		12,4
2025		1,183,4
Thereafter		
Total	\$	1,228,4

Revolving Line-of-Credit

We have a \$100.0 million Revolver with \$25.0 million drawn and \$22.0 million allocated for letters of credit as of June 30, 2021, leaving \$53.0 million available under the Revolver. We have the intent and ability to repay the amounts outstanding on the Revolver within one year, therefore, the outstanding balance as of June 30, 2021 has been classified as current. During the third quarter of 2021, we repaid the amount drawn on the Revolver in full.

Based on our consolidated leverage ratio of 4.81:1.00 as of June 30, 2021, we may draw up to approximately \$30.0 million without the consent of our lenders. With the consent of our lenders, we have access to the full availability of the Revolver.

NOTE K—ASSET RETIREMENT OBLIGATIONS

Mine reclamation or future remediation costs for inactive mines are accrued based on management’s best estimate at the end of each period of the costs expected to be incurred at such site. Such cost estimates include, where applicable, ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines are reflected in earnings in the period an estimate is revised. Liabilities related to our asset retirement obligations are reflected in other long-term liabilities on our balance sheets. Changes in the asset retirement obligations (in thousands) are as follows:

	Six Months Ended June 30,	
	2021	2020
Beginning balance	\$ 24,717	\$ 25,825
Accretion	683	735
Additions and revisions of estimates	279	(890)
Ending balance	<u>\$ 25,679</u>	<u>\$ 25,670</u>

NOTE L—FAIR VALUE ACCOUNTING

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Inputs that are generally unobservable and typically reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability.

Cash Equivalents

Due to the short-term maturity, we believe our cash equivalent instruments at June 30, 2021 and December 31, 2020, approximate their reported carrying values.

Long-Term Debt, Including Current Maturities

We believe that the fair values of our long-term debt, including current maturities, approximate their carrying values based on their effective interest rates compared to current market rates.

NOTE M—EQUITY-BASED COMPENSATION

In July 2011, we adopted the U.S. Silica Holdings, Inc. 2011 Incentive Compensation Plan (the “2011 Plan”), which was amended and restated effective May 2015, amended and restated effective February 1, 2020, and amended and restated effective May 13, 2021. The 2011 Plan provides for grants of stock options, restricted stock, performance share units and other incentive-based awards. We believe our 2011 Plan aligns the interests of our employees and directors with those of our common stockholders. At June 30, 2021, we had 2,604,025 shares of common stock that may be issued under the 2011 Plan. We use a combination of treasury stock and new shares if necessary to satisfy option exercises or vesting of restricted awards and performance share units.

Stock Options

The following table summarizes the status of, and changes in, our stock option awards during the six months ended June 30, 2021:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years
Outstanding at December 31, 2020	826,215	\$ 29.05	3.1 years
Granted	—	\$ —	
Exercised	(10,164)	\$ 10.33	
Forfeited	(113,333)	\$ 24.76	
Expired	(10,354)	\$ 16.90	
Outstanding at June 30, 2021	692,364	\$ 30.21	2.8 years
Exercisable at June 30, 2021	692,364	\$ 30.21	2.8 years

There were no grants of stock options during the three and six months ended June 30, 2021 and 2020.

There were zero and 10,164 stock options exercised during the three and six months ended June 30, 2021. The total intrinsic value of stock options exercised was \$44 thousand for the six months ended June 30, 2021. Cash received from stock options exercised during the six months ended June 30, 2021 was \$105 thousand. The tax benefit realized from stock option exercises was \$11 thousand for the six months ended June 30, 2021. There were no stock options exercised during the three and six months ended June 30, 2020.

As of June 30, 2021 and 2020, there was no unrecognized compensation expense related to these options. We account for forfeitures as they occur.

Restricted Stock and Restricted Stock Unit Awards

The following table summarizes the status of, and changes in, our unvested restricted stock awards during the six months ended June 30, 2021:

	Number of Shares	Grant Date Weighted Average Fair Value
Unvested, December 31, 2020	1,779,826	\$ 6.22
Granted	695,461	\$ 9.93
Vested	(945,418)	\$ 5.40
Forfeited	(16,806)	\$ 12.09
Unvested, June 30, 2021	1,513,063	\$ 8.21

We granted 61,488 and 695,461 restricted stock and restricted stock unit awards during the three and six months ended June 30, 2021, respectively. We granted 590,925 and 1,491,777 restricted stock and restricted stock units during the three and six months ended June 30, 2020, respectively. The fair value of the awards was based on the market price of our stock at date of grant.

We recognized \$1.7 million and \$3.3 million of equity-based compensation expense related to restricted stock and restricted stock units during the three and six months ended June 30, 2021, respectively. We recognized \$2.4 million and \$3.9 million of equity-based compensation expense related to restricted stock and restricted stock units during the three and six months ended June 30, 2020, respectively. As of June 30, 2021, there was \$9.9 million of unrecognized compensation expense related to these restricted stock and restricted stock units, which is expected to be recognized over a weighted-average period of 2.0 years.

We also granted cash awards during the six months ended June 30, 2020. These awards will vest over a period of three years and will be settled in cash. As such, these awards have been classified as liability instruments. We recognized \$0.2 million and \$0.6 million of expense related to these awards for the three and six months ended June 30, 2021, respectively. We recognized \$0.1 million and \$0.1 million of expense related to these awards for the three and six months ended June 30, 2020, respectively. The liability for these awards is included in accounts payable and other accrued expenses on our balance sheets.

These awards will be remeasured at fair value each reporting period with resulting changes reflected in our income statements. Estimated unrecognized expense related to these awards is \$1.4 million over a period of 1.6 years.

Performance Share Unit Awards

The following table summarizes the status of, and changes in, our performance share unit awards during the six months ended June 30, 2021:

	Number of Shares	Grant Date Weighted Average Fair Value	
Unvested, December 31, 2020	1,513,648	\$	12.36
Granted	776,153	\$	11.52
Vested	(17,352)	\$	31.24
Forfeited/Cancelled	(182,829)	\$	30.05
Unvested, June 30, 2021	<u>2,089,620</u>	\$	<u>10.37</u>

We granted 3,130 and 776,153 performance share unit awards during the three and six months ended June 30, 2021, respectively. We granted zero and 1,020,161 performance share unit awards during the three and six months ended June 30, 2020, respectively. The grant date fair value for these awards was estimated using a Monte Carlo simulation model. The Monte Carlo simulation model requires the use of highly subjective assumptions. Our key assumptions in the model included the price and the expected volatility of our common stock and our self-determined peer group companies' stock, risk-free rate of interest, dividend yields and cross-correlations between our common stock and our self-determined peer group companies' stock.

We recognized \$2.1 million and \$4.6 million of compensation expense related to performance share unit awards during the three and six months ended June 30, 2021, respectively. We recognized \$1.7 million and \$3.0 million of compensation expense related to performance share unit awards during the three and six months ended June 30, 2020, respectively. As of June 30, 2021, there was \$12.2 million of unrecognized compensation expense related to these performance share unit awards, which is expected to be recognized over a weighted-average period of 2.1 years.

We also granted cash awards during the six months ended June 30, 2020. These awards will vest over a period of three years and will be settled in cash. As such, these awards have been classified as liability instruments. We recognized \$0.3 million and \$0.3 million of expense related to these awards for the six months ended June 30, 2021 and 2020, respectively. The liability for these awards is included in accounts payable and other accrued expenses on our balance sheets. These awards will be remeasured at fair value each reporting period with resulting changes reflected in our income statements. Estimated unrecognized expense related to these awards is \$0.9 million over a period of 1.6 years.

NOTE N—COMMITMENTS AND CONTINGENCIES

Future Minimum Annual Commitments at June 30, 2021 (in thousands):

	Minimum Purchase Commitments	
2021 (remaining six months)	\$	6,745
2022		11,361
2023		11,253
2024		7,245
2025		2,638
Thereafter		8,008
Total future purchase commitments	\$	<u>47,250</u>

Minimum Purchase Commitments

We enter into service agreements with our transload and transportation service providers. Some of these agreements require us to purchase a minimum amount of services over a specific period of time. Any inability to meet these minimum contract requirements requires us to pay a shortfall fee, which is based on the difference between the minimum amount contracted for and the actual amount purchased.

Contingent Liability on Royalty Agreement

On May 17, 2017, we purchased reserves in Crane County, Texas, for \$94.4 million cash consideration plus contingent consideration. The contingent consideration is a royalty that is based on the tonnage shipped to third-parties. Because the contingent consideration is dependent on future tonnage sold, the amounts of which are uncertain, it is not currently possible to estimate the fair value of these future payments. The contingent consideration will be capitalized at the time a payment is probable and reasonably estimable, and the related depletion expense will be adjusted prospectively.

Other Commitments and Contingencies

Our operating subsidiary, U.S. Silica Company ("U.S. Silica"), has been named as a defendant in various product liability claims alleging silica exposure causing silicosis. During the six months ended June 30, 2021, one new claim was brought against U.S. Silica. As of June 30, 2021, there were 44 active silica-related product liability claims pending in which U.S. Silica is a defendant. Although the outcomes of these claims cannot be predicted with certainty, in the opinion of management, it is not reasonably possible that the ultimate resolution of these matters will have a material adverse effect on our financial position or results of operations that exceeds the accrual amounts.

We have recorded estimated liabilities for these claims in other long-term liabilities as well as estimated recoveries under the indemnity agreement and an estimate of future recoveries under insurance in other assets on our consolidated balance sheets. As of both June 30, 2021 and December 31, 2020, other non-current assets included zero for insurance for third-party product liability claims. As of June 30, 2021 and December 31, 2020 other long-term liabilities included \$0.9 million and \$1.0 million, respectively, for third-party product liability claims.

Obligations under Guarantees

We have indemnified our insurers against any loss they may incur in the event that holders of surety bonds, issued on our behalf, execute the bonds. As of June 30, 2021, there was \$36.8 million in bonds outstanding, of which \$32.8 million related to reclamation requirements issued by various governmental authorities. Reclamation bonds remain outstanding until the mining area is reclaimed and the authority issues a formal release. The remaining bonds relate to licenses, permits, and tax collection.

NOTE O—PENSION AND POST-RETIREMENT BENEFITS

We maintain a single-employer noncontributory defined benefit pension plan covering certain employees. The plan is frozen to all new employees. The plan provides benefits based on each covered employee's years of qualifying service. Our funding policy is to contribute amounts within the range of the minimum required and maximum deductible contributions for the plan consistent with a goal of appropriate minimization of the unfunded projected benefit obligations. The pension plan uses a benefit level per year of service for covered hourly employees and a final average pay method for covered salaried employees. The plan uses the projected unit credit cost method to determine the actuarial valuation.

In addition, we provide defined benefit post-retirement health care and life insurance benefits to some employees. Covered employees become eligible for these benefits at retirement after meeting minimum age and service requirements. The projected future cost of providing post-retirement benefits, such as healthcare and life insurance, is recognized as an expense as employees render services. In general, retiree health benefits are paid as covered expenses are incurred.

Net pension benefit cost (in thousands) consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Service cost	\$ 806	\$ 663	\$ 1,611	\$ 1,316
Interest cost	741	1,004	1,480	1,993
Expected return on plan assets	(1,431)	(1,442)	(2,860)	(2,863)
Net amortization and deferral	951	908	1,901	1,802
Net pension benefit costs	\$ 1,067	\$ 1,133	\$ 2,132	\$ 2,248

Net post-retirement benefit cost (in thousands) consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Service cost	\$ 20	\$ 12	\$ 39	\$ 37
Interest cost	103	62	205	191
Net post-retirement benefit costs	\$ 123	\$ 74	\$ 244	\$ 228

We contributed \$1.3 million and \$2.6 million to the qualified pension plan for the three and six months ended June 30, 2021 and \$1.3 million and \$2.0 million for the three and six months ended June 30, 2020, respectively. Our best estimates of expected contributions to the pension and post-retirement medical benefit plans for the 2021 fiscal year are \$5.3 million and \$1.2 million, respectively.

We contribute to three multiemployer defined benefit pension plans under the terms of collective-bargaining agreements for union-represented employees. A multiemployer plan is subject to collective bargaining for employees of two or more unrelated companies. These plans allow multiple employers to pool their pension resources and realize efficiencies associated with the daily administration of the plan. Multiemployer plans are generally governed by a board of trustees composed of management and labor representatives and are funded through employer contributions. However, in most cases, management is not directly represented. Our contributions to individual multiemployer pension funds did not exceed 5% of the fund's total contributions for the three and six months ended June 30, 2021 and 2020. Additionally, our contributions to multiemployer post-retirement benefit plans were immaterial for all periods presented in the accompanying condensed consolidated financial statements.

We also sponsor a defined contribution plan covering certain employees. We contribute to the plan in two ways. For certain employees not covered by the defined benefit plan, we make a contribution equal to 4% of their salary. For all other eligible employees, we make a contribution up to 6% of eligible earnings. Contributions were \$1.4 million and \$2.9 million for the three and six months ended June 30, 2021 and \$1.2 million and \$2.8 million for the three and six months ended June 30, 2020, respectively.

NOTE P— LEASES

We lease railroad cars, office space, mining property, mining/processing equipment and transportation and other equipment. The majority of our leases have remaining lease terms of one year to 20 years. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. We have lease agreements with lease and non-lease components, the latter of which are generally accounted for separately.

Supplemental balance sheet information related to leases was as follows (in thousands, except lease term and discount rate):

Leases	Classification	June 30, 2021	December 31, 2020
Assets			
Operating	Lease right-of-use assets	\$ 33,746	\$ 37,460
Finance	Lease right-of-use assets	3,357	3,357
Total leased assets		\$ 37,103	\$ 40,817
Liabilities			
Current			
Operating	Current portion of operating lease liabilities	\$ 15,074	\$ 17,300
Finance	Current portion of long-term debt	1,013	1,013
Non-current			
Operating	Operating lease liabilities	71,068	76,300
Finance	Long-term debt, net	2,391	2,391
Total lease liabilities		\$ 89,546	\$ 97,004
Lease Term and Discount Rate			
Weighted average remaining lease term:			
Operating		6.9 years	6.9 years
Finance		3.4 years	2.9 years
Weighted average discount rate:			
Operating		5.7%	5.8%
Finance		5.1%	5.0%

During 2020, there was an unprecedented drop in global demand combined with the breakdown of the OPEC+ agreement to restrict oil production that led to one of the largest annual crude oil inventory builds in history. This led to sharp reductions in global crude oil prices. Containment measures and other economic, travel, and business disruptions caused by COVID-19 also affected refinery activity and future demand for crude oil, and consequently, the services and products of our Oil & Gas Proppants Segment. As a result of these events, we recorded impairment charges of \$1.7 million and \$3.2 million for the three and six months ended June 30, 2020, respectively, primarily related to railcar leases, various equipment leases, and an office building lease. These charges related to the Oil & Gas Proppants Segment and were recorded in "Goodwill and other asset impairments" in the Condensed Consolidated Statements of Operations. No impairment charges were recorded related to leased assets for the six months ended June 30, 2021.

The components of lease expense (in thousands) were as follows:

Lease Costs	Classification	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Operating lease costs ⁽¹⁾	Cost of sales	\$ 8,760	\$ 6,089	\$ 16,897	\$ 15,706
Operating lease costs ⁽²⁾	Selling, general and administrative	493	463	1,021	1,005
Total ⁽³⁾		\$ 9,253	\$ 6,552	\$ 17,918	\$ 16,711

(1) Included short-term operating lease costs of \$4.6 million and \$8.3 million for the three and six months ended June 30, 2021, respectively. Included short-term operating lease costs of \$4.4 million and \$7.2 million for the three and six months ended June 30, 2020, respectively.

(2) Included short-term operating lease costs of \$0.1 million and \$0.2 million for the three and six months ended June 30, 2021, respectively. Included short-term operating lease costs of \$0.1 million and \$0.2 million for the three and six months ended June 30, 2020, respectively.

(3) Does not include expense for finance leases of \$0.2 million and \$0.3 million for the three and six months ended June 30, 2021.

Supplemental cash flow information (in thousands) related to leases was as follows:

	Six Months Ended June 30, 2021		Six Months Ended June 30, 2020	
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows for operating leases	\$	14,135	\$	31,782
Financing cash flows for finance leases	\$	147	\$	—
Right-of-use assets obtained in exchange for new lease liabilities:				
Operating leases	\$	4,230	\$	9,373
Finance leases	\$	3,180	\$	—

Maturities of lease liabilities (in thousands) as of June 30, 2021:

	Operating leases		Finance leases	
2021 (remaining six months)	\$	9,642	\$	543
2022		17,914		1,087
2023		17,401		1,089
2024		14,562		655
2025		11,704		332
Thereafter		38,266		8
Total lease payments	\$	109,489	\$	3,714
Less: Interest		19,036		310
Less: Other operating expenses		4,311		—
Total	\$	86,142	\$	3,404

NOTE Q— INCOME TAXES

For interim period reporting, we record income taxes using an estimated annual effective tax rate based upon projected annual income, forecasted permanent tax differences, discrete items and statutory rates in states in which we operate. At the end of each interim period, we update the estimated annual effective tax rate, and if the estimated tax rate changes based on new information, we make a cumulative adjustment in the period. We record the tax effect of an unusual or infrequently occurring item in the interim period in which it occurs as a discrete item of tax.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES” Act) was enacted and signed into law in response to the COVID-19 pandemic. The CARES Act, among other things, permitted NOL carryovers and carrybacks to offset 100% of taxable income for taxable years beginning after 2017 and before 2021. In addition, the CARES Act allowed NOLs generated after 2017 and before 2021 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. As a result, during 2020, we carried the NOL generated in 2019 back to offset the taxable income in the 2014 tax year generating a refund of \$36.6 million. This refund was received during the second quarter of 2020. We also amended our 2018 tax return to generate an NOL by electing bonus depreciation. We then carried the NOL generated in 2018 back to offset the taxable income in prior years generating a refund of \$26.3 million, of which \$4.9 million was received during the fourth quarter of 2020. At June 30, 2021, the remaining \$21.5 million of this refund was included in accounts receivable in our balance sheets. The deferred tax assets related to the NOLs generated in 2018 and 2019 were recorded at the statutory income tax rate for 2018 and 2019, which was 21% for both years. As a result of the carry back of these NOLs to prior years, the NOLs will be utilized at the statutory income tax rate for pre-2018, which was 35%. This increase in the tax rate at which the 2018 and 2019 NOLs will be utilized results in a deferred tax benefit. Accordingly, for the year ended December 31, 2020, we recorded a deferred tax benefit of \$22.3 million. Pursuant to ASC 740, this was recorded as a discrete component of the tax benefit.

The CARES Act also accelerated the ability of companies to receive refunds of alternative minimum tax (“AMT”) credits related to tax years beginning in 2018 and 2019. AMT credits were presented as a receivable or a deferred tax asset in the prior period balance sheets. The presentation of refundable AMT credits in the balance sheet was reclassified during 2020 from deferred tax asset to accounts receivable to reflect the timing of when the credits were expected to be monetized. AMT credits in the amount of \$16.0 million were included in accounts receivable on our balance sheets as of December 31, 2020, and were received in full during the first quarter of 2021.

For the three and six months ended June 30, 2021, we had tax expense of \$11.7 million and \$7.3 million, respectively. For the three and six months ended June 30, 2020, we had tax benefits of \$23.6 million and \$59.7 million, respectively. The effective tax rates were 31% and 60% for the three and six months ended June 30, 2021, respectively. The effective tax rates were 42% and 36% for the three and six months ended June 30, 2020, respectively. Without discrete items, which primarily consist of tax expense related to equity compensation and state tax expense, the effective tax rates for the three and six months ended June 30, 2021 would have been 24% and 25%, respectively. Without discrete items, the effective tax rates for both the three and six months ended June 30, 2020 would have been 24%.

During the three and six months ended June 30, 2021, we recorded a tax benefit of \$0.9 million and tax expense related to equity compensation of \$0.5 million, respectively. During the three and six months ended June 30, 2020, we recorded tax expense related to equity compensation of \$0.8 million and \$1.3 million, respectively.

NOTE R—REVENUE

We consider sales disaggregated at the product and service level by business segment to depict how the nature, amount, timing and uncertainty of revenues and cash flow are impacted by changes in economic factors. The following table disaggregates our sales by major source (in thousands):

Category	Three Months Ended June 30, 2021			Three Months Ended June 30, 2020		
	Oil & Gas Proppants	Industrial & Specialty Products	Total Sales	Oil & Gas Proppants	Industrial & Specialty Products	Total Sales
Product	\$ 144,084	\$ 124,003	\$ 268,087	\$ 60,158	\$ 100,042	\$ 160,200
Service	49,214	—	49,214	12,337	—	12,337
Total Sales	\$ 193,298	\$ 124,003	\$ 317,301	\$ 72,495	\$ 100,042	\$ 172,537

Category	Six Months Ended June 30, 2021			Six Months Ended June 30, 2020		
	Oil & Gas Proppants	Industrial & Specialty Products	Total Sales	Oil & Gas Proppants	Industrial & Specialty Products	Total Sales
Product	\$ 222,755	\$ 236,722	\$ 459,477	\$ 168,435	\$ 213,926	\$ 382,361
Service	92,240	—	92,240	59,775	—	59,775
Total Sales	\$ 314,995	\$ 236,722	\$ 551,717	\$ 228,210	\$ 213,926	\$ 442,136

The following tables reflect the changes in our contract assets, which we classify as unbilled receivables and our contract liabilities, which we classify as deferred revenues, for the six months ended June 30, 2021 and 2020 (in thousands):

	Unbilled Receivables	
	June 30, 2021	June 30, 2020
Beginning Balance	\$ 47,982	\$ 20,144
Reclassifications to billed receivables	(47,143)	(252)
Revenues recognized in excess of period billings	53,777	205
Ending Balance	\$ 54,616	\$ 20,097

	Deferred Revenue	
	June 30, 2021	June 30, 2020
Beginning Balance	\$ 33,692	\$ 50,634
Revenues recognized from balances held at the beginning of the period	(8,652)	(5,180)
Revenues deferred from period collections on unfulfilled performance obligations	3,818	446
Revenues recognized from period collections	(1,341)	(268)
Ending Balance	\$ 27,517	\$ 45,632

We have elected to use the practical expedients allowed under ASC 606-10-50-14, pursuant to which we have excluded disclosures of transaction prices allocated to remaining performance obligations and when we expect to recognize such revenue. The majority of our remaining performance obligations are primarily comprised of unfulfilled product, transportation service, and labor service orders, all of which hold a remaining duration of less than one year. The long-term portion of deferred revenue primarily represents a combination of refundable and nonrefundable customer prepayments for which related current performance obligations do not yet exist, but are expected to arise, before the expiration of the contract. Our residual unfulfilled performance obligations are comprised primarily of long-term equipment rental arrangements in which we recognize revenues equal to what we have a right to invoice. Generally, no variable consideration exists related to our remaining performance obligations and no consideration is excluded from the associated transaction prices.

During the second quarter of 2021, we entered into an agreement to settle a customer dispute regarding fees related to minimum purchase commitments from 2014-2020. As a result of this settlement, we recognized approximately \$49 million in revenue as of June 30, 2021. As of June 30, 2021, \$43.9 million is included in unbilled receivables and \$1.1 million is included in billed receivables related to this settlement. These amounts were received in full during the third quarter of 2021.

Foreign Operations

The following table includes information related to our foreign operations (in thousands):

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Total Sales	\$ 25,656	\$ 22,259	\$ 47,352	\$ 43
Pre-tax income	\$ 5,034	\$ 3,768	\$ 9,172	\$ 7
Net income	\$ 3,977	\$ 2,977	\$ 7,246	\$ 6

Foreign operations constituted approximately \$28.8 million and \$32.1 million of consolidated assets as of June 30, 2021 and 2020, respectively.

NOTE S— RELATED PARTY TRANSACTIONS

There were no related party transactions during the three and six months ended June 30, 2021 or 2020.

NOTE T— SEGMENT REPORTING

Our business is organized into two reportable segments, Oil & Gas Proppants and Industrial & Specialty Products, based on end markets. The reportable segments are consistent with how management views the markets that we serve and the financial information reviewed by the chief operating decision maker. We manage our Oil & Gas Proppants and Industrial & Specialty Products businesses as components of an enterprise for which separate information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance.

In the Oil & Gas Proppants segment, we serve the oil and gas recovery market primarily by providing and delivering fracturing sand, or “frac sand,” which is pumped down oil and natural gas wells to prop open rock fissures and increase the flow rate of oil and natural gas from the wells.

The Industrial & Specialty Products segment consists of over 600 product types and materials used in a variety of industries, including container glass, fiberglass, specialty glass, flat glass, building products, fillers and extenders, foundry products, chemicals, recreation products and filtration products.

An operating segment’s performance is primarily evaluated based on segment contribution margin, which excludes selling, general, and administrative costs, corporate costs, plant capacity expansion expenses, and facility closure costs. We believe that segment contribution margin, as defined above, is an appropriate measure for evaluating the operating performance of our segments. However, segment contribution margin is a non-GAAP measure and should be considered in addition to, not a substitute for, or superior to, net income (loss) or other measures of financial performance prepared in accordance with GAAP. The other accounting policies of each of the two reportable segments are the same as those in Note B - Summary of Significant Accounting Policies to the Consolidated Financial Statements in Item 8 of our 2020 Annual Report on Form 10-K.

The following table presents sales and segment contribution margin (in thousands) for the reportable segments and other operating results not allocated to the reportable segments:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Sales:				
Oil & Gas Proppants	\$ 193,298	\$ 72,495	\$ 314,995	\$ 228,
Industrial & Specialty Products	124,003	100,042	236,722	213,
Total sales	317,301	172,537	551,717	442,
Segment contribution margin:				
Oil & Gas Proppants	82,676	26,170	104,216	59,
Industrial & Specialty Products	45,939	35,119	85,977	78,
Total segment contribution margin	128,615	61,289	190,193	137,
Operating activities excluded from segment cost of sales	(4,269)	(13,495)	(8,420)	(21,
Selling, general and administrative	(27,509)	(39,126)	(53,733)	(69,
Depreciation, depletion and amortization	(41,165)	(37,086)	(82,513)	(75,
Goodwill and other asset impairments	—	(3,956)	(38)	(107,
Interest expense	(17,918)	(22,179)	(35,629)	(44,
Other (expense) income, net, including interest income	(186)	(1,670)	2,419	16,
Income tax (expense) benefit	(11,666)	23,605	(7,312)	59,
Net income (loss)	\$ 25,902	\$ (32,618)	\$ 4,967	\$ (105,
Less: Net loss attributable to non-controlling interest	(126)	(264)	(283)	(
Net income (loss) attributable to U.S. Silica Holdings, Inc.	\$ 26,028	\$ (32,354)	\$ 5,250	\$ (104,

Asset information, including capital expenditures and depreciation, depletion, and amortization, by segment is not included in reports used by management in its monitoring of performance and, therefore, is not reported by segment. At both June 30, 2021 and December 31, 2020, goodwill of \$185.6 million has been allocated to these segments with zero assigned to Oil & Gas Proppants and \$185.6 million to Industrial & Specialty Products.

NOTE U— SUBSEQUENT EVENTS

We evaluated subsequent events through the date the consolidated financial statements were available for issuance and did not identify any events requiring disclosure.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with the unaudited condensed consolidated financial statements and the accompanying notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q as well as the consolidated financial statements, the accompanying notes and the related Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (the "2020 Annual Report").

Adjusted EBITDA and segment contribution margin as used herein are non-GAAP measures. For a detailed description of Adjusted EBITDA and segment contribution margin and reconciliations to their most comparable GAAP measures, please see the discussion below under "How We Evaluate Our Business."

Forward Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 27A of the Securities Act of 1933, as amended. All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q are forward-

looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “will,” “should,” “could,” “can have,” “likely” and other words and terms of similar meaning.

For example, all statements we make relating to our estimated and projected costs; the impact of the COVID-19 pandemic on our future plans and results of operations; reserve and finished products estimates; demand for our products; the strategies of our customers; anticipated expenditures, cash flows, growth rates and financial results; our plans and objectives for future operations, growth or initiatives; strategies and their anticipated effect on our performance and liquidity; and the expected outcome or impact of pending or threatened litigation are forward-looking statements.

All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expect, including but not limited to: global economic conditions; fluctuations in demand for commercial silica, diatomaceous earth, perlite, clay and cellulose; fluctuations in demand for frac sand or the development of either effective alternative proppants or new processes to replace hydraulic fracturing; changes in production spending by companies in the oil and gas industry and changes in the level of oil and natural gas exploration and development; general economic, political and business conditions in key regions of the world; ongoing effects of the COVID-19 pandemic on our customers and end users of our products; pricing pressure; weather and seasonal factors; the cyclical nature of our customers’ business; our inability to meet our financial and performance targets and other forecasts or expectations; our substantial indebtedness and pension obligations, including restrictions on our operations imposed by our indebtedness; operational modifications, delays or cancellations; prices for electricity, natural gas and diesel fuel; our ability to maintain our transportation network; changes in government regulations and regulatory requirements, including those related to mining, explosives, chemicals, and oil and gas production; silica-related health issues and corresponding litigation; and other risks and uncertainties detailed in this Quarterly Report on Form 10-Q and our most recent Forms 10-K, 10-Q, and 8-K filed with or furnished to the U.S. Securities and Exchange Commission (“SEC”).

We derive many of our forward-looking statements from our operating budgets and forecasts, which are based on many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of the known factors described above, and it is impossible for us to anticipate all factors that could affect our actual results. As a result, forward-looking statements are not guarantees of future performance, and you should not place undue reliance on any forward-looking statements we make. If one or more of the risks described above or other risks or uncertainties materialize (or the consequences of any such development changes), or should our underlying assumptions prove incorrect, actual outcomes may vary materially from those reflected in our forward-looking statements. The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date hereof. We disclaim any intention or obligation to update publicly or revise such statements, whether as a result of new information, future events or otherwise. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements as well as other cautionary statements that are made from time to time in our other filings with the SEC, and our other public communications.

Overview

We are a global performance materials company and a leading producer of commercial silica used in the oil and gas industry and in a wide range of industrial applications. In addition, through our subsidiary EP Minerals, LLC (“EPM”), we are an industry leader in the production of industrial minerals, including diatomaceous earth, clay (calcium bentonite and calcium montmorillonite) and perlite.

During our 121-year history, we have developed core competencies in mining, processing, logistics and materials science that enable us to produce and cost-effectively deliver over 600 diversified product types to customers across our end markets. As of June 30, 2021, we operated 24 production facilities across the United States. We control 509 million tons of reserves of commercial silica, which we believe can be processed to make 209 million tons of finished products that meet API frac sand specifications, and 83 million tons of reserves of diatomaceous earth, perlite, and clays.

Our operations are organized into two reportable segments based on end markets served and the manner in which we analyze our operating and financial performance: (1) Oil & Gas Proppants and (2) Industrial & Specialty Products. We believe our segments are complementary because our ability to sell to a wide range of customers across end markets in these segments allows us to maximize recovery rates in our mining operations and optimize our asset utilization.

Acquisitions

For a description of our key business acquisitions during the periods presented, see Note E - Business Combinations to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information.

Recent Trends and Outlook

Oil and gas proppants end market trends

During 2020, the COVID-19 pandemic and related economic repercussions, coupled with an inadequate supply response and exacerbated by the lack of global storage capacity, resulted in a precipitous decline in crude oil prices. Demand for our proppant and logistics services declined as our customers reduced their capital budgets and drilling operations in response to lower oil prices. In response to the effects of the pandemic on our Oil & Gas Proppants segment, we took a number of steps to reduce our costs of operations. We dramatically reduced all discretionary spending, lowered headcount, and closed or idled facilities as appropriate.

These events negatively affected, and could continue to negatively affect, our Oil & Gas Proppants segment in the future. The extent to which our business will continue to be affected by the COVID-19 pandemic will depend on various factors and consequences beyond our control, including the possibility of a resurgence in cases or new variants to the virus, the rate and effectiveness of vaccinations, additional actions by businesses and governments in response to the pandemic, and consumer sentiment and its effect on oil prices on the global economy generally. These factors could also aggravate the risk factors identified in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. However, vaccinations have become more prevalent and businesses are continuing to re-open.

Sales were relatively flat in our Oil & Gas Proppants segment during the three months ended March 31, 2021 compared to the three months ended December 31, 2020. Sales increased by 59% or \$71.6 million during the three months ended June 30, 2021 compared to the three months ended March 31, 2021, partially due to approximately \$49 million of shortfall fees recognized. Our results for the three-month period ended June 30, 2021 in this segment are not necessarily indicative of the results that may be expected for the full year ending December 31, 2021.

Amounts in thousands, except per ton data

	Three Months Ended			Percentage Change	
	June 30, 2021	March 31, 2021	December 31, 2020	June 30, 2021 vs. March 31, 2021	March 31, 2021 vs. December 31, 2020
Oil & Gas Proppants					
Sales	\$ 193,298	\$ 121,697	\$ 120,344	59 %	1 %
Tons Sold	3,024	2,577	1,901	17 %	36 %
Average Selling Price per Ton	\$ 63.92	\$ 47.22	\$ 63.31	35 %	(25)%

If oil and gas drilling and completion activity does not grow, or if frac sand supply remains greater than demand, then we may sell fewer tons, sell tons at lower prices, or both. If we sell less frac sand or sell frac sand at lower prices, our revenue, net income, cash generated from operating activities, and liquidity would be adversely affected, and we could incur material asset impairments. If these events occur, we may evaluate further actions to reduce cost and improve liquidity.

Industrial and specialty products end market trends

Demand in the industrial and specialty products end markets has been relatively stable in recent years and is primarily influenced by key macroeconomic drivers such as housing starts, population growth, light vehicle sales, beer and wine production, repair and remodel activity and industrial production. The primary end markets served by our Industrial & Specialty Products segment are building and construction products, fillers and extenders, filtration, glassmaking, absorbents, foundry, and sports and recreation. We have been increasing our value-added product offerings in the industrial and specialty products end markets organically as well as through acquisitions, such as White Armor and EPM. Additionally, we have increased our focus on the alternative energy markets and products necessary for the supply chains of solar panels, green diesel and wind turbines. Sales of these new higher margin products have increased our Industrial & Specialty Products segment's profitability.

The COVID-19 pandemic has caused severe economic, market and other disruptions worldwide, which began to affect our Industrial & Specialty Products segment in the second quarter of 2020. After the COVID-19 pandemic has subsided, we may continue to experience adverse impacts in this segment as a result of any long-term impacts resulting from the pandemic in the relevant markets.

Our Business Strategy

The key drivers of our growth strategy include:

- increasing our presence and new product development in specialty products end markets;
- optimizing our product mix and further developing value-added capabilities to maximize margins;

- effectively positioning our Oil & Gas Proppants facilities to optimally serve our customers;
- optimizing our supply chain network and leveraging our logistics capabilities to meet our customers' needs;
- evaluating both Greenfield and Brownfield expansion opportunities and other acquisitions; and
- maintaining financial strength and flexibility.

How We Generate Our Sales

Products

We derive our product sales by mining and processing minerals that our customers purchase for various uses. Our product sales are primarily a function of the price per ton and the number of tons sold. We primarily sell our products through individual purchase orders executed under short-term price agreements or at prevailing market rates. The amount invoiced reflects the price of the product, transportation, surcharges, and additional handling services as applicable, such as storage, transloading the product from railcars to trucks and last mile logistics to the customer site. We invoice most of our product customers on a per shipment basis, although for some larger customers we consolidate invoices weekly or monthly. Standard collection terms are net 30 days, although extended terms are offered in competitive situations.

Services

We derive our service sales primarily through the provision of transportation, equipment rental, and contract labor services to companies in the oil and gas industry. Transportation services typically consist of transporting customer proppant from storage facilities to proximal well-sites and are contracted through work orders executed under established pricing agreements. The amount invoiced reflects transportation services rendered. Equipment rental services provide customers with use of either dedicated or nonspecific wellhead proppant delivery equipment solutions for contractual periods defined either through formal lease agreements or executed work orders under established pricing agreements. The amounts invoiced reflect the length of time the equipment set was utilized in the billing period. Contract labor services provide customers with proppant delivery equipment operators through work orders executed under established pricing agreements. The amounts invoiced reflect the amount of time our labor services were utilized in the billing period. We typically invoice our customers on a weekly or monthly basis; however, some customers receive invoices upon well-site operation completion. Standard collection terms are net 30 days, although extended terms are offered in competitive situations.

Our ten largest customers accounted for 49% and 45% of total sales for the three and six months ended June 30, 2021 and 40% and 36% for the three and six months ended June 30, 2020, respectively. One of our customers accounted for 15% of our total sales for the three months ended June 30, 2021. One of our customers accounted for 10% of our total sales for the three months ended June 30, 2020. No customers accounted for 10% or more of our total sales for the six months ended June 30, 2021 or 2020. At June 30, 2021, one of our customer's accounts receivable represented 23% of our total trade accounts receivable. At December 31, 2020, the same customer's accounts receivable represented 24% of our total trade accounts receivable. No other customers accounted for 10% or more of our total trade accounts receivable during the same periods.

For a limited number of customers, we sell under long-term, minimum purchase supply agreements. These agreements define, among other commitments, the volume of product that our customers must purchase, the volume of product that we must provide and the price that we will charge and that our customers will pay for each product. Prices under these agreements are generally fixed and subject to certain contractual adjustments. Sometimes these agreements may undergo negotiations regarding pricing and volume requirements, particularly in volatile market conditions. When these negotiations occur, we may deliver sand at prices or at volumes below the requirements in our existing supply agreements. An executed order specifying the type and quantity of product to be delivered, in combination with the noted agreements, comprise our contracts in these arrangements. Selling more tons under supply contracts enables us to be more efficient from a production, supply chain and logistics standpoint. As discussed in Part I, Item 1A., Risk Factors of our 2020 Annual Report, these customers may not continue to purchase the same levels of product in the future due to a variety of reasons, contract requirements notwithstanding.

As of June 30, 2021, we had eight minimum purchase supply agreements in the Oil & Gas Proppants segment with initial terms expiring between 2021 and 2034. As of June 30, 2020, we had 11 minimum purchase supply agreements in the Oil & Gas Proppants segment with initial terms expiring between 2020 and 2034. Collectively, sales to customers with minimum purchase supply agreements accounted for 33% and 46% of Oil & Gas Proppants segment sales during the three and six months ended June 30, 2021, respectively, and 73% and 60% for the three and six months ended June 30, 2020, respectively.

In the industrial and specialty products end markets we have not historically entered into long-term minimum purchase supply agreements with our customers because of the high cost to our customers of switching providers. We may periodically do so when capital or other investment is required to meet customer needs. Instead, we often enter into supply agreements with

our customers with targeted volumes and terms of one to five years. Prices under these agreements are generally fixed and subject to annual increases.

The Costs of Conducting Our Business

The principal expenses involved in conducting our business are transportation costs, labor costs, electricity and drying fuel costs, and maintenance and repair costs for our mining and processing equipment and facilities. Transportation and related costs include freight charges, fuel surcharges, transloading fees, switching fees, railcar lease costs, demurrage costs, storage fees and labor costs. We believe the majority of our operating costs are relatively stable in price, but they can vary significantly based on the volume of product produced. We benefit from owning the majority of the mineral deposits that we mine and having long-term mineral rights leases or supply agreements for our other primary sources of raw material, which limits royalty payments.

Additionally, we incur expenses related to our corporate operations, including costs for sales and marketing; research and development; and the finance, legal, human resources, information technology, and environmental, health and safety functions of our organization. These costs are principally driven by personnel expenses.

How We Evaluate Our Business

Our management team evaluates our business using a variety of financial and operating metrics. We evaluate the performance of our two segments based on their tons sold, average selling price and contribution margin earned. Additionally, we consider a number of factors in evaluating the performance of our business as a whole, including total tons sold, average selling price, total segment contribution margin, and Adjusted EBITDA. We view these metrics as important factors in evaluating our profitability and review these measurements frequently to analyze trends and make decisions, and we believe the presentation of these metrics provides useful information to our investors regarding our financial condition and results of operations for the same reasons.

Segment Contribution Margin

Segment contribution margin, a non-GAAP measure, is a key metric that management uses to evaluate our operating performance and to determine resource allocation between segments. Segment contribution margin excludes selling, general, and administrative costs, corporate costs, plant capacity expansion expenses, and facility closure costs.

Segment contribution margin is not a measure of our financial performance under GAAP and should not be considered as an alternative or superior to measures derived in accordance with GAAP. Our measure of segment contribution margin is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the methods of calculation. For more information about segment contribution margin, including a reconciliation of this measure to its most directly comparable GAAP financial measure, net income (loss), see Note T - Segment Reporting to our Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q.

Adjusted EBITDA

Adjusted EBITDA, a non-GAAP measure, is included in this report because it is a key metric used by management to assess our operating performance and by our lenders to evaluate our covenant compliance. Adjusted EBITDA excludes certain income and/or costs, the removal of which improves comparability of operating results across reporting periods. Our target performance goals under our incentive compensation plan are tied, in part, to our Adjusted EBITDA.

Adjusted EBITDA is not a measure of our financial performance or liquidity under GAAP and should not be considered as an alternative or superior to net income (loss) as a measure of operating performance, cash flows from operating activities as a measure of liquidity or any other performance measure derived in accordance with GAAP. Additionally, Adjusted EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Adjusted EBITDA contains certain other limitations, including the failure to reflect our cash expenditures, cash requirements for working capital needs and cash costs to replace assets being depreciated and amortized, and excludes certain charges that may recur in the future. Management compensates for these limitations by relying primarily on our GAAP results and by using Adjusted EBITDA only supplementally. Our measure of Adjusted EBITDA is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the methods of calculation.

The following table sets forth a reconciliation of net income (loss), the most directly comparable GAAP financial measure, to Adjusted EBITDA:

(amounts in thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Net income (loss) attributable to U.S. Silica Holdings, Inc.	\$ 26,028	\$ (32,354)	\$ 5,250	\$ (104,699)
Total interest expense, net of interest income	17,902	21,295	33,705	43,489
Provision for taxes	11,666	(23,605)	7,312	(59,691)
Total depreciation, depletion and amortization expenses	41,165	37,086	82,513	75,535
EBITDA	96,761	2,422	128,780	(45,366)
Non-cash incentive compensation ⁽¹⁾	3,954	4,388	8,528	7,235
Post-employment expenses (excluding service costs) ⁽²⁾	363	527	726	1,140
Merger and acquisition related expenses ⁽³⁾	109	386	303	995
Plant capacity expansion expenses ⁽⁴⁾	19	2,390	60	4,580
Goodwill and other asset impairments ⁽⁵⁾	—	3,956	38	107,822
Business optimization projects ⁽⁶⁾	4	(4)	43	15
Facility closure costs ⁽⁷⁾	490	2,738	992	3,835
Other adjustments allowable under the Credit Agreement ⁽⁸⁾	1,586	23,963	2,132	8,756
Adjusted EBITDA	\$ 103,286	\$ 40,766	\$ 141,602	\$ 89,012

- (1) Reflects equity-based and other equity-related compensation expense.
- (2) Includes net pension cost and net post-retirement cost relating to pension and other post-retirement benefit obligations during the applicable period, but in each case excluding the service cost relating to benefits earned during such period. Non-service net periodic benefit costs are not considered reflective of our operating performance because these costs do not exclusively originate from employee services during the applicable period and may experience periodic fluctuations as a result of changes in non-operating factors, including changes in discount rates, changes in expected returns on benefit plan assets, and other demographic actuarial assumptions. See Note O - Pension and Post-Retirement Benefits to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information.
- (3) Merger and acquisition related expenses include legal fees, consulting fees, bank fees, severance costs, certain purchase accounting items such as the amortization of inventory fair value step-up, information technology integration costs and similar charges. While these costs are not operational in nature and are not expected to continue for any singular transaction on an ongoing basis, similar types of costs, expenses and charges have occurred in prior periods and may recur in the future as we continue to integrate prior acquisitions and pursue any future acquisitions.
- (4) Plant capacity expansion expenses include expenses that are not inventoriable or capitalizable as related to plant expansion projects greater than \$5 million in capital expenditures or plant start up projects. While these expenses are not operational in nature and are not expected to continue for any singular project on an ongoing basis, similar types of expenses have occurred in prior periods and may recur in the future if we continue to pursue future plant capacity expansions.
- (5) The three and six months ended June 30, 2020 reflect \$4.0 million and \$107.8 million of asset impairments related to goodwill, long-lived assets, operating lease right-of-use assets and inventory related to idled facilities in our Oil & Gas Proppants segment. See Note G - Inventories, Note H - Property, Plant and Mine Development, Note I - Goodwill and Intangible Assets, and Note P - Leases to our Condensed Consolidated Financial Statements in Part I, Item 1 of our Quarterly Report on Form 10-Q for more information.
- (6) Reflects costs incurred related to business optimization projects within our corporate center, which aim to measure and improve the efficiency, productivity and performance of our organization. While these costs are not operational in nature and are not expected to continue for any singular project on an ongoing basis, similar types of expenses may recur in the future.
- (7) Reflects costs incurred related to idled sand facilities and closed corporate offices, including severance costs and remaining contracted costs such as office lease costs, maintenance, and utilities. While these costs are not operational in nature and are not expected to continue for any singular event on an ongoing basis, similar types of expenses may recur in the future.
- (8) Reflects miscellaneous adjustments permitted under the Credit Agreement, such as recruiting fees and relocation costs. The three and six months ended June 30, 2021 also included \$1.8 million related to expenses incurred with severe winter storms during the first quarter, costs related to a power interruption at a plant location of \$0.5 million, partially offset by \$0.1 million for a measurement period adjustment related to the Arrows Up bargain purchase. The three months ended June 30, 2020 also included \$1.9 million in transload shortfalls and exit fees, \$4.1 million in inventory adjustments, \$2.5 million measurement period adjustment to the gain attributable to the bargain purchase of Arrows Up, \$3.1 million in severance costs, and \$11.8 million in legal expense due to unsuccessful defense of a small number of our patents. The six months ended June 30, 2020 also includes \$1.6 million in severance costs and \$17.6 million related to the gain attributable to the bargain purchase of Arrows Up. See Note E - Business Combinations to our Condensed Consolidated Financial Statements in Part I, Item 1 of our Quarterly Report on Form 10-Q for more information.

Adjusted EBITDA-Trailing Twelve Months

Our revolving credit facility (the "Revolver") contains a consolidated total net leverage ratio of no more than 3.75:1.00 that, unless we have the consent of our lenders, we must meet as of the last day of any fiscal quarter whenever usage of the Revolver (other than certain undrawn letters of credit) exceeds 30% of the Revolver commitment. This ratio is calculated based on our Adjusted EBITDA for the trailing twelve months. Noncompliance with this financial ratio covenant could result in the acceleration of our obligations to repay all amounts outstanding under the Revolver and the term loan (the "Term Loan") (collectively the "Credit Facility"). Moreover, the Revolver and the Term Loan contain covenants that restrict, subject to certain exceptions, our ability to make permitted acquisitions, incur additional indebtedness, make restricted payments (including dividends) and retain excess cash flow based, in some cases, on our ability to meet leverage ratios calculated based on our Adjusted EBITDA for the trailing twelve months.

See the description under “Adjusted EBITDA” above for certain important information about Adjusted EBITDA-trailing twelve months, including certain limitations and management’s use of this metric in light of its status as a non-GAAP measure.

As of June 30, 2021, we were in compliance with all covenants under our Credit Facility, and our Revolver usage was \$25.0 million (not including \$22.0 million allocated for letters of credit). Since the Revolver usage did not exceed 30% of the Revolver commitment, the consolidated leverage ratio covenant did not apply. Based on our consolidated leverage ratio of 4.81:1.00 as of June 30, 2021, we may draw up to approximately \$30.0 million without the consent of our lenders. With the consent of our lenders, we have access to the full availability of the Revolver. The calculation of the consolidated leverage ratio incorporates the Adjusted EBITDA-trailing twelve months as follows:

<i>(All amounts in thousands, except calculated ratio)</i>	June 30, 2021
Total debt	\$ 1,231,846
Finance leases	3,404
Total consolidated debt	<u>\$ 1,235,250</u>
Adjusted EBITDA-trailing twelve months	\$ 256,513
Pro forma Adjusted EBITDA including impact of acquisitions ⁽¹⁾	—
Other adjustments for covenant calculation ⁽²⁾	252
Total Adjusted EBITDA-trailing twelve months for covenant calculation	<u>\$ 256,765</u>
Consolidated leverage ratio ⁽³⁾	4.81

(1) Covenant calculation allows for the Adjusted EBITDA-trailing twelve months to include the impact of acquisitions on a pro forma basis.

(2) Covenant calculation excludes activity at legal entities above the operating company, which is mainly interest income offset by public company operating expenses.

(3) Calculated by dividing total consolidated debt by total Adjusted EBITDA-trailing twelve months for covenant calculation.

Results of Operations for the Three Months Ended June 30, 2021 and 2020

Sales

(In thousands except per ton data)	Three Months Ended June 30,		Percent Change	
	2021	2020	'21 vs. '20	
Sales:				
Oil & Gas Proppants	\$ 193,298	\$ 72,495	167	%
Industrial & Specialty Products	124,003	100,042	24	%
Total sales	\$ 317,301	\$ 172,537	84	%
Tons:				
Oil & Gas Proppants	3,024	1,112	172	%
Industrial & Specialty Products	1,080	792	36	%
Total Tons	4,104	1,904	116	%
Average Selling Price per Ton:				
Oil & Gas Proppants	\$ 63.92	\$ 65.19	(2)	%
Industrial & Specialty Products	\$ 114.82	\$ 126.32	(9)	%
Overall Average Selling Price per Ton	\$ 77.32	\$ 90.62	(15)	%

Total sales increased 84% for the three months ended June 30, 2021 compared to the three months ended June 30, 2020, driven by a 116% increase in total tons sold, partially offset by a 15% decrease in overall average selling price.

The increase in total sales was mainly driven by Oil & Gas Proppants sales, which increased 167% for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. Oil & Gas Proppants average selling price decreased 2% and tons sold increased 172%. This increase is due to overall improved economic conditions and recognition of approximately \$49 million of shortfall fees.

The increase in total sales was also partially driven by Industrial & Specialty Products sales, which increased 24% for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. Industrial & Specialty Products tons sold increased 36% and average selling price decreased by 9%. The increase is due to overall improved economic conditions.

Cost of Sales (excluding depreciation, depletion, and amortization)

Cost of sales increased by \$68.3 million, or 55%, to \$193.0 million for the three months ended June 30, 2021 compared to \$124.7 million for the three months ended June 30, 2020. These changes result from the main components of cost of sales as discussed below. As a percentage of sales, cost of sales represented 61% for the three months ended June 30, 2021 compared to 72% for the same period in 2020.

We incurred \$86.6 million and \$39.4 million of transportation and related costs for the three months ended June 30, 2021 and 2020, respectively. The \$47.2 million increase was mainly due to increased volumes, increased carrier costs for SandBox and increased rail car and barge rates. As a percentage of sales, transportation and related costs represented 27% for the three months ended June 30, 2021 compared to 23% for the same period in 2020.

We incurred \$36.4 million and \$25.2 million of operating labor costs for the three months ended June 30, 2021 and 2020, respectively. The \$11.2 million increase in labor cost was mainly due to increased headcount and cost of living and merit increases. As a percentage of sales, operating labor costs represented 11% for the three months ended June 30, 2021 compared to 15% for the same period in 2020.

We incurred \$12.5 million and \$7.4 million of electricity and drying fuel (principally natural gas) costs for the three months ended June 30, 2021 and 2020, respectively. The \$5.1 million increase in electricity and drying fuel costs was mainly due to increased volumes, costs related to severe winter storms during the first quarter of 2021 and increased natural gas prices.

As a percentage of sales, electricity and drying fuel costs represented 4% for both the three months ended June 30, 2021 and 2020.

We incurred \$17.1 million and \$9.7 million of maintenance and repair costs for the three months ended June 30, 2021 and 2020, respectively. The \$7.4 million increase in maintenance and repair costs is mainly due to an increase in maintenance projects as production increased. As a percentage of sales, maintenance and repair costs represented 5% and 6% for the three months ended June 30, 2021 and 2020, respectively.

Segment Contribution Margin

Industrial & Specialty Products contribution margin increased by \$10.8 million to \$45.9 million for the three months ended June 30, 2021 compared to \$35.1 million for the three months ended June 30, 2020, driven by a \$24.0 million increase in revenue offset by a \$13.1 million increase in cost of sales.

Oil & Gas Proppants contribution margin increased by \$56.5 million to \$82.7 million for the three months ended June 30, 2021 compared to \$26.2 million for the three months ended June 30, 2020, driven by a \$120.8 million increase in sales, which included approximately \$49 million in shortfall fees, partially offset by a \$64.3 million increase in cost of sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by \$11.6 million, or 30%, to \$27.5 million for the three months ended June 30, 2021 compared to \$39.1 million for the three months ended June 30, 2020. The net decrease was primarily due to expensing \$11.8 million of capitalized legal fees in the 2020 period related to the unsuccessful defense of a small number of our patents not recurring during 2021.

In total, our selling, general and administrative expenses represented approximately 9% and 23% of our sales for the three months ended June 30, 2021 and 2020.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense increased by \$4.1 million, or 11%, to \$41.2 million for the three months ended June 30, 2021 compared to \$37.1 million for the three months ended June 30, 2020. The increase was mainly driven by accelerated depreciation of certain assets, offset by reduced capital spending. Depreciation, depletion and amortization expense represented approximately 13% and 22% of our sales for the three months ended June 30, 2021 and 2020, respectively.

Goodwill and Other Asset Impairments

During the three months ended June 30, 2021, we recorded no asset impairment charges. During the three months ended June 30, 2020, we recorded \$4.0 million of asset impairment charges.

Operating Income (Loss)

Operating income for the three months ended June 30, 2021 was \$55.7 million compared to an operating loss of \$32.4 million for the three months ended June 30, 2020. The change was mainly driven by an 84% increase in sales and a 30% decrease in selling, general and administrative expenses, partially offset by a 55% increase in cost of sales and an 11% increase in depreciation, depletion and amortization expense.

Interest Expense

Interest expense decreased by \$4.3 million, or 19%, to \$17.9 million for the three months ended June 30, 2021 compared to \$22.2 million for the three months ended June 30, 2020, primarily due to expiration of the derivatives and a decrease in interest rates.

Other (Expense) Income, Net, Including Interest Income

Other income (expense), net, decreased by \$1.5 million, to \$0.2 million for the three months ended June 30, 2021 compared to \$1.7 million for the three months ended June 30, 2020, primarily due to a decrease in interest income.

Provision for Income Taxes

For the three months ended June 30, 2021 and 2020, we had tax expense of \$11.7 million and a tax benefit of \$23.6 million, respectively. The effective tax rates were 31% and 42% for the three months ended June 30, 2021 and 2020, respectively. Without discrete items, which primarily consist of tax expense related to equity compensation and state tax expense, the effective tax rates for both the three months ended June 30, 2021 and 2020 would have been 24%.

During the three months ended June 30, 2021 and 2020, we recorded a tax benefit related to equity compensation of \$0.9 million and tax expense of \$0.8 million related to equity compensation, respectively.

Net Income (Loss)

Net income (loss) attributable to U.S. Silica Holdings, Inc., was net income of \$26.0 million and a net loss of \$32.4 million for the three months ended June 30, 2021 and 2020, respectively. The year over year changes were due to the factors noted above.

Results of Operations for the Six Months Ended June 30, 2021 and 2020

Sales

(In thousands except per ton data)	Six Months Ended June 30,		Percent Change	
	2021	2020	'21 vs.'20	
Sales:				
Oil & Gas Proppants	\$ 314,995	\$ 228,210	38	%
Industrial & Specialty Products	236,722	213,926	11	%
Total sales	\$ 551,717	\$ 442,136	25	%
Tons:				
Oil & Gas Proppants	5,601	4,314	30	%
Industrial & Specialty Products	2,064	1,751	18	%
Total Tons	7,665	6,065	26	%
Average Selling Price per Ton:				
Oil & Gas Proppants	\$ 56.24	\$ 52.90	6	%
Industrial & Specialty Products	\$ 114.69	\$ 122.17	(6)	%
Overall Average Selling Price per Ton	\$ 71.98	\$ 72.90	(1)	%

Total sales increased 25% for the six months ended June 30, 2021 compared to the six months ended June 30, 2020, driven by a 26% increase in total tons sold, offset by a 1% decrease in overall average selling price.

The increase in total sales was mainly driven by Oil & Gas Proppants sales, which increased 38% for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. Oil & Gas Proppants average selling price increased 6% and tons sold increased 30%. This increase is due to overall improved economic conditions and recognition of approximately \$49 million of shortfall fees.

The increase in total sales was also driven by Industrial & Specialty Products sales, which increased 11% for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. Industrial & Specialty Products average selling price decreased 6% and tons sold increased by 18%. The increase is due to overall improved economic conditions.

Cost of Sales (excluding depreciation, depletion, and amortization)

Cost of sales increased by \$43.8 million, or 13%, to \$369.9 million for the six months ended June 30, 2021 compared to \$326.1 million for the six months ended June 30, 2020. These changes result from the main components of cost of sales as discussed below. As a percentage of sales, cost of sales represented 67% for the six months ended June 30, 2021 compared to 74% for the same period in 2020.

We incurred \$164.8 million and \$113.8 million of transportation and related costs for the six months ended June 30, 2021 and 2020, respectively. The \$51.0 million increase was mainly due to increased volumes, increased carrier costs for SandBox and increased rail car and barge rates. As a percentage of sales, transportation and related costs represented 30% for the six months ended June 30, 2021 compared to 26% for the same period in 2020.

We incurred \$70.6 million and \$67.0 million of operating labor costs for the six months ended June 30, 2021 and 2020, respectively. The \$3.6 million increase in labor costs incurred was mainly due to increased headcount and cost of living and merit increases. As a percentage of sales, operating labor costs represented 13% for the six months ended June 30, 2021 compared to 15% for the same period in 2020.

We incurred \$24.5 million and \$17.9 million of electricity and drying fuel (principally natural gas) costs for the six months ended June 30, 2021 and 2020, respectively. The \$6.6 million increase in electricity and drying fuel costs incurred was mainly due to increased volumes, costs related to severe winter storms during the first quarter of 2021 and increased natural gas prices. As a percentage of sales, electricity and drying fuel costs represented 4% for both the six months ended June 30, 2021 and 2020.

We incurred \$31.1 million and \$25.4 million of maintenance and repair costs for the six months ended June 30, 2021 and 2020, respectively. The \$5.7 million increase in maintenance and repair costs is primarily due to an increase in maintenance projects as production increased. As a percentage of sales, maintenance and repair costs represented 6% for both the six months ended June 30, 2021 and 2020, respectively.

Segment Contribution Margin

Industrial & Specialty Products contribution margin increased by \$7.5 million to \$86.0 million for the six months ended June 30, 2021 compared to \$78.5 million for the six months ended June 30, 2020, driven by a \$22.8 million increase in revenue, partially offset by a \$15.3 million increase in cost of sales.

Oil & Gas Proppants contribution margin increased by \$45.1 million to \$104.2 million for the six months ended June 30, 2021 compared to \$59.1 million for the six months ended June 30, 2020, driven by a \$86.8 million increase in sales, which included approximately \$49 million in shortfall fees, partially offset by a \$41.6 million increase in cost of sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by \$15.5 million, or 22%, to \$53.7 million for the six months ended June 30, 2021 compared to \$69.2 million for the six months ended June 30, 2020. The net decrease was primarily due to expensing \$11.8 million of capitalized legal fees in the 2020 period related to the unsuccessful defense of a small number of our patents not recurring during 2021.

In total, our selling, general and administrative expenses represented approximately 10% and 16% of our sales for the six months ended June 30, 2021 and 2020, respectively.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense increased by \$7.0 million, or 9%, to \$82.5 million for the six months ended June 30, 2021 compared to \$75.5 million for the six months ended June 30, 2020. The increase was mainly driven by accelerated depreciation of certain assets, offset by reduced capital spending. Depreciation, depletion and amortization expense represented approximately 15% and 17% of our sales for the six months ended June 30, 2021 and 2020, respectively.

Goodwill and Other Asset Impairments

During the six months ended June 30, 2021, we recorded \$38.0 thousand of asset impairment charges. During the six months ended June 30, 2020, we recorded \$107.8 million of asset impairment charges for long-lived assets and inventories of idled plants, operating right-of-use assets, and goodwill related to the Oil & Gas Proppants segment.

Operating Income (Loss)

Operating income (loss) increased by \$182.0 million to operating income of \$45.5 million for the six months ended June 30, 2021 compared to operating loss of \$136.5 million for the six months ended June 30, 2020. The increase was driven by a 25% increase in sales and a 22% decrease in selling, general and administrative expenses, partially offset by a 9% increase in

depreciation, depletion and amortization expense, and a 13% increase in cost of sales during the six months ended June 30, 2021.

Interest Expense

Interest expense decreased by \$8.9 million, or 20%, to \$35.6 million for the six months ended June 30, 2021 compared to \$44.5 million for the six months ended June 30, 2020, mainly due to the expiration of the derivatives and a decrease in interest rates.

Other Income (Expense), Net, Including Interest Income

Other income (expense), net, decreased by \$13.6 million to \$2.4 million for the six months ended June 30, 2021 compared to \$16.0 million for the six months ended June 30, 2020. The decrease primarily related to the gain on bargain purchase price of \$14.9 million not recurring in 2021.

Provision for Income Taxes

For the six months ended June 30, 2021, we had tax expense of \$7.3 million. For the six months ended June 30, 2020, we had tax benefit of \$59.7 million. The effective tax rates were 60% and 36% for the six months ended June 30, 2021 and 2020, respectively. Without discrete items, which primarily consist of tax expense related to equity compensation and state tax expense, the effective tax rates for the six months ended June 30, 2021 and 2020 would have been 25% and 24%, respectively.

During the six months ended June 30, 2021 and 2020, we recorded tax expense related to equity compensation of \$0.5 million and \$1.3 million, respectively.

Net Income (Loss)

Net income (loss) attributable to U.S. Silica Holdings, Inc., was net income of \$5.3 million and a net loss of \$104.7 million for the six months ended June 30, 2021 and 2020, respectively. The year over year changes were due to the factors noted above.

Liquidity and Capital Resources

Overview

Our principal liquidity requirements have historically been to service our debt, to meet our working capital, capital expenditure and mine development expenditure needs, to return cash to our stockholders, and to pay for acquisitions. We have historically met our liquidity and capital investment needs with funds generated through operations. We have historically funded our acquisitions through cash on hand, borrowings under our credit facilities, or equity issuances. Our working capital is the amount by which current assets exceed current liabilities and is a measure of our ability to pay our liabilities as they become due. As of June 30, 2021, our working capital was \$369.2 million and we had \$53.0 million of availability under the Revolver. Based on our consolidated leverage ratio of 4.81:1.00 as of June 30, 2021, we may draw up to approximately \$30.0 million without the consent of our lenders. With the consent of our lenders, we have access to the full availability of the Revolver. Additionally, at June 30, 2021, other receivables included \$21.5 million of refunds related to NOL carryback claims filed for various tax years in accordance with certain provisions of the CARES Act, which we expect to receive during 2021.

In connection with the EPM acquisition, on May 1, 2018, we entered into the Credit Agreement with BNP Paribas, as administrative agent, and the lenders named therein. The Credit Agreement increases our existing senior debt by entering into a new \$1.380 billion senior secured Credit Facility, consisting of a \$1.280 billion Term Loan and a \$100 million Revolver that may also be used for swingline loans or letters of credit, and we may elect to increase the Term Loan in accordance with the terms of the Credit Agreement. The amounts owed under the Credit Agreement use LIBOR as a benchmark for establishing the rate at which interest accrues. LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms and other pressures may cause LIBOR to disappear entirely or to perform differently than in the past. The consequences of these developments cannot be entirely predicted but could include an increase in the cost to us of this indebtedness.

Management and our Board remain committed to evaluating additional ways of creating shareholder value. Any determination to pay dividends or other distributions in cash, stock, or property in the future or otherwise return capital to our stockholders, including decisions about existing or new share repurchase programs, will be at the discretion of our Board and will be dependent on then-existing conditions, including industry and market conditions, our financial condition, results of

operations, liquidity and capital requirements, contractual restrictions including restrictive covenants contained in debt agreements, and other factors. Additionally, because we are a holding company, our ability to pay dividends on our common stock may be limited by restrictions on the ability of our subsidiaries to pay dividends or make distributions to us, including restrictions under the terms of the agreements governing our indebtedness. During 2020, our Board of Directors determined that it was not in the best interest of our shareholders to issue a dividend subsequent to the second quarter and for the remainder of the year. We do not have plans to resume issuing dividends in the near term.

Cash Flow Analysis

A summary of operating, investing and financing activities (in thousands) is shown in the following table:

	Six Months Ended June 30,	
	2021	2020
Net cash provided by (used in):		
Operating activities	\$ 81,953	\$ (12,085)
Investing activities	(6,884)	(21,250)
Financing activities	(13,289)	6,271

Net Cash Provided by / Used in Operating Activities

Operating activities consist primarily of net income (loss) adjusted for certain non-cash and working capital items. Adjustments to net income or loss for non-cash items include depreciation, depletion and amortization, deferred revenue, deferred income taxes, equity-based compensation and allowance for credit losses. In addition, operating cash flows include the effect of changes in operating assets and liabilities, principally accounts receivable, inventories, prepaid expenses and other current assets, income taxes payable and receivable, accounts payable and accrued expenses.

Net cash provided by operating activities was \$82.0 million for the six months ended June 30, 2021. This was mainly due to \$5.0 million in net income adjusted for non-cash items, including \$82.5 million in depreciation, depletion and amortization, \$4.1 million in deferred income taxes, \$7.9 million in equity-based compensation, \$10.0 million in deferred revenue, and \$28.0 million in other miscellaneous non-cash items. Also contributing to the change was a \$15.3 million increase in accounts receivable, an \$8.7 million increase in inventories, a \$3.8 million decrease in prepaid expenses and other current assets, a \$15.9 million increase in accounts payable and accrued liabilities, a \$14.1 million decrease in lease liabilities, and a \$17.0 million change in other operating assets and liabilities.

Net cash used in operating activities was \$12.1 million for the six months ended June 30, 2020. This was mainly due to a \$105.2 million net loss adjusted for non-cash items, including \$75.5 million in depreciation, depletion and amortization, \$107.8 million in goodwill and other asset impairments, \$61.1 million in deferred income taxes, \$7.0 million in equity-based compensation, \$5.0 million in deferred revenue, and \$2.1 million in other miscellaneous non-cash items. Also contributing to the change was a \$96.3 million decrease in accounts receivable, a \$9.9 million decrease in inventories, a \$16.1 million increase in prepaid expenses and other current assets, a \$107.0 million decrease in accounts payable and accrued liabilities, a \$31.8 million decrease in lease liabilities, and a \$15.5 million change in other operating assets and liabilities.

Net Cash Used in / Provided by Investing Activities

Investing activities consist primarily of cash consideration paid to acquire businesses and capital expenditures for growth and maintenance.

Net cash used in investing activities was \$6.9 million for the six months ended June 30, 2021. This was mainly due to capital expenditures of \$7.1 million and capitalized intellectual property costs of \$0.2 million, offset by \$0.3 million in proceeds from the sale of property, plant and equipment.

Net cash used in investing activities was \$21.3 million for the six months ended June 30, 2020. This was mainly due to capital expenditures of \$23.2 million and capitalized intellectual property costs of \$0.5 million, offset by \$2.5 million in proceeds from the sale of property, plant and equipment. Capital expenditures for the six months ended June 30, 2020 were primarily related to the payment of capital expenditures accrued in 2019 and improvements and expansions at our industrial facilities in Millen, Georgia, and Columbia, South Carolina and maintenance and other capital projects.

Subject to our continuing evaluation of market conditions, we anticipate that our capital expenditures in 2021 will be in the range of approximately \$30 million to \$40 million, which will primarily be associated with maintenance and cost improvement capital projects, and near-term payback growth projects. We expect to fund our capital expenditures through cash on our balance sheet, cash generated from our operations, and cash generated from financing activities.

Net Cash Used in / Provided by Financing Activities

Financing activities consist primarily of equity issuances, dividend payments, share repurchases, borrowings and repayments related to the Revolver and Term Loan, as well as fees and expenses paid in connection with our credit facilities.

Net cash used in financing activities was \$13.3 million for the six months ended June 30, 2021. This was mainly due to \$4.2 million of short-term debt payments, \$6.4 million of long-term debt payments, and \$2.1 million of tax payments related to shares withheld for vested restricted stock and stock units.

Net cash provided by financing activities was \$6.3 million for the six months ended June 30, 2020. This was mainly due to \$5.1 million of short-term debt payments, \$7.0 million of long-term debt payments, \$6.1 million of dividends paid, \$0.5 million of tax payments related to shares withheld for vested restricted stock and restricted stock units, offset by a \$25.0 million draw down from the Revolver.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have a current material effect or are reasonably likely to have a future material effect on our financial condition, changes in financial condition, sales, expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations

There have been no significant changes outside of the ordinary course of business to our "Contractual Obligations" table in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of our 2020 Annual Report. For more details on future minimum annual purchase commitments and operating leases commitments, please see accompanying Note N - Commitments and Contingencies and Note P - Leases to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

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. As of June 30, 2021, we had \$25.7 million accrued for future reclamation costs, as compared to \$24.7 million as of December 31, 2020.

We discuss certain environmental matters relating to our various production and other facilities, certain regulatory requirements relating to human exposure to crystalline silica and our mining activity and how such matters may affect our business in the future under Item 1, "Business", Item 1A, "Risk Factors", Item 3, "Legal Proceedings" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations-Environmental Matters" in our 2020 Annual Report.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported revenues and expenses during the reporting periods. We evaluate these estimates and assumptions on an ongoing basis and base our estimates on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Our actual results may materially differ from these estimates.

A summary of our significant accounting policies, including certain critical accounting policies and estimates, are included in Note B - Summary of Significant Accounting Policies to the Consolidated Financial Statements in Item 8 of our 2020 Annual Report on Form 10-K. Management believes that the application of these policies on a consistent basis enables us to provide the users of the Consolidated Financial Statements with useful and reliable information about our operating results and financial condition.

Recent Accounting Pronouncements

New accounting pronouncements that have been recently adopted are described in Note B - Summary of Significant Accounting Policies to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Availability of Reports; Website Access; Other Information

Our Internet address is <http://www.ussilica.com>. Through "Investors" — "Financial Information" on our home page, we make available free of charge our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our proxy statements, our current reports on Form 8-K, SEC Forms 3, 4 and 5 and any amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our reports filed with the SEC are also available on its website at <http://www.sec.gov>.

Stockholders may also request a free copy of these documents from: U.S. Silica Holdings, Inc., attn.: Investor Relations, 24275 Katy Freeway, Suite 600, Katy, Texas 77494.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

We are exposed to certain market risks, which exist as a part of our ongoing business operations. Such risks arise from adverse changes in market rates, prices and conditions. We address such market risks in "Recent Trends and Outlook" and "How We Generate Our Sales" in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Interest Rate Risk

We are exposed to interest rate risk arising from adverse changes in interest rates. As of June 30, 2021, we had \$1.253 billion of debt outstanding under the Credit Agreement. Assuming LIBOR is greater than the 1.0% minimum base rate on the Term Loan, a hypothetical increase in interest rates by 1.0% would have changed our interest expense by \$12.5 million per year.

LIBOR is expected to be discontinued after 2021 and there can be no assurance as to what alternative base rate may replace LIBOR in the event it is discontinued, or whether such base rate will be more or less favorable to us. We intend to monitor the developments with respect to LIBOR and work with our lenders, including under the Credit Agreement, to ensure any transition away from LIBOR will have a minimal impact on our financial condition, but can provide no assurances regarding the impact of the discontinuation of LIBOR.

Credit Risk

We are subject to risks of loss resulting from nonpayment or nonperformance by our customers. We examine the creditworthiness of third-party customers to whom we extend credit and manage our exposure to credit risk through credit analysis, credit approval, credit limits and monitoring procedures, and for certain transactions, we may request letters of credit, prepayments or guarantees, although collateral is generally not required.

Despite enhancing our examination of our customers' creditworthiness, we may still experience delays or failures in customer payments. Some of our customers have reported experiencing financial difficulties. With respect to customers that may file for bankruptcy protection, we may not be able to collect sums owed to us by these customers and we also may be required to refund prepetition amounts paid to us during the preference period (typically 90 days) prior to the bankruptcy filing.

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, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2021. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of June 30, 2021, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Control over Financial Reporting

There were no changes in our existing internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended June 30, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In addition to the matters described below, we are subject to various legal proceedings, claims, and governmental inspections, audits or investigations incidental to our business, which can cover general commercial, governmental regulations, antitrust and trade regulations, product liability, environmental, intellectual property, employment and other matters. Although the outcomes of these ordinary 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 position or results of operations.

Prolonged inhalation of excessive levels of respirable crystalline silica dust can result in silicosis, a disease of the lungs. Breathing large amounts of respirable silica dust over time may injure a person's lungs by causing scar tissue to form. Crystalline silica in the form of quartz is a basic component of soil, sand, granite and most other types of rock. Cutting, breaking, crushing, drilling, grinding and abrasive blasting of or with crystalline silica containing materials can produce fine silica dust, the inhalation of which may cause silicosis, lung cancer and possibly other diseases including immune system disorders such as scleroderma. Sources of exposure to respirable crystalline silica dust include sandblasting, foundry manufacturing, crushing and drilling of rock, masonry and concrete work, mining and tunneling, and cement and asphalt pavement manufacturing.

Since at least 1975, we and/or our predecessors have been named as a defendant, usually among many defendants, in numerous lawsuits brought by or on behalf of current or former employees of our customers alleging damages caused by silica exposure. Prior to 2001, the number of silicosis lawsuits filed annually against the commercial silica industry remained relatively stable and was generally below 100, but between 2001 and 2004 the number of silicosis lawsuits filed against the commercial silica industry substantially increased. This increase led to greater scrutiny of the nature of the claims filed, and in June 2005, the U.S. District Court for the Southern District of Texas issued an opinion in the former federal silica multi-district litigation remanding almost all of the 10,000 cases then pending in the multi-district litigation back to the state courts from which they originated for further review and medical qualification, leading to a number of silicosis case dismissals across the United States. In conjunction with this and other favorable court rulings establishing "sophisticated user" and "no duty to warn" defenses for silica producers, several states, including Texas, Ohio and Florida, have passed medical criteria legislation that requires proof of actual impairment before a lawsuit can be filed.

As a result of the above developments, the filing rate of new claims against us over the past few years has decreased to below pre-2001 levels, and we were named as a defendant in one, one, and 20 new silicosis cases filed in 2020, 2019, and 2018, respectively. The main driver of the increase in cases filed in 2018 was 16 claims arising out of a single location in Mississippi. During the six months ended June 30, 2021, one new claim was brought against U.S. Silica. As of June 30, 2021, there were 44 active silica-related product liability claims pending in which U.S. Silica is a defendant. Almost all of the claims pending against us arise out of the alleged use of our silica products in foundries or as an abrasive blast media and involve various other defendants. Prior to the fourth quarter of 2012, we had insurance policies for both our predecessors that cover certain claims for alleged silica exposure for periods prior to certain dates in 1985 and 1986 (with respect to certain insurance). As a result of a settlement with a former owner and its insurers in the fourth quarter of 2012, some of these policies are no longer available to us and we will not seek reimbursement for any defense costs or claim payments from these policies. Other insurance policies, however, continue to remain available to us and will continue to make such payments on our behalf.

The silica-related litigation brought against us to date has not resulted in material liability to us. However, we continue to have silica-related product liability claims filed against us, including claims that allege silica exposure for periods for which we do not have insurance coverage. Although the outcomes of these claims cannot be predicted with certainty, in the opinion of management, it is not reasonably possible that the ultimate resolution of these matters will have a material adverse effect on our financial position or results of operations that exceeds the accrual amounts.

For more information regarding silica-related litigation, see Part I, Item 1A. Risk Factors of our 2020 Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in Item 1A. Risk Factors in our 2020 Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**Share Repurchase Program**

The following table presents the total number of shares of our common stock that we repurchased during the second quarter of 2021, the average price paid per share, the number of shares that we repurchased as part of our share repurchase program, and the approximate dollar value of shares that still could have been repurchased at the end of the applicable fiscal period pursuant to our share repurchase program:

Period	Total Number of Shares Withheld or Forfeited ⁽²⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program ⁽¹⁾	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program ⁽¹⁾
April 1, 2021 - April 30, 2021	21,017	\$ 13.02	—	126,540,060
May 1, 2021 - May 31, 2021	54,462	\$ 11.87	—	126,540,060
June 1, 2021 - June 30, 2021	—	\$ —	—	126,540,060
Total	75,479	\$ 12.20	—	

(1) In May 2018, our Board of Directors authorized and announced the repurchase of up to \$200 million of our common stock from time to time on the open market or in privately negotiated transactions. Stock repurchases, if any, will be funded using our available liquidity. The timing and amount of stock repurchases will depend on a variety of factors, including the market conditions as well as corporate and regulatory considerations. As of June 30, 2021, we have repurchased a total of 5,036,139 shares of our common stock at an average price of \$14.59.

(2) Shares withheld by U.S. Silica to pay taxes due upon the vesting of employee restricted stock and restricted stock units for the months ended April 30, May 31, and June 30, 2021, respectively.

We did not repurchase any shares of common stock under our share repurchase program during the three and six months ended June 30, 2021.

ITEM 3. DEFAULT UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Safety is one of our core values and we strive to achieve a workplace free of injuries and occupational illnesses. 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 Quarterly Report filed on Form 10-Q.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Incorporated by Reference

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
3.1	Third Amended and Restated Certificate of Incorporation of U.S. Silica Holdings, Inc., effective May 4, 2017.	8-K	001-35416	3.1	May 10, 2017
3.2	Third Amended and Restated Bylaws of U.S. Silica Holdings, Inc., effective May 4, 2017.	8-K	001-35416	3.2	May 10, 2017
10.1	Third Amended and Restated U.S. Silica Holdings, Inc. 2011 Incentive Compensation Plan, as amended and restated effective May 13, 2021.	8-K	001-35416	10.1	May 14, 2021
31.1*	Rule 13a-14(a)/15(d)-14(a) Certification by Bryan A. Shinn, Chief Executive Officer.				
31.2*	Rule 13a-14(a)/15(d)-14(a) Certification by Donald A. Merrill, Chief Financial Officer.				
32.1#	Section 1350 Certification by Bryan A. Shinn, Chief Executive Officer.				
32.2#	Section 1350 Certification by Donald A. Merrill, Chief Financial Officer.				
95.1*	Mine Safety Disclosure.				
101*	101.INS XBRL Instance - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document 101.SCH Inline XBRL Taxonomy Extension Schema 101.CAL Inline XBRL Taxonomy Extension Calculation 101.LAB Inline XBRL Taxonomy Extension Labels 101.PRE Inline XBRL Taxonomy Extension Presentation 101.DEF Inline XBRL Taxonomy Extension Definition				
104*	Cover Page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 formatted in Inline XBRL (and contained in Exhibit 101)				

* Filed herewith

Furnished herewith

We will furnish to any of our stockholders a copy of any of the above exhibits upon the written request of such stockholder.

SIGNATURES

Pursuant to the requirements 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, this 29th day of July 2021.

U.S. Silica Holdings, Inc.

/s/ DONALD A. MERRIL

Name: Donald A. Merrill
Executive Vice President & Chief Financial Officer
(Authorized Signatory and Principal Financial
Officer)

Title:

CERTIFICATION

I, Bryan A. Shinn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of U.S. Silica Holdings, Inc. (the "Company") for the quarter ended June 30, 2021;
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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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: July 29, 2021

/s/ BRYAN A. SHINN

Name: Bryan A. Shinn

Title: Chief Executive Officer

CERTIFICATION

I, Donald A. Merrill, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of U.S. Silica Holdings, Inc. (the "Company") for the quarter ended June 30, 2021;
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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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: July 29, 2021

/s/ DONALD A. MERRIL

Name: Donald A. Merrill

Title: Executive Vice President and Chief Financial Officer

SECTION 1350 CERTIFICATION

I, Bryan A. Shinn, Chief Executive Officer, U.S. Silica Holdings, Inc. (the "Company"), hereby certify, on the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- i. The Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- ii. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 29, 2021

/s/ BRYAN A. SHINN

Name: Bryan A. Shinn

Title: Chief Executive Officer

A signed copy of this original statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff on request.

SECTION 1350 CERTIFICATION

I, Donald A. Merrill, Chief Financial Officer, U.S. Silica Holdings, Inc. (the "Company"), hereby certify, on the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- i. The Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- ii. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 29, 2021

/s/ DONALD A. MERRIL

Name: Donald A. Merrill

Title: Executive Vice President and Chief Financial
Officer

A signed copy of this original statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff on request.

Mine Safety Disclosure

The following disclosures are provided pursuant to 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, are often 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 District’s approach to enforcement. Due to timing and other factors, the data below may not agree with the mine data retrieval system maintained by the MSHA at www.MSHA.gov

The following table details the citations and orders issued and civil penalties assessed to us by MSHA during the quarter ended June 30, 2021:

(whole dollars)

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations	Section 104(b) Orders	Section 104(d) Citations and Orders	Section 110(b)(2) Violations	Section 107(a) Orders	Total Dollar Value of MSHA Assessments Proposed (1)	Total Number of Mining Related Fatalities	Received Notice of Pattern of Violations Under Section 104(e) (yes/no)	Received Notice of Potential to Have Pattern Under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period	Legal Actions Initiated During Period	Legal Actions Resolved During Period
Berkley Springs, WV / 4602805	0	0	0	0	0	\$0.00*	0	No	No	0	0	0
Celatom Mine, OR / 3503237	0	0	0	0	0	\$159.00	0	No	No	0	0	0
Celatom Plant, OR / 3503236	0	0	0	0	0	\$125.00	0	No	No	0	0	0
Cheto Mine, AZ / 0200103	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Clark, NV / 2600677	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Columbia, SC / 3800138	0	0	0	0	0	\$0.00	0	No	No	6	6	0
Crane, TX / 4105331	0	0	0	0	1	\$1,602.00	0	No	No	1	1	0
Dubberly, LA / 1600489	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Fernley, NV / 2601950	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Festus, MO / 2302377	0	0	0	0	0	\$0.00*	0	No	No	0	0	0
Fowlkes Mine, MS / 2200460	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Hazen Mine, NV / 2600679	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Hurtsboro, AL / 100617	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Jackson, MS / 2200415	2	0	0	0	0	\$0.00*	0	No	No	0	0	0
Jackson, TN / 4002937	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Kosse, TX / 4100262	0	0	0	0	0	\$0.00	0	No	No	0	0	0

Lamesa, TX / 4105363	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Lovelock (Colado Plant) / 2600680	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Lovelock, NV (Colado Mine) / 2600672	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Mapleton, PA / 3603122	0	0	0	0	0	\$250.00	0	No	No	0	0	0
Mauricetown, NJ / 2800526	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Middletown, TN / 4002968	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Mill Creek Mine, OK / 3400836	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Mill Creek Plant, OK / 3400377	0	0	0	0	0	\$125.00	0	No	No	0	0	0
Millen, GA / 0901232	0	0	0	0	0	\$250.00	0	No	No	0	0	0
Montpelier, VA / 4402829	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Ottawa, IL / 1101013	0	0	0	0	0	\$0.00	0	No	No	4	4	4
Pacific, MO / 2300544	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Popcom Mine, NV / 2602236	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Port Elizabeth, NJ / 2800510	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Rockwood, MI / 2000608	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Sparta, WI / 4703644	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Tyler, TX /4104182	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Utica, IL / 1103268	0	0	0	0	0	\$0.00	0	No	No	0	0	0

Amounts included are the total dollar value of proposed assessments received from MSHA on or before June 30, 2021, regardless of whether the assessment has been challenged or appealed. Citations and orders can be contested and appealed, and as part of that process, are sometimes reduced in severity and amount, and sometimes dismissed. The number of citations, orders, and proposed assessments vary by the MSHA District's approach to enforcement and vary depending on the size and type of the operation

- * As of June 30, 2021 MSHA had not yet proposed an assessment for 1 non-S&S citation at Berkley Springs, WV.
- * As of June 30, 2021 MSHA had not yet proposed an assessment for 1 non-S&S citation at Festus, MO.
- * As of June 30, 2021 MSHA had not yet proposed an assessment for 4 non-S&S citations at Jackson, MS.