

# **Hi-Crush Inc.**

Management's Discussion and Analysis of Financial Condition and Results of Operations

As of and for the year ended December 31, 2021

(Unaudited)

**HI-CRUSH INC.**Management's Discussion and Analysis of Financial Condition and Results of Operations  
(Dollars in thousands, except tonnage or where otherwise noted)

The following discussion and analysis of the Company's financial condition and results of operations should be read together with the consolidated financial statements and the related notes in the "2021 Audited Financial Statements" separately provided.

**Results of Operations**

The following table presents revenues, volumes and pricing for the period indicated:

|                            | Year ended<br>December 31, 2021 | Period from<br>October 1, 2020<br>through<br>December 31, 2020 |
|----------------------------|---------------------------------|--|
| Frac sand sales revenues   | \$ 210,268                      | \$ 33,102  |
| Other revenues             | 135,107                         | 15,087   |
| Tons sold                  | 7,980,815                       | 1,035,517  |
| Average price per ton sold | \$ 26                           | \$ 32  |

**Liquidity and Capital Resources**

We expect our principal sources of liquidity will be available cash and cash generated by our operations. We believe these sources will be sufficient to meet our future principal uses of cash: short-term working capital requirements and long-term capital expenditure requirements.

**Long-term Debt**

For information, see Note 11 - Long-Term Debt of the Notes to Consolidated Financial Statements in the 2021 Audited Financial Statements.

**Off-Balance Sheet Arrangements**

As of December 31, 2021, there were \$15,586 in surety bonds outstanding related to various performance obligations. These were issued in the ordinary course of our business and are in place to support various performance obligations as required by (i) statutes within the regulatory jurisdictions where we operate and (ii) counterparty support. Obligations under these surety bonds are not normally called, as we typically comply with the underlying performance requirement, and our management believes these surety bonds will expire without being funded.

**Working Capital**

Working capital is the amount by which current assets, excluding cash, exceed current liabilities, excluding current portion of long-term debt and current portion of operating lease liabilities, and is a measure of our ability to pay our liabilities as they become due.

The following table summarizes our working capital as of the date indicated:

|   | As of             |                   |
|---|-------------------|-------------------|
|   | December 31, 2021 | December 31, 2020 |
| <b>Assets</b>                             |                   |                   |
| Accounts receivable, net                  | \$ 50,167         | \$ 24,807         |
| Inventories                               | 15,886            | 18,596            |
| Prepaid expenses and other current assets | 18,645            | 18,702            |
| Total current assets                      | 84,698            | 62,105            |
| <b>Current liabilities:</b>               |                   |                   |
| Accounts payable                          | \$ 26,069         | \$ 13,040         |
| Accrued and other current liabilities     | 18,442            | 22,030            |
| Current portion of deferred revenues      | 5,591             | 3,255             |
| Total current liabilities                 | 50,102            | 38,325            |
| Working capital                           | \$ 34,596         | \$ 23,780         |

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The following table provides a summary of our cash flows for the periods indicated:

|  | <b>Year ended December<br/>31, 2021</b> | <b>Period from October 1,<br/>2020 through December<br/>31, 2020</b> |
|--|---|--|
| <b>Net cash provided by (used in):</b> |   |  |
| Operating activities                   | \$ 28,745                               | \$ (7,969)   |
| Investing activities                   | 42,402                                  | (1,417)  |
| Financing activities                   | (64,901)                                | (1,092)  |