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 March 31, 2019

or

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

For the transition period from _________ to _________

Commission File Number: 001-35630

Hi-Crush Partners LP
(Exact name of registrant as specified in its charter)

Delaware	**90-0840530**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1330 Post Oak Blvd, Suite 600	
Houston, Texas	**77056**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code **(713) 980-6200**
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common units representing limited partnership interests	**HCLP**	**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 definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

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

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

As of May 2, 2019, there were 101,105,766 common units outstanding.

HI-CRUSH PARTNERS LP
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PART I
ITEM 1. FINANCIAL STATEMENTS.

HI-CRUSH PARTNERS LP
Condensed Consolidated Balance Sheets
(In thousands, except unit amounts)
(Unaudited)

	March 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash	$ 60,404	$ 114,256
Accounts receivable, net (Note 2)	97,264	101,029
Inventories (Note 4)	44,400	57,089
Prepaid expenses and other current assets	12,482	13,239
Total current assets	214,550	285,613
Property, plant and equipment, net (Note 5)	1,042,350	1,031,188
Operating lease right-of-use assets (Note 6)	128,467	—
Goodwill and intangible assets, net	72,090	71,575
Equity method investments (Note 7)	39,254	37,354
Other assets	2,760	8,108
Total assets	$ 1,499,471	$ 1,433,838
Liabilities and Partners' Capital		
Current liabilities:		
Accounts payable	$ 33,635	$ 71,039
Accrued and other current liabilities	44,796	61,337
Current portion of deferred revenues (Note 12)	26,950	19,940
Current portion of long-term debt (Note 8)	1,147	2,194
Current portion of operating lease liabilities (Note 6)	33,609	—
Total current liabilities	140,137	154,510
Deferred revenues (Note 12)	7,454	9,845
Long-term debt (Note 8)	442,901	443,283
Operating lease liabilities (Note 6)	85,300	—
Asset retirement obligations	10,806	10,677
Other liabilities (Note 9)	8,231	8,276
Total liabilities	694,829	626,591
Commitments and contingencies (Note 9)		
Partners' capital:		
Limited partners interest, 101,105,766 and 100,874,988 units outstanding, respectively	807,148	811,477
Accumulated other comprehensive loss	(2,506)	(4,230)
Total partners' capital	804,642	807,247
Total liabilities and partners' capital	$ 1,499,471	$ 1,433,838

See Notes to Unaudited Condensed Consolidated Financial Statements.

HI-CRUSH PARTNERS LP
Condensed Consolidated Statements of Operations
(In thousands, except unit and per unit amounts)
(Unaudited)

	Three Months Ended March 31,	
	2019	**2018 (a)**
Revenues (Note 12)	$ 159,910	$ 218,113
Cost of goods sold (excluding depreciation, depletion and amortization)	130,522	141,983
Depreciation, depletion and amortization	11,272	7,799
Gross profit	18,116	68,331
Operating costs and expenses:		
General and administrative expenses	12,613	10,943
Depreciation and amortization	1,676	525
Accretion of asset retirement obligations	129	126
Other operating expenses, net	431	999
Income from operations	3,267	55,738
Other income (expense):		
Earnings from equity method investments (Note 7)	1,116	1,166
Interest expense	(10,590)	(3,473)
Net income (loss)	$ (6,207)	$ 53,431
Earnings (loss) per limited partner unit:		
Basic	$ (0.06)	$ 0.60
Diluted	$ (0.06)	$ 0.59
Weighted average limited partner units outstanding:		
Basic	101,017,441	88,870,379
Diluted	101,017,441	90,173,318

(a) Financial information has been recast to include the results attributable to our sponsor and general partner. See Note 3.

See Notes to Unaudited Condensed Consolidated Financial Statements.

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HI-CRUSH PARTNERS LP
Condensed Consolidated Statements of Comprehensive Income
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2019	2018 (a)
Net income (loss)	$ (6,207)	$ 53,431
Foreign currency translation adjustment	1,724	—
Comprehensive income (loss)	$ (4,483)	$ 53,431

(a) Financial information has been recast to include the results attributable to our sponsor and general partner. See Note 3.

See Notes to Unaudited Condensed Consolidated Financial Statements.

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HI-CRUSH PARTNERS LP
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2019	**2018 (a)**
Operating activities:		
Net income (loss)	$ (6,207)	$ 53,431
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and depletion	11,500	7,903
Amortization of intangible assets	1,448	421
Unit-based compensation to directors and employees	1,578	1,801
Amortization of loan origination costs into interest expense	409	194
Accretion of asset retirement obligations	129	126
(Gain) loss on disposal of property, plant and equipment	123	(24)
Amortization of right of use assets	2,642	—
Earnings from equity method investments	(1,116)	(1,166)
Changes in operating assets and liabilities:		
Accounts receivable	3,566	4,504
Inventories	11,534	7,279
Prepaid expenses and other current assets	(1,273)	(1,863)
Other assets	(1,025)	537
Accounts payable	(15,944)	(1,035)
Accrued and other current liabilities	(16,869)	(382)
Deferred revenues	4,637	(1,076)
Operating lease liabilities	(3,739)	(15)
Net cash (used in) provided by operating activities	(8,607)	70,635
Investing activities:		
Capital expenditures for property, plant and equipment	(40,289)	(12,258)
Proceeds from sale of property, plant and equipment	425	2,867
Business acquisition, net of cash acquired	(3,119)	—
Equity method investments	(495)	—
Net cash used in investing activities	(43,478)	(9,391)
Financing activities:		
Repayment of long-term debt	(694)	(1,457)
Repayment of premium financing notes	(1,044)	(857)
Refund (payment) of loan origination costs	167	(109)
Repurchase of common units	—	(9,426)
Payment of accrued distribution equivalent rights	(209)	(127)
Distributions paid to members of Hi-Crush Proppants LLC	—	(24,838)
Distributions paid to limited partner unitholders	—	(17,809)
Net cash used in financing activities	(1,780)	(54,623)
Effects of exchange rate on cash	13	—
Net increase (decrease) in cash	(53,852)	6,621
Cash at beginning of period	114,256	7,724
Cash at end of period	$ 60,404	$ 14,345
Non-cash investing and financing activities:		
Decrease in accounts payable and accrued liabilities for additions to property, plant and equipment	$ (22,186)	$ (2,817)
Change in estimated fair value of contingent consideration liability	$ 276	$ —
Increase (decrease) in accrued distribution equivalent rights	$ (116)	$ 271
Cash paid for interest, net of capitalized interest	$ 21,292	$ 3,278

(a) Financial information has been recast to include the results attributable to our sponsor and general partner. See Note 3.

See Notes to Unaudited Condensed Consolidated Financial Statements.

HI-CRUSH PARTNERS LP
Condensed Consolidated Statement of Partners' Capital
(In thousands)
(Unaudited)

	Limited Partner Capital	Accumulated Other Comprehensive Income (Loss)	Total Equity and Partners' Capital
Balance at December 31, 2018	$ 811,477	$ (4,230)	$ 807,247
Issuance of common units to directors	246	—	246
Unit-based compensation expense	1,516	—	1,516
Forfeiture of distribution equivalent rights	116	—	116
Other comprehensive income	—	1,724	1,724
Net loss	(6,207)	—	(6,207)
Balance at March 31, 2019	$ 807,148	$ (2,506)	$ 804,642

	General Partner Capital	Limited Partner Capital	Non-Controlling Interest	Total Equity and Partners' Capital
Balance at December 31, 2017 (a)	$ —	$ 1,239,282	$ (413,512)	$ 825,770
Issuance of common units to directors and employees	—	474	—	474
Repurchase of common units	—	(9,426)	—	(9,426)
Unit-based compensation expense	—	1,682	—	1,682
Distributions, including distribution equivalent rights ($0.20 per unit)	—	(18,079)	—	(18,079)
Distributions to members of Hi-Crush Proppants LLC (a)	—	—	(24,838)	(24,838)
Net income (a)	—	53,431	—	53,431
Balance at March 31, 2018 (a)	$ —	$ 1,267,364	$ (438,350)	$ 829,014

(a) Financial information has been recast to include the results attributable to our sponsor and general partner. See Note 3.

See Notes to Unaudited Condensed Consolidated Financial Statements.

HI-CRUSH PARTNERS LP
Notes to Unaudited Condensed Consolidated Financial Statements
(Dollars in thousands, except unit and per unit amounts, or where otherwise noted)

1. Business and Organization

Basis of Presentation

The accompanying unaudited interim Condensed Consolidated Financial Statements ("interim statements") of Hi-Crush Partners LP (together with its subsidiaries, the "Partnership," "we," "us" or "our") have been prepared in accordance with accounting principles generally accepted 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"). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all normal and recurring adjustments and disclosures necessary for a fair statement are reflected in the interim periods presented. The results reported in these interim statements are not necessarily indicative of the results that may be reported for the entire year. These interim statements should be read in conjunction with the Partnership’s Consolidated Financial Statements for the year ended December 31, 2018, which are included in the Partnership’s Annual Report on Form 10-K filed with the SEC on February 20, 2019. The year-end balance sheet data was derived from the audited financial statements.

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements as it relates to the reclassification of depreciation and amortization separately from general and administrative expenses on the Condensed Consolidated Statements of Operations. These reclassifications had no effect on the previously reported results of operations.

These financial statements have been prepared assuming the Partnership will continue to operate as a going concern. On a quarterly basis, the Partnership assesses whether conditions have emerged which may cast substantial doubt about the Partnership's ability to continue as a going concern for the next twelve months following the issuance of the interim statements.

Description of Business and Organization

The Partnership is a Delaware limited partnership formed on May 8, 2012. In connection with its formation, the Partnership issued a non-economic general partner interest to Hi-Crush GP LLC (the "general partner"), and a 100% limited partner interest to Hi-Crush Proppants LLC (the "sponsor"), its organizational limited partner. The Partnership is a fully integrated, strategic provider of proppant and logistics solutions to the North American petroleum industry. We provide mine-to-wellsite logistics services that optimize proppant supply to customers in all major oil and gas basins in the United States, and own and operate multiple frac sand mining facilities and in-basin terminals. Our PropStream® service, offering both container- and silo-based wellsite delivery and storage systems, provides the highest level of flexibility, safety and efficiency in managing the full scope and value of the proppant supply chain.

On August 1, 2018, the Partnership completed the acquisition of FB Industries Inc. ("FB Industries"), a company engaged in the engineering, design and marketing of silo-based frac sand management systems.

On October 21, 2018, the Partnership entered into a contribution agreement with our sponsor pursuant to which the Partnership acquired all of the then outstanding membership interests in the sponsor and the non-economic general partner interest in the Partnership, in exchange for 11,000,000 newly issued common units (the "Sponsor Contribution"). In connection with the acquisition, all of the outstanding incentive distribution rights representing limited partnership interests in the Partnership were canceled and extinguished and the sponsor waived any and all rights to receive contingent consideration payments from the Partnership or our subsidiaries pursuant to certain previously entered into contribution agreements to which it was a party.

The Sponsor Contribution was accounted for as a transaction between entities under common control whereby the net assets of our sponsor and general partner were recorded at their historical cost. Therefore, the Partnership's historical financial information has been recast to combine our sponsor and general partner with the Partnership as if the combination had been in effect since inception of the common control. Refer to Note 3 - Acquisitions for additional disclosure regarding recent acquisitions.

Corporate Conversion

The board of directors of our general partner unanimously approved a Plan of Conversion pursuant to which, subject to unitholder approval, the Partnership would effect its proposed conversion from a Delaware limited partnership to a Delaware corporation (the "Conversion"). The Partnership filed a definitive proxy statement with the SEC on February 20, 2019. The proxy statement related to a special meeting of unitholders on April 11, 2019 that was adjourned and will reconvene on May 22, 2019, at which time unitholders will be asked to consider and vote the proposed Conversion and related proposals, including to approve the Hi-Crush Inc. Long-Term Incentive Plan to be in effect following the consummation of the Conversion. As a result of the Conversion, the Partnership will convert from an entity treated as a partnership for U.S. federal income tax purposes to an entity treated as a corporation for U.S. federal income tax purposes.

2. Significant Accounting Policies

In addition to the significant accounting policies listed below, a comprehensive discussion of our critical accounting policies and estimates is included in our Annual Report on Form 10-K filed with the SEC on February 20, 2019.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Trade receivables relate to sales of frac sand, related services and the sale of logistics equipment for which credit is extended based on the customer's credit history and are recorded at the invoiced amount and do not bear interest. The Partnership regularly reviews the collectability of accounts receivable. When it is probable that all or part of an outstanding balance will not be collected, the Partnership establishes or adjusts an allowance as necessary, generally using the specific identification method. Account balances are charged against the allowance after all means of collection have been exhausted and potential recovery is considered remote. As of each of March 31, 2019 and December 31, 2018, the Partnership maintained an allowance for doubtful accounts of $1,060.

Revenues recognized in advance of invoice issuance create assets referred to as "unbilled receivables." Any portion of our unbilled receivables for which our right to consideration is conditional on a factor other than the passage of time is considered a contract asset. These assets are presented on a combined basis with accounts receivable and are converted to trade receivables once billed.

Leases

On January 1, 2019, we adopted Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)* using the modified retrospective transition method, utilizing the simplified transition option available, which allows entities to continue to apply the legacy guidance in *ASC 840, Leases*, including its disclosure requirements, in the comparative periods presented in the year of adoption. We have elected to apply certain practical expedients, whereby we will not reassess (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases and (iii) initial direct costs for any existing leases. Upon adoption of the new leasing standard on January 1, 2019, we recognized $135,480 of operating lease right-of-use assets, including any lease prepayments made, initial direct costs incurred and excludes lease incentives received, and $127,018 of related operating lease liabilities on the Consolidated Balance Sheet. The impact of adoption of the new leasing standard had no impact to the opening balance of retained earnings on the Consolidated Balance Sheet or to the Consolidated Statements of Operations. Refer to Note 6 - Leases for additional disclosure regarding leases.

At inception of a contract, the Partnership determines if it includes a lease. When a lease is identified, a right-of-use asset and the corresponding lease liability are recorded on the Condensed Consolidated Balance Sheet. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease right-of-use assets also includes any lease prepayments made, initial direct costs incurred and excludes lease incentives received. The operating lease liabilities also includes any deferred rent accrued. We generally do not include renewal or termination options in our assessment of the leases unless extension or termination for certain assets is deemed to be reasonably certain. For all leases with a term of 12 months or less, we elected the practical expedient to not recognize lease assets and liabilities. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Deferred Financing Charges

Certain direct costs incurred in connection with debt financing have been capitalized and are being amortized using the straight-line method, which approximates the effective interest method, over the life of the debt. Amortization expense is included in interest expense.

Equity Method Investments

The Partnership accounts for investments that it does not control but has the ability to exercise significant influence, using the equity method of accounting. Under this method, the investment is carried originally at cost, increased by any allocated share of the Partnership's net income and contributions made, and decreased by any allocated share of the Partnership's net losses and distributions received. The Partnership's allocated share of income and losses are based on the rights and priorities outlined in the equity investment agreement.

Contingent Consideration

Accounting standards require that contingent consideration be recorded at fair value at the date of acquisition and revalued during subsequent reporting dates under the acquisition method of accounting. The estimated fair value of contingent consideration is recorded in accrued and other current liabilities and other liabilities on the Condensed Consolidated Balance Sheet. The estimate of fair value of a contingent consideration obligation requires subjective assumptions to be made regarding future business results, discount rates and probabilities assigned to various potential business result scenarios. Any adjustments to fair value are recognized in earnings in the period identified. Refer to Note 9 - Commitments and Contingencies for additional disclosure regarding contingent consideration.

Revenue Recognition

On January 1, 2018, we adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* and all the related amendments to all contracts using the full retrospective method. The adoption of Topic 606 had no impact on our revenue recognition practices or impact to our Consolidated Financial Statements but required additional disclosures. Refer to Note 12 - Revenues for additional disclosure regarding revenues.

We generate frac sand revenues from the sale of raw frac sand that our customers purchase for use in the oil and natural gas industry. A substantial portion of our frac sand is sold to customers with whom we have long-term supply agreements, the current terms of which expire between 2019 and 2024. The agreements define, among other commitments, the volume of product that the Partnership must provide and the volume that the customer must purchase by the end of the defined periods. Pricing structures under our agreements are in many cases subject to certain contractual adjustments and consist of a combination of negotiated pricing and fixed pricing. These arrangements may undergo negotiations regarding pricing and volume requirements, which may occur in volatile market conditions. We also sell sand through individual purchase orders executed on the spot market, at prices and other terms determined by the existing market conditions as well as the specific requirements of the customer. We typically invoice our frac sand customers as the product is delivered and title transfers to the customer, with standard collection terms of net 30 days.

Frac sand sales revenues are recognized at the point in time following the transfer of control to the customer when legal title passes, which may occur at the production facility, rail origin, terminal or wellsite. Revenue recognition is driven by the execution and delivery of frac sand by the Partnership to the customer, which is initiated by the customer placing an order for frac sand, the Partnership accepting and processing the order, and the physical delivery of sand at the location specified by the customer. At that point in time, delivery has occurred, evidence of a contractual arrangement exists and collectability is reasonably assured.

Revenue from make-whole provisions in our customer contracts is recognized as other revenue at the end of the defined period when collectability is certain. Customer prepayments in excess of customer obligations remaining on account upon the expiration or termination of a contract are recognized as other operating income during the period in which the expiration or termination occurs.

We generate other revenues primarily through the performance of our PropStream logistics service, which includes transportation, equipment rental, and labor services, as well as through activities performed at our in-basin terminals, including transloading sand for counterparties, and lease of storage space. Transportation services typically consist of transporting proppant from storage facilities to the wellsite and are contracted through work orders executed under established pricing agreements. The amount invoiced reflects the transportation services rendered. Equipment rental services provide customers with use of our PropStream fleet equipment for either contractual periods defined through formal agreements or for work orders under established pricing agreements. The amounts invoiced reflect either the contractual monthly minimum, or the length of time the equipment was utilized in the billing period. Labor services provide customers with supervisory, logistics, or field personnel through formal agreements or work orders executed under established pricing agreements. The amounts invoiced reflect either the contractual monthly minimum, or the amount of time our labor services were utilized in the billing period.

We generate other revenues from the sale of logistics equipment, recognized at the time of delivery at the location specified by the customer.

We typically invoice our customers as product is delivered and services are rendered, with standard collection terms of net 30 days. We recognize revenue for PropStream logistics services and other revenues as title of the product transfers and the services have been rendered and completed. At that point in time, delivery of service has occurred, evidence of a contractual arrangement exists and collectability is reasonably assured.

Deferred Revenues

We occasionally receive prepayments from customers for future deliveries of frac sand or equipment. These prepayments represent consideration that is unconditional for which we have yet to transfer title to the sand or equipment. Amounts received from customers in advance of product deliveries are recorded as contract liabilities referred to as deferred revenues and recognized as revenue upon delivery of the product.

Fair Value Measurements

The amounts reported in the balance sheet as current assets or liabilities, including cash, accounts receivable, accounts payable, accrued and other current liabilities approximate fair value due to the short-term maturities of these instruments. The Partnership's financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy, which are as follows:

- Level 1 - observable inputs such as quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets that we can directly or indirectly observe to the extent that the markets are liquid for the relevant settlement periods; and
- Level 3 - unobservable inputs in which little or no market data exists, therefore inputs reflect the Partnership's assumptions.

The fair value of the 9.50% senior unsecured notes due 2026 (the "Senior Notes") approximated $348,750 as of March 31, 2019, based on the market price quoted from external sources, compared with a carrying value of $450,000. If the Senior Notes were measured at fair value in the financial statements, it would be classified as Level 2 in the fair value hierarchy.

We measure the contingent consideration liability recognized in connection with the acquisition of FB Industries at fair value on a recurring basis using unobservable inputs and it would be classified as Level 3 in the fair value hierarchy. Refer to Note 9 - Commitments and Contingencies for additional disclosure regarding contingent consideration.

Net Income per Limited Partner Unit

Net income or loss per limited partner unit is computed by dividing net income or loss by the weighted-average number of outstanding limited partner units during the period.

For the periods presented prior to the Sponsor Contribution, we had identified the sponsor’s incentive distribution rights as participating securities and computed income per unit using the two-class method under which any excess of distributions declared over net income or loss were allocated to the partners based on their respective sharing of income specified in the partnership agreement. Net income or loss per unit applicable to limited partners was computed by dividing limited partners’ interest in net income or loss, after deducting any sponsor incentive distributions, by the weighted-average number of outstanding limited partner units. The incentive distribution rights were canceled and extinguished on October 21, 2018 in connection with the Sponsor Contribution.

As described in Note 1, the Partnership's historical financial information has been recast to consolidate our sponsor and general partner for all periods presented. The amounts of incremental income or losses recast to periods prior to the Sponsor Contribution are excluded from the calculation of net income per limited partner unit.

Income Taxes

The Partnership is a pass-through entity and is not considered a taxable entity for federal tax purposes. Therefore, there is not a provision for income taxes in the accompanying Condensed Consolidated Financial Statements. The Partnership’s net income or loss is allocated to its partners in accordance with the partnership agreement. The partners are taxed individually on their share of the Partnership’s earnings. At March 31, 2019 and December 31, 2018, the Partnership did not have any liabilities for uncertain tax positions or gross unrecognized tax benefits.

Foreign Currency Translation

The Partnership records foreign currency translation adjustments from the process of translating the functional currency of the financial statements of its foreign subsidiary into the U.S. dollar reporting currency. The Canadian dollar is the functional currency of the Partnership's foreign subsidiary as it is the primary currency within the economic environment in which the subsidiary operates. Assets and liabilities of the subsidiary's operations are translated into U.S. dollars at the rate of exchange in effect on the balance sheet date and income and expenses are translated at the average exchange rate in effect during the reporting period. Adjustments resulting from the translation of the subsidiary's financial statements are reported in other comprehensive income.

(Dollars in thousands, except unit and per unit amounts, or where otherwise noted)

3. Acquisitions

Acquisition of BulkTracer Holdings LLC

On January 18, 2019, the Partnership completed the acquisition of BulkTracer Holdings LLC ("BulkTracer"), the owner of a logistics software system, PropDispatch, for $3,134 in cash. The acquisition was accounted for under the acquisition method of accounting whereby management assessed the net assets acquired and recognized amounts for the identified assets acquired and liabilities assumed.

The purchase price of $3,134 was allocated to the net assets acquired as follows:

Net assets of BulkTracer as of January 18, 2019:		
Cash	$	15
Accounts receivable		152
Property, plant and equipment		2,864
Equity method investments		289
Accounts payable		(86)
Deferred revenues		(100)
Fair value of net assets acquired	$	3,134

The operations of BulkTracer have been included in the statements prospectively from January 18, 2019. In connection with this acquisition, the Partnership incurred $100 of acquisition related costs during the three months ended March 31, 2019, included in general and administrative expenses. Pro forma results of operations for BulkTracer have not been presented because the acquisition was not material to the consolidated results of operations.

Acquisition of Hi-Crush Proppants LLC and Hi-Crush GP LLC

On October 21, 2018, the Partnership entered into a contribution agreement with our sponsor pursuant to which the Partnership acquired all of the then outstanding membership interests in the sponsor and the non-economic general partner interest in the Partnership, in exchange for 11,000,000 newly issued common units. In connection with the acquisition, all of the outstanding incentive distribution rights representing limited partnership interests in the Partnership were canceled and extinguished and the sponsor waived any and all rights to receive contingent consideration payments from the Partnership or our subsidiaries pursuant to certain previously entered into contribution agreements to which it was a party.

In connection with this acquisition, the Partnership incurred $3,810 of acquisition related costs during the year ended December 31, 2018, included in general and administrative expenses.

As a result of this transaction, the Partnership's historical financial information has been recast to combine the Consolidated Statements of Operations and the Consolidated Balance Sheets of the Partnership with those of our sponsor and general partner as if the combination had been in effect since inception of common control on October 28, 2010. All transactions between the Partnership, our sponsor and general partner have been eliminated. Except for the combination of the Consolidated Statements of Operations and the respective allocation of recast net income (loss), distributions paid by the sponsor to its members prior to October 21, 2018 have not been allocated on a recast basis to the Partnership’s unitholders. Such transactions were presented within the non-controlling interest column in the Consolidated Statement of Partners' Capital as the Partnership and its unitholders would not have participated in these transactions.

(Dollars in thousands, except unit and per unit amounts, or where otherwise noted)

The following table summarizes the carrying value of our sponsor's and general partner's net assets as of October 21, 2018, and the allocation of the purchase price:

Net assets of our sponsor and general partner as of October 21, 2018:		
Cash	$	1,314
Accounts receivable		29
Due from Hi-Crush Partners LP		1,446
Prepaid expenses and other current assets		3,132
Property, plant and equipment		2,087
Accounts payable		(2,236)
Accrued and other current liabilities		(2,562)
Current portion of long-term debt		(2,259)
Other liabilities		(86)
Total carrying value of sponsor and general partner net assets	$	865
Allocation of purchase price		
Carrying value of sponsor's non-controlling interest prior to Sponsor Contribution	$	(453,028)
Excess purchase price over the acquired interest		453,028
Common control cost of sponsor and general partner acquisition	$	—

The following table presents, on a supplemental basis, our recast revenues, net income, net income attributable to Hi-Crush Partners LP and net income per limited partner unit giving effect to the Sponsor Contribution, as reconciled to the revenues, net income, net income attributable to Hi-Crush Partners LP and net income per limited partner unit of the Partnership.

	Three Months Ended March 31, 2018			
	Partnership Historical	Sponsor and General Partner	Eliminations	Partnership Recast (Supplemental)
Revenues	$ 218,113	$ —	$ —	$ 218,113
Net income (loss)	$ 53,949	$ (518)	$ —	$ 53,431
Net income (loss) attributable to Hi-Crush Partners LP	$ 53,949	$ (518)	$ —	$ 53,431
Net income per limited partner unit - basic	$ 0.60			$ 0.59

Acquisition of FB Industries Inc.

On August 1, 2018, the Partnership acquired FB Industries, a company engaged in the engineering, design and marketing of silo-based frac sand management systems for $45,000 in cash and 1,279,328 of newly issued common units valued at $19,190. The purchase price as of March 31, 2019 is $74,165 and is comprised of cash consideration of $54,975 which includes preliminary valuation of cash acquired and a working capital adjustment of $9,975 and the value of common units issued. The terms also include the potential for additional future consideration payments based on the achievement of established performance benchmarks through 2021. The acquisition was accounted for under the acquisition method of accounting whereby management assessed the net assets acquired and recognized amounts for the identified assets acquired and liabilities assumed. Refer to Note 9 - Commitments and Contingencies for additional disclosure regarding contingent consideration.

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The purchase price of $74,165 was allocated to the net assets acquired as follows:

Net assets of FB Industries as of August 1, 2018:		
Cash	$	20,015
Accounts receivable		3,469
Inventories		13,416
Goodwill and intangible assets		70,238
Prepaid expenses and other current assets		2,202
Property, plant and equipment		1,868
Accounts payable		(1,628)
Deferred revenues		(13,004)
Accrued and other current liabilities		(13,988)
Contingent consideration		(8,423)
Fair value of net assets acquired	$	74,165

The operations of FB Industries have been included in the statements prospectively from August 1, 2018. In connection with this acquisition, the Partnership incurred $639 of acquisition related costs during the year ended December 31, 2018, included in general and administrative expenses. Pro forma results of operations for FB Industries have not been presented because the acquisition was not material to the consolidated results of operations.

4. Inventories

Inventories consisted of the following:

	March 31, 2019		December 31, 2018	
Raw material	$	572	$	512
Work-in-process		19,890		29,180
Finished goods		21,284		24,872
Spare parts		2,654		2,525
Inventories	$	44,400	$	57,089

5. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	March 31, 2019		December 31, 2018	
Buildings	$	32,766	$	32,751
Mining property and mine development		390,888		390,296
Plant and equipment		474,737		472,892
Rail and rail equipment		55,913		55,913
Transload facilities and equipment		119,390		118,982
Last mile equipment		67,833		66,083
Construction-in-progress		38,170		21,796
Property, plant and equipment		1,179,697		1,158,713
Less: Accumulated depreciation and depletion		(137,347)		(127,525)
Property, plant and equipment, net	$	1,042,350	$	1,031,188

(Dollars in thousands, except unit and per unit amounts, or where otherwise noted)

Depreciation and depletion expense was $11,500 and $7,903 for the three months ended March 31, 2019 and 2018, respectively.

The Partnership recognized a loss of $123 and a gain of $24 on the disposal of fixed assets during the three months ended March 31, 2019 and 2018, respectively, which is included in other operating expenses, net on our Condensed Consolidated Statements of Operations.

6. Leases

As described in Note 2, on January 1, 2019, we adopted ASU 2016-02, *Leases (Topic 842).* Prior periods presented have not been adjusted and continue to be reported in accordance with the legacy guidance in Topic 840.

Lessee

The Partnership has long-term operating leases, comprised primarily of railcars and container lease arrangements, equipment, office space and terminals. Our operating leases have remaining lease terms of 1.1 years to 9.3 years, some of which include automatic renewal options, options to extend the leases and options to terminate the leases.

As of March 31, 2019, the balance sheet information related to leases are as follows:

Operating lease right-of-use assets	$	128,467
Current portion of operating lease liabilities	$	33,609
Operating lease liabilities		85,300
Total operating lease liabilities	$	118,909

Operating lease liabilities are based on the net present value of the remaining lease payments over the remaining lease term. In determining the lease liability and the present value of lease payments, we used our incremental borrowing rate based on the information available at the lease commencement date. The weighted average remaining lease term and discount rate as of March 31, 2019 related to operating leases are as follows:

Weighted average remaining lease term	5.2 years
Weighted average discount rate	9.50%

The components of operating lease expenses on our Condensed Consolidated Statement of Operations for the three months ended March 31, 2019 is as follows:

Cost of goods sold		
Operating lease cost	$	9,937
Short-term lease cost		1,360
	$	11,297
General and administrative expenses		
Operating lease cost	$	64
Short-term lease cost		154
	$	218
Total lease costs	$	11,515

Supplemental cash flow information related to our operating leases for the three months ended March 31, 2019 is as follows:

Cash paid for amounts included in the measurement of lease liabilities	$	12,583
Noncash information on lease liabilities arising from obtaining right-of-use assets	$	135,480

(Dollars in thousands, except unit and per unit amounts, or where otherwise noted)

As of March 31, 2019, the maturities of operating lease liabilities are as follows:

Fiscal Year		
2019 (remaining months)	$	26,111
2020		37,169
2021		29,892
2022		21,117
2023		10,368
Thereafter		25,814
Total lease payments		150,471
Less: present value adjustment		(31,562)
Total operating lease liabilities	$	118,909

As of December 31, 2018, future minimum operating lease payments are as follows:

Fiscal Year		
2019	$	36,019
2020		36,282
2021		29,272
2022		20,890
2023		10,280
Thereafter		31,066
	$	163,809

Lessor

The Partnership has operating lease arrangements as the lessor associated for the use of PropStream equipment. These leases are classified as operating leases and result in the recognition of lease income on a straight-line basis, while the underlying leased asset remains on our balance sheet and continues to depreciate. Lease income associated with these leases is not material.

7. Equity Method Investments

The following table provides our net investments and the proportionate share of our equity method investments operating results:

	Investment		**Earnings from Equity Method Investments Three Months Ended March 31,**	
	March 31, 2019	**December 31, 2018**	**2019**	**2018**
Proppant Express Investments, LLC	$ 32,231	$ 30,870	$ 1,072	$ 1,166
Proppant Logistics LLC	7,023	6,484	44	—
Total	$ 39,254	$ 37,354	$ 1,116	$ 1,166

Investment in Proppant Express Investments, LLC

On September 8, 2016, the Partnership entered into an agreement to become a member of Proppant Express Investments, LLC ("PropX"), which was established to develop critical last mile logistics equipment for the proppant industry. PropX is responsible for manufacturing containers and conveyor systems that allow for transportation of frac sand from in-basin terminals to the wellsite. During the three months ended March 31, 2019 and 2018, the Partnership made no capital contributions to PropX. During the three months ended March 31, 2019, the Partnership acquired $289 of additional ownership in PropX through the BulkTracer acquisition.

(Dollars in thousands, except unit and per unit amounts, or where otherwise noted)

Investment in Proppant Logistics LLC

On October 31, 2018, the Partnership invested $6,600 for an equity interest in Proppant Logistics LLC, a logistics company which provides frac sand services in North America. During the three months ended March 31, 2019, the Partnership made capital contributions of $495 to Proppant Logistics LLC.

8. Long-Term Debt

Long-term debt consisted of the following:

	March 31, 2019	December 31, 2018
Senior Notes due 2026	$ 450,000	$ 450,000
ABL Credit Facility	—	—
Other notes payable	3,113	4,852
Less: Unamortized debt issuance costs	(9,065)	(9,375)
Total debt	444,048	445,477
Less: Current portion of long-term debt	(1,147)	(2,194)
Long-term debt	$ 442,901	$ 443,283

Senior Notes due 2026

On August 1, 2018, the Partnership completed the private placement of $450,000 aggregate principal amount of its 9.50% senior unsecured notes due 2026 (the "Senior Notes"). The Senior Notes were issued under and are governed by an indenture, dated as of August 1, 2018 (the "Indenture"), by and among the Partnership, the guarantors named therein (the "Guarantors"), and U.S. Bank National Association, as trustee. The Senior Notes are fully and unconditionally guaranteed (the "Guarantees"), jointly and severally, on a senior unsecured basis by the Guarantors. The Indenture contains customary terms, events of default and covenants relating to, among other things, the incurrence of debt, the payment of dividends or similar restricted payments, undertaking transactions with the Partnership's unrestricted affiliates, and limitations on asset sales. The Senior Notes bear interest at an annual rate of 9.50% and are payable semi-annually.

At any time prior to August 1, 2021, the Partnership may redeem up to 35% of the aggregate principal amount of the Senior Notes at a redemption price equal to 109.50% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, with an amount of cash not greater than the net proceeds from certain equity offerings. At any time prior to August 1, 2021, the Partnership may redeem the Senior Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Senior Notes plus a "make-whole" premium plus accrued and unpaid interest, if any, to the redemption date. The Partnership may also redeem all or a part of the Senior Notes at any time on or after August 1, 2021, at the redemption prices set forth in the Indenture, plus accrued and unpaid interest, if any, to the redemption date. If the Partnership experiences a change of control, the Partnership may be required to offer to purchase the Senior Notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest, if any, to the purchase date.

The Senior Notes and the Guarantees rank equally in right of payment with all of the Partnership’s and the Guarantors’ existing and future senior indebtedness, effectively junior to all of the Partnership’s existing and future secured indebtedness, including borrowings under the ABL Credit Facility, to the extent of the value of the assets securing such indebtedness, structurally junior to any indebtedness of the Partnership’s subsidiaries that do not guarantee the Senior Notes (including trade payables), and senior to all of the Partnership’s and the Guarantors’ future subordinated indebtedness.

As of March 31, 2019, we had $440,935 of indebtedness ($450,000, net of $9,065 of debt issuance costs) under our Senior Notes.

ABL Credit Facility

On August 1, 2018, the Partnership, entered into a senior secured revolving credit facility (the "ABL Credit Facility"), which matures on August 1, 2023, among the Partnership, as borrower, the lenders party thereto from time to time, and JP Morgan Chase Bank, N.A., as administrative agent and an issuing lender, and each other issuing lender party thereto. The ABL Credit Facility permits aggregate borrowings of up to $200,000, including a $50,000 sublimit for letters of credit, with the ability to increase the amount of permitted aggregate borrowings up to $300,000 subject to certain conditions.

As of March 31, 2019, we had $55,164 of available borrowing capacity ($77,131, net of $21,967 letter of credit commitments) and no indebtedness under our ABL Credit Facility.

The obligations of the Partnership under the ABL Credit Facility are secured by substantially all assets of the Partnership (other than real estate and other customary exclusions). In addition, the Partnership's subsidiaries guarantee the Partnership's obligations under the ABL Credit Facility and grant to the administrative agent security interests in substantially all of their respective assets (other than real estate and other customary exclusions).

Borrowings under the ABL Credit Facility bear interest at a rate equal to, at the Partnership's option, either (1) a base rate plus an applicable margin ranging between 0.75% per annum and 1.50% per annum, based upon the Partnership's leverage ratio, or (2) a LIBOR rate plus an applicable margin ranging between 1.75% per annum and 2.50% per annum, based upon the Partnership's leverage ratio.

The ABL Credit Facility contains customary representations and warranties and customary affirmative and negative covenants, including limits or restrictions on the Partnership's ability to incur liens, incur indebtedness, make certain restricted payments, merge or consolidate and dispose of assets. In certain limited circumstances, the ABL Credit Facility requires compliance with a fixed charge coverage ratio. In addition, it contains customary events of default that entitle the lenders to cause any or all of the Partnership's indebtedness under the ABL Credit Facility to become immediately due and payable. The events of default (some of which are subject to applicable grace or cure periods) include, among other things, non-payment defaults, covenant defaults, cross-defaults to other material indebtedness, bankruptcy and insolvency defaults, and material judgment defaults. As of March 31, 2019, the Partnership was in compliance with all covenants in the ABL Credit Facility.

Other Notes Payable

In 2014, the Partnership entered into a purchase and sales agreement to acquire land and underlying frac sand deposits. In connection with this agreement, during the years ended December 31, 2018 and 2016, the Partnership issued three-year promissory notes each in the amount of $3,676 due in August 2021 and December 2019, respectively, with interest rates of 2.42% and 0.74%, respectively. The promissory notes accrue interest at rates equal to the applicable short-term federal rates. All principal and accrued interest is due and payable at the end of the respective three-year promissory note terms. However, the promissory notes are prepaid on a quarterly basis during the three-year terms as sand is extracted, delivered, sold and paid for from the properties.

The Partnership made prepayments of $694 and $957 during the three months ended March 31, 2019 and 2018, respectively, based on the accumulated volume of sand extracted, delivered, sold and paid for. In April 2019, the Partnership made a prepayment of $691 based on the volume of sand extracted, delivered, sold and paid for through the first quarter of 2019. As of March 31, 2019, the Partnership had repaid in full the promissory note due in December 2019 and had $2,657 outstanding on its remaining promissory note due in August 2021.

Other notes payable also includes short-term obligations, arising from insurance premium financing programs bearing interest ranging from approximately 4.99% to 6.29%, with outstanding balances of $456 as of March 31, 2019.

9. Commitments and Contingencies

Customer Contracts

The Partnership enters into sales contracts with customers. These contracts establish minimum annual sand volumes that the Partnership is required to make available to such customers under initial terms ranging from one to seven years. Through March 31, 2019, no payments for non-delivery of minimum annual sand volumes have been made by the Partnership to customers under these contracts.

Royalty Agreements

The Partnership has entered into royalty agreements under which it is committed to pay royalties on sand sold from its production facilities for which the Partnership has received payment by the customer. Royalty expense is recorded as the sand is sold and is included in costs of goods sold. Royalty expense was $1,471 and $3,540 for the three months ended March 31, 2019 and 2018, respectively.

Certain acreage is subject to a minimum annual royalty payment. If not paid within 30 days after the annual period, the original landowner has the right to purchase the property for one dollar, subject to certain terms. If we have not made the minimum required royalty payments, we may satisfy our obligation by making a lump-sum cash make-whole payment. Accordingly, we believe there is no material risk that we will be required to sell back the subject property pursuant to this agreement.

(Dollars in thousands, except unit and per unit amounts, or where otherwise noted)

Property Value Guarantees

The Partnership entered into mining agreements and land use agreements with the Wisconsin municipalities of Bridge Creek, Lincoln, Springfield and Preston that contain property value guarantees ("PVG") for certain property owners in proximity to each mine. The respective PVGs establish a process whereby we guaranty fair market value to the owners of residential property specifically identified within the body of the PVG document. According to the terms of the PVGs, the property owner must notify us in the event they wish to sell the subject residence and additional acreage in certain instances. Upon such notice, the PVGs establish a process by which an appraisal is conducted and the subject property is appraised to establish fair market value and is listed with a real estate broker. In the event the property is sold within 180 days of listing, we agree to pay the owner any shortfall between the sales price and the established fair market value. In the event the property is not sold within the 180 days time frame, we are obligated to purchase the property for fair market value.

As of March 31, 2019, we have not accrued a liability related to the PVGs because it is not possible to estimate how many of the owners will elect to avail themselves of the provisions of the PVGs and it cannot be determined if shortfalls will exist in the event of a sale nor can the value of the subject property be ascertained until appraised. As of March 31, 2019, the Partnership has paid $3,085 under these guarantees since inception.

Purchase Commitments

We have entered into service agreements with certain transload service providers which requires us to purchase minimum amounts of services over specific periods of time at specific locations. Our failure to purchase the minimum level of services would require us to pay shortfall fees.

As of March 31, 2019, future minimum purchase commitments are as follows:

Fiscal Year		
2019 (remaining months)	$	4,843
2020		3,383
2021		2,424
2022		2,344
2023		2,182
Thereafter		677
	$	15,853

Contingent Consideration

In connection with the acquisition of FB Industries, the agreement contained certain contingent consideration arrangements from the date of closing to December 31, 2021, dependent upon leases or sales of certain silo equipment to be paid quarterly.

As of March 31, 2019, the total estimated fair value of the contingent consideration is $8,423 and is recorded in accrued and other current liabilities and other liabilities on the Condensed Consolidated Balance Sheet. The current portion of the contingent consideration is $192 and relates to the sale of silo equipment. Changes in fair value of the contingent consideration, for facts and circumstances that existed at the time of the acquisition, prior to finalizing the purchase price allocation are accounted for as an adjustment to goodwill. Subsequent changes in fair value of the contingent consideration after the measurement period are recognized in earnings in the period identified.

The estimated fair value assumes primarily leases are entered into during this period with minimal sales of silo equipment. A 10% increase or decrease in the assumed quantity of leases would result in an increase to $10,555 or a decrease to $6,456, respectively, in the fair value of the contingent consideration. Conversely, a 50% shift in the assumed quantity of leases to sales of silo systems and conveyors would reduce the contingent consideration to $3,040.

The following table provides a summary of changes in the fair value of the contingent consideration:

Balance at December 31, 2018	$	8,147
Change in estimated fair value of contingent consideration liability		276
Balance at March 31, 2019	$	8,423

(Dollars in thousands, except unit and per unit amounts, or where otherwise noted)

Litigation

From time to time the Partnership may be subject to various claims and legal proceedings which arise in the normal course of business. Management is not aware of any legal matters that are likely to have a material adverse effect on the Partnership's financial position, results of operations or cash flows.

10. Equity

Unit Buyback Program

On October 17, 2017, the Partnership announced that the board of directors of our general partner approved a unit buyback program of up to $100,000. The unit buyback program does not obligate the Partnership to repurchase any specific dollar amount or number of units and may be suspended, modified or discontinued by the board of directors at any time, in its sole discretion and without notice.

The following table presents information with respect to repurchases of common units made by the Partnership during the periods presented, which were retired upon repurchase:

	Three Months Ended March 31,	
	2019	2018
Number of units purchased	—	753,090
Average price paid per unit including commission	$ —	$ 12.52
Total cost	$ —	$ 9,426

As of March 31, 2019, the Partnership has repurchased a total of 2,783,253 common units for a total cost of $29,426, with $70,574 remaining under its approved unit buyback program.

Equity Distribution Agreement

On January 4, 2017, the Partnership entered into an equity distribution program with certain financial institutions (each, a "Manager") under which we may sell, from time to time, through or to the Managers, common units representing limited partner interests in the Partnership up to an aggregate gross sales price of $50,000. The Partnership has not issued any common units under this equity distribution program through the date of this filing.

Incentive Distribution Rights

Incentive distribution rights represented the right to receive increasing percentages (ranging from 15.0% to 50.0%) of quarterly distributions from operating surplus after minimum quarterly distribution and target distribution levels exceed $0.54625 per unit per quarter. The incentive distribution rights were held by our sponsor and were canceled and extinguished on October 21, 2018 in connection with the Sponsor Contribution.

Allocations of Net Income

Our partnership agreement contains provisions for the allocation of net income and loss to the unitholders and our general partner. For purposes of maintaining partner capital accounts, the partnership agreement specifies that items of income and loss shall be allocated among the partners in accordance with their respective percentage ownership interest. Normal allocations according to percentage interests were made after giving effect, if any, to priority income allocations in an amount equal to incentive cash distributions allocated 100% to our sponsor for the periods applicable prior to the Sponsor Contribution.

During the three months ended March 31, 2018, prior to the Sponsor Contribution, no income was allocated to the holder of our incentive distribution rights.

Distributions

Our partnership agreement sets forth the calculation to be used to determine the amount of cash distributions that our limited partner unitholders will receive and the holder of our incentive distribution rights received prior to the Sponsor Contribution.

On January 7, 2019, we announced the decision of the board of directors of our general partner to suspend the quarterly distribution to common unitholders.

(Dollars in thousands, except unit and per unit amounts, or where otherwise noted)

Our most recent distributions have been as follows:

Declaration Date	Amount Declared Per Unit		Record Date	Payment Date	Payment to Limited Partner Units		Payment to the Holder of Incentive Distribution Rights	
January 17, 2018	$	0.2000	February 1, 2018	February 13, 2018	$	17,809	$	—
April 18, 2018	$	0.2250	May 1, 2018	May 15, 2018	$	19,888	$	—
July 20, 2018	$	0.7500	August 3, 2018	August 14, 2018	$	67,253	$	7,664
October 21, 2018	$	0.2250	November 1, 2018	November 14, 2018	$	22,695	$	—

Net Income per Limited Partner Unit

Following the Sponsor Contribution net income or loss per limited partner unit is computed by dividing net income or loss by the weighted average number of outstanding limited partner units during the period.

Prior to the Sponsor Contribution, for purposes of calculating the Partnership’s earnings per unit under the two-class method, common units are treated as participating preferred units and the incentive distribution rights are treated as participating securities. Diluted earnings per unit excludes any dilutive awards granted (see Note 11 - Unit-Based Compensation) if their effect is anti-dilutive. During the three months ended March 31, 2019, the Partnership incurred a net loss and, as a result, all 2,326,675 phantom units granted and outstanding were potentially dilutive and were excluded from the diluted earnings per unit calculation. Diluted earnings per unit for the three months ended March 31, 2018 includes the dilutive effect of all 1,302,939 phantom units, granted and outstanding at the assumed number of units which would have vested if the performance period had ended on March 31, 2018.

Distributions made in future periods based on the current period calculation of cash available for distribution are allocated to each class of equity that will receive such distributions.

Each period, the Partnership determines the amount of cash available for distributions in accordance with the partnership agreement. The amount to be distributed to limited partner unitholders and incentive distribution rights holder is subject to the distribution waterfall in the partnership agreement for the periods applicable prior to the Sponsor Contribution. Net earnings or loss for the period are allocated to each class of partnership interest based on the distributions to be made.

As described in Note 1, the Partnership's historical financial information has been recast to combine our sponsor and general partner for all periods presented. The amounts of incremental losses recast to periods prior to the Sponsor Contribution were excluded from the calculation of net income per limited partner unit.

The following table provides a reconciliation of net loss and the basic and diluted, weighted average limited partner units outstanding for purposes of computing net loss per limited partner unit for the three months ended March 31, 2019:

Net loss	$	(6,207)
Basic weighted average common units outstanding		101,017,441
Potentially dilutive common units		—
Diluted weighted average common units outstanding		101,017,441
Loss per limited partner unit - basic	$	(0.06)
Loss per limited partner unit - diluted	$	(0.06)

(Dollars in thousands, except unit and per unit amounts, or where otherwise noted)

The following table provides a reconciliation of net income, the assumed allocation of net income and the basic and diluted, weighted average limited partner units outstanding under the two-class method for purposes of computing net income per limited partner unit for the three months ended March 31, 2018:

	General Partner and IDRs	Limited Partner Units	Total
Declared distribution	$ —	$ 19,888	$ 19,888
Assumed allocation of earnings in excess of distributions	854	32,689	33,543
Add back recast losses attributable to our sponsor and general partner	—	518	518
Assumed allocation of net income	$ 854	$ 53,095	$ 53,949
Basic weighted average common units outstanding		88,870,379	
Potentially dilutive common units		1,302,939	
Diluted weighted average common units outstanding		90,173,318	
Earnings per limited partner unit - basic		$ 0.60	
Earnings per limited partner unit - diluted		$ 0.59	

Recast Equity Transactions

During the three months ended March 31, 2018, our sponsor paid cash distributions of $24,838 to its members. Such transactions are reflected within the non-controlling interest section of the Consolidated Statement of Partners' Capital.

11. Unit-Based Compensation

Long-Term Incentive Plan

On August 21, 2012, our general partner adopted the Hi-Crush Partners LP Long-Term Incentive Plan, which was superseded on September 21, 2016 by the First Amended and Restated Long-Term Incentive Plan (the "Plan") for employees, consultants and directors of our general partner and those of its affiliates, including our sponsor, who perform services for the Partnership. The Plan consists of restricted units, unit options, phantom units, unit payments, unit appreciation rights, other equity-based awards, distribution equivalent rights and performance awards. The Plan limited the number of common units that may be issued pursuant to awards under the Plan to 4,064,035 units. After giving effect to the Plan, to the extent that an award is forfeited, canceled, exercised, settled in cash, or otherwise terminates or expires without the actual delivery of common units pursuant to such awards, the common units subject to the award will again be available for new awards granted under the Plan; provided, however, that any common units withheld to cover a tax withholding obligation will not again be available for new awards under the Plan. The Plan is administered by our general partner’s board of directors or a committee thereof.

The cost of services received in exchange for an award of equity instruments is measured based on the grant-date fair value of the award and that cost is generally recognized over the vesting period of the award.

Performance Phantom Units - Equity Settled

The Partnership has awarded Performance Phantom Units ("PPUs") pursuant to the Plan to certain employees. The number of PPUs that will vest will range from 0% to 200% of the number of initially granted PPUs and is dependent on the Partnership's total unitholder return over a three-year performance period compared to the total unitholder return of a designated peer group. Each PPU represents the right to receive, upon vesting, one common unit representing limited partner interests in the Partnership. The PPUs are also entitled to forfeitable distribution equivalent rights ("DERs"), which accumulate during the performance period and are paid in cash on the date of settlement. The fair value of each PPU is estimated using a fair value approach and is amortized into compensation expense, reduced for an estimate of expected forfeitures, over the period of service corresponding with the vesting period. Expected volatility is based on the historical market performance of our peer group.

(Dollars in thousands, except unit and per unit amounts, or where otherwise noted)

The following table presents information relative to our PPUs:

	Units	Grant Date Weighted-Average Fair Value per Unit
Outstanding at December 31, 2018	747,920	$ 5.93
Vested	(97,865)	$ 16.01
Forfeited	(82,801)	$ 4.60
Outstanding at March 31, 2019	567,254	$ 4.39

As of March 31, 2019, total compensation expense not yet recognized related to unvested PPUs was $1,863, with a weighted average remaining service period of 2.2 years.

Time-Based Phantom Units - Equity Settled

The Partnership has awarded Time-Based Phantom Units ("TPUs") pursuant to the Plan to certain employees which automatically vest if the employee remains employed at the end of the vesting period. The vesting period is a cliff or graded vesting, generally ranging over a three-year period. Each TPU represents the right to receive, upon vesting, one common unit representing limited partner interests in the Partnership. The TPUs are also entitled to forfeitable DERs, which accumulate during the vesting period and are paid in cash on the date of settlement. The fair value of each TPU is calculated based on the grant-date unit price and is amortized into compensation expense, reduced for an estimate of expected forfeitures, over the period of service corresponding with the vesting period.

The following table presents information relative to our TPUs:

	Units	Grant Date Weighted-Average Fair Value per Unit
Outstanding at December 31, 2018	1,642,218	$ 8.07
Vested	(70,729)	$ 10.49
Granted	329,492	$ 3.15
Forfeited	(141,560)	$ 5.21
Outstanding at March 31, 2019	1,759,421	$ 7.28

As of March 31, 2019, total compensation expense not yet recognized related to unvested TPUs was $8,096, with a weighted average remaining service period of 2.1 years.

Director Unit Grants

The Partnership issued 62,184 and 36,109 common units to certain of its directors during the three months ended March 31, 2019 and 2018, respectively.

Unit Purchase Programs

The Partnership has unit purchase programs (each, a "UPP") offered under the Plan. The UPPs provide participating employees and members of our general partner's board of directors the opportunity to purchase common units representing limited partner interests of the Partnership at a discount. Non-director employees contribute through payroll deductions of the employee's eligible compensation during the applicable offering period. Directors contribute through cash contributions. If the closing price of the Partnership's common units on the purchase date is greater than or equal to the discount applied to the closing market price of our common units on a participant's applicable election date (the "Election Price"), then the participant will receive a number of common units equal to the amount of accumulated payroll deductions or cash contributions, as applicable (the "Contribution"), divided by the Election Price, capped at a specified number of common units. If the purchase date price is less than the Election Price, then the participant’s Contribution will be returned to the participant. On the date of election, the Partnership calculates the fair value of the discount, which is recognized as unit compensation expense on a straight-line basis during the period from election date through the date of purchase.

(Dollars in thousands, except unit and per unit amounts, or where otherwise noted)

On September 14, 2017, the board of directors of our general partner approved the termination of the Partnership's UPP that was adopted in March of 2017 (the "2017 UPP") and approved the adoption of the Second 2017 Unit Purchase Program (the "Second 2017 UPP"). On September 14, 2017, the offering period under the Second 2017 UPP commenced, with a 15% discount of the fair value of our common units on the applicable election date and a purchase date of November 15, 2018. The offering period under the Second 2017 UPP ended on November 15, 2018, at which time the purchase date price was less than the Election Price. As a result, all contributions were returned to the participants and no common units were purchased under the Second 2017 UPP.

Compensation Expense

The following table presents total unit-based compensation expense:

	Three Months Ended March 31,	
	2019	2018
Performance Phantom Units	$ 259	$ 343
Time-Based Phantom Units	1,257	1,239
Director unit grants	62	119
Unit Purchase Programs	—	100
Total compensation expense	$ 1,578	$ 1,801

12. Revenues

The Partnership recognizes revenue at the point in time control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

The majority of our contracts are frac sand contracts that have a single performance obligation as the promise to transfer individual goods or services is not separately identifiable from other promises in the contracts and, therefore, not distinct. For the portion of our contracts that contain multiple performance obligations, such as work orders containing a combination of product, transportation, equipment rentals, and labor services, we allocate the transaction price to each performance obligation identified in the contract based on relative stand-alone selling prices, or estimates of such prices, and recognize the related revenue as control of each individual product or service is transferred to the customer, in satisfaction of the corresponding performance obligations.

Disaggregation of Revenues

The following table presents our revenues disaggregated by contractual relationships:

	Three Months Ended March 31,	
	2019	2018
Sales to contract customers	$ 80,064	$ 164,067
Spot sales	35,027	27,417
Frac sand sales revenues	115,091	191,484
Other revenues	44,819	26,629
Total revenues	$ 159,910	$ 218,113

(Dollars in thousands, except unit and per unit amounts, or where otherwise noted)

Practical Expedients and Exemptions

We have elected to use the practical expedients, pursuant to which we have excluded disclosures of transaction prices allocated to remaining performance obligations and when we expect to recognize such revenue. We have various long-term contracts with minimum purchase and supply requirements with terms expiring between 2019 and 2024. The remaining performance obligations are primarily comprised of unfulfilled product, transportation service, and labor service orders, some of which hold a remaining duration of less than one year. Our transaction price for volumes and services under these contracts is based on timing of customer orders, points of sale, mix of products sold, impact of market conditions and potential contract negotiations, which have not yet been determined and therefore the price is variable in nature. The long term portion of deferred revenue represents customer prepayments for which related current performance obligations do not yet exist, but are expected to arise, before the expiration of the term.

Deferred Revenues

As of March 31, 2019, the Partnership has recorded a total liability of $34,404 for prepayments of future deliveries of frac sand and silo equipment. Some prepayments are refundable in the event that the Partnership is unable to meet the minimum requirements under certain contracts. We expect to recognize these revenues over the next 1.4 years.

The following table reflect the changes in our contract liabilities, which we classify as deferred revenues:

Balance at December 31, 2018	$	29,785
Collection of prepayments		8,750
Revenues recognized		(4,278)
Customer prepayments acquired in purchase of BulkTracer		100
Impact of foreign currency translation		47
Balance at March 31, 2019	$	34,404

13. Related Party Transactions

The following table summarizes our related party transactions from our equity method investments (see Note 7 - Equity Method Investments) for the periods indicated:

	Three Months Ended March 31,			
	2019		2018	
Revenues - related parties	$	124	$	—
Cost of goods sold - related parties (a)	$	2,001	$	926
Equipment purchases - related parties (b)	$	1,389	$	650

(a) The Partnership incurs lease expense for the use of PropX equipment.
(b) The Partnership purchases equipment from PropX, which is reflected in property, plant and equipment on our Condensed Consolidated Balance Sheet.

HI-CRUSH PARTNERS LP

Notes to Unaudited Condensed Consolidated Financial Statements

(Dollars in thousands, except unit and per unit amounts, or where otherwise noted)

The following table summarizes our related party balance sheet components from our equity method investments at the dates indicated:

	March 31, 2019	December 31, 2018
Accounts receivable - related parties	$ 101	$ —
Accounts payable - related parties	$ —	$ 1,070
Current portion of operating lease liabilities - related parties (a)	$ 5,544	$ —
Operating lease liabilities - related parties (a)	11,267	—
	$ 16,811	$ —

(a) During the first quarter of 2019, the Partnership made a lease prepayment of $3,739 for the use of PropX equipment during the first half of 2019.

During the three months ended March 31, 2018, the Partnership engaged in multiple construction projects and purchased equipment, machinery and component parts from various vendors that were represented by Alston Environmental Company, Inc. or Alston Equipment Company (collectively, the "Alston Companies"), which regularly represent vendors in such transactions. The vendors in question paid a commission to the Alston Companies in an amount that is unknown to the Partnership. The sister of Mr. Alston, who was a director of our general partner until October 21, 2018, has an ownership interest in the Alston Companies. The Partnership has not paid any sum directly to the Alston Companies and Mr. Alston has represented to the Partnership that he received no compensation from the Alston Companies related to these transactions.

14. Segment Reporting

The Partnership manages, operates and owns assets utilized to supply frac sand and related services to its customers. The Partnership and the chief operating decision maker view the Partnership's operations and manage its business as one operating segment. This reporting segment of the Partnership is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

15. Subsequent Events

During the second quarter of 2019, the Partnership acquired the remaining 34% ownership interest in Proppant Logistics LLC, which owns Pronghorn Logistics, LLC ("Pronghorn"), a leading provider of end-to-end proppant logistics services, for $2,951 in cash and 695,606 newly issued common units. The Partnership previously invested $6,600 for a 66% ownership interest in Pronghorn in the fourth quarter of 2018.

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

You should read the following discussion of our historical performance, financial condition and future prospects in conjunction with our unaudited condensed financial statements and related notes in Item 1. "Financial Statements" contained herein and our audited financial statements as of December 31, 2018, included in our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission ("SEC") on February 20, 2019. The information provided below supplements, but does not form part of, our unaudited condensed financial statements. This discussion contains forward-looking statements that are based on the views and beliefs of our management, as well as assumptions and estimates made by our management. Actual results could differ materially from such forward-looking statements as a result of various risk factors, including those that may not be in the control of management. See "Forward-Looking Statements" in this Quarterly Report on Form 10-Q. All amounts are presented in thousands except acreage, tonnage and per unit data, or where otherwise noted.

Overview

We are a fully integrated, strategic provider of proppant and logistics solutions to the North American petroleum industry. We provide mine-to-wellsite logistics services that optimize proppant supply to customers in all major oil and gas basins in the United States, and own and operate multiple frac sand mining facilities and in-basin terminals. Our PropStream® service, offering both container- and silo-based wellsite delivery and storage systems, provides the highest level of flexibility, safety and efficiency in managing the full scope and value of the proppant supply chain.

The Partnership was formed in 2012 with the contribution of the Wyeville facility from our sponsor. In separate transactions between 2013 and 2017, we acquired all of the equity interests in the Augusta, Blair and Whitehall facilities previously owned by our sponsor. In March 2017, we acquired a 1,226-acre frac sand reserve, located near Kermit, Texas from Permian Basin Sand Company, LLC, upon which we developed our Kermit facilities.

In June 2013, we acquired D&I Silica, LLC, which transformed us into an integrated Northern White frac sand producer, transporter, marketer and distributor. To continue growth in our logistics services, in August 2018, the Partnership completed the acquisition of FB Industries Inc. ("FB Industries"), a company engaged in the engineering, design and marketing of silo-based frac sand management systems. In January 2019, the Partnership acquired BulkTracer Holdings LLC, the owner of a logistics software system, PropDispatch.

In October 2018, the Partnership entered into a contribution agreement with our sponsor pursuant to which the Partnership acquired all of the then outstanding membership interests in the sponsor and the non-economic general partner interest in the Partnership, in exchange for 11,000,000 newly issued common units (the "Sponsor Contribution"). In connection with the acquisition, all of the outstanding incentive distribution rights representing limited partnership interests in the Partnership were canceled and extinguished and the sponsor waived any and all rights to receive contingent consideration payments from the Partnership or our subsidiaries pursuant to certain previously entered into contribution agreements to which it was a party.

Corporate Conversion

The board of directors of the general partner unanimously approved a plan of conversion (the "Plan of Conversion") that provides and sets forth matters related to the conversion of the Partnership from a Delaware limited partnership to a Delaware corporation named "Hi-Crush Inc." (the "Conversion"), which, subject to unitholder approval, will be completed through a series of transactions set forth in the Plan of Conversion. Pursuant to the Plan of Conversion, at the effective time of the Conversion, the outstanding common units will each be exchanged for one share of Hi-Crush Inc. common stock, par value $0.01 per share. Holders of common units will receive, in exchange for their common units, 100% of the common stock of Hi-Crush Inc. to be outstanding immediately following the Conversion. As a result of the Conversion, the Partnership will convert from an entity treated as a partnership for U.S. federal income tax purposes to an entity treated as a corporation for U.S. federal income tax purposes.

The Partnership filed a definitive proxy statement with the SEC on February 20, 2019. The proxy statement related to a special meeting of unitholders on April 11, 2019 that was adjourned and will reconvene on May 22, 2019, at which time unitholders will be asked to consider and vote on the proposed Conversion and related proposals, including to approve the Hi-Crush Inc. Long-Term Incentive Plan to be in effect following the consummation of the Conversion.

Our Assets and Operations

Production Facilities

We own and operate six production facilities located in Wisconsin and Texas. Our Wisconsin production facilities are equipped with on-site transportation infrastructure capable of accommodating unit trains connected to the Union Pacific Railroad mainline or the Canadian National Railway mainline. As of December 31, 2018, our Texas production facilities had 36,000 tons of on-site silo storage capacity and have infrastructure capable of direct loading into trucks.

The following table provides a summary of our production facilities as of March 31, 2019 and our proven reserves as of December 31, 2018:

Mine/Plant Name	Mine/Plant Location	In-Service Date	Area (in acres)	Annual Capacity	Proven Reserves (in thousands of tons)
Wyeville facility (a)	Wyeville, WI	June 2011	971	2,700,000	72,094
Augusta facility (b)	Augusta, WI	June 2012	1,187	2,860,000	42,135
Whitehall facility (c)	Whitehall, WI	September 2014	1,626	2,860,000	85,205
Blair facility	Blair, WI	March 2016	1,285	2,860,000	112,169
Kermit facilities	Kermit, TX	July 2017 / December 2018	1,226	6,000,000	100,044

(a) In March 2019, the Partnership completed its 850,000 tons per year expansion of Wyeville, increasing the annual processing capacity to 2,700,000 tons of frac sand.
(b) The Augusta facility was temporarily idled in January 2019.
(c) In September 2018, the Partnership temporarily idled dry plant operations at the Whitehall facility and resumed production in January 2019.

According to John T. Boyd Company ("John T. Boyd"), our proven reserves at our facilities consist of frac sand exceeding American Petroleum Institute ("API") specifications. Analysis of sand at our facilities by independent third-party testing companies indicates that they demonstrate characteristics exceeding API specifications with regard to crush strength, turbidity and roundness and sphericity. Based on third-party reserve reports by John T. Boyd, as of December 31, 2018, we have an implied average reserve life of 24 years, assuming production at the current rated capacity of 17,280,000 tons of frac sand per year.

Terminals

As of March 31, 2019, we own or operate 12 terminal locations throughout Pennsylvania, Ohio, Texas, Colorado and New York, of which three are idled and seven are capable of accommodating unit trains. Our terminals include approximately 135,000 tons of rail storage capacity and approximately 140,000 tons of silo storage capacity. We seek to increase the number of terminals we operate and expand our geographic footprint, allowing us to further enhance our customer service and putting us in a stronger position to take advantage of opportunistic short-term pricing agreements.

Our terminals are strategically located to provide access to Class I railroads, which enables us to cost effectively ship product from our production facilities in Wisconsin. As of March 31, 2019, we leased or owned 4,963 railcars used to transport sand from origin to destination and managed a fleet of 1,495 additional railcars dedicated to our facilities by our customers or the Class I railroads.

PropStream

Our PropStream last mile solution utilizes container and/or silo systems, and maintains strict proppant quality control from the mine to the blender. We handle the full spectrum of logistics management with our fully integrated solution, from railcar fleet management, truck dispatching and dedicated wellsite operations, which structurally reduces costs for customers by eliminating inefficiencies throughout the proppant delivery process. As of March 31, 2019, we owned 36 PropBeast conveyors and leased 2,626 containers from PropX.

On August 1, 2018, the Partnership completed the acquisition of FB Industries, a company engaged in the engineering, design and marketing of silo-based frac sand management systems. As of March 31, 2019, we owned 11 Atlas topfill conveyors and 33 silo systems, which includes a 6-pack of silos, a conveyor for transporting sand from the silos to the blender hopper and the trailers use to transport the silos.

How We Generate Revenue

We generate revenue by excavating, processing and delivering frac sand and providing related services. A substantial portion of our frac sand is sold to customers with whom we have long-term contracts. As of April 1, 2019, the average remaining contract term of our long-term contracts was 1.9 years with remaining terms ranging from 9 to 69 months. Each contract defines the minimum volume of frac sand that the customer is required to purchase, the volume that we are required to make available, the technical specifications of the product and the price per ton. Our contracts for sand sourced from our Wisconsin facilities are periodically negotiated to generally be reflective of market conditions and prices. Our contracts for sand sourced from our Kermit facilities are generally fixed price for the life of the contract. We also sell our frac sand on the spot market at prices and other terms determined by the existing market conditions as well as the specific requirements of the customer. Delivery of sand to our customers may occur at the production facility, rail origin, terminal or wellsite.

We generate other revenues through the performance of our PropStream logistics service, which includes transportation, equipment rental, and labor services, and through activities performed at our in-basin terminals, including transloading sand for counterparties, and lease of storage space and other services performed on behalf of our customers.

A substantial portion of our logistics services are provided to customers with whom we have long-term agreements as defined in master services agreements ("MSA") and related work orders. The MSA typically outlines the general terms and conditions for work performed by us relating to invoicing, insurance, indemnity, taxes and similar terms. The work orders typically define the commercial terms including the type of equipment and services to be provided, with pricing that is generally determined on a job-by-job basis due to the variability in the specific requirements of each wellsite. The MSA and related work orders are typically separate from any sand supply contract we may have with the same customer.

We generate other revenues from the sale of silo systems and related equipment to third parties at negotiated prices for the specific equipment.

Costs of Conducting Our Business

Production Costs

The principal expenses involved in production of raw frac sand are excavation costs, plant operating costs, labor, utilities, maintenance and royalties. We have a contract with a third party to excavate raw frac sand, deliver the raw frac sand to our wet processing facilities and move the sand from our washed sand stockpiles to our dry plants. We pay a fixed price per ton excavated and delivered without regard to the amount of sand excavated that meets API specifications. Accordingly, we incur excavation costs with respect to the excavation of sand and other materials from which we ultimately do not derive revenue (rejected materials), and for sand which is still to be processed through the dry plant and not yet sold. However, the ratio of rejected materials to total amounts excavated has been, and we believe will continue to be, in line with our expectations, given the extensive core sampling and other testing we undertook at our facilities.

Labor costs associated with employees at our processing facilities represent the most significant cost of converting raw frac sand to finished product. We incur utility costs in connection with the operation of our processing facilities, primarily electricity and natural gas, which are both susceptible to price fluctuations. Our facilities require periodic scheduled maintenance to ensure efficient operation and to minimize downtime. Excavation, labor, utilities and other costs of production are capitalized as a component of inventory and are reflected in cost of goods sold when inventory is sold.

We pay royalties to third parties at our Wisconsin facilities at various rates, as defined in the individual royalty agreements. We currently pay an aggregate rate up to $5.15 per ton of sand excavated, processed and sold from our Wisconsin facilities, delivered to and paid for by our customers. No royalties are due on the sand extracted, processed and sold from our Kermit facilities.

We may, from time to time, purchase sand and other proppant through a long-term supply agreement with a third party at a specified price per ton and also through the spot market.

Logistics Costs

The principal expenses involved in distribution of processed sand are rail freight and fuel surcharges, railcar lease expense, and trucking charges. These logistics costs are capitalized as a component of finished goods inventory held in-basin and are reflected in cost of goods sold when the inventory is eventually sold in-basin or at the wellsite. Other logistics cost components, including transload fees, storage fees, and terminal operational costs, such as labor and facility rent, are charged to costs of goods sold in the period in which they are incurred. We utilize multiple railroads to transport our sand and such transportation costs are typically negotiated through long-term working relationships.

The principal expenses involved in delivering sand to the wellsite are costs associated with third party trucking vendors, container rent, labor and other operating expenses associated with handling the product at the wellsite. These logistics costs are charged to costs of goods sold in the period in which they are incurred.

Other Cost of Sales

The principal expenses associated with the sale of silo systems and related equipment is the cost of the equipment generally manufactured by third parties, as well as testing and delivery charges to the location specified by the customer. These expenses are capitalized into equipment inventory and charged to cost of goods sold when delivery is completed to the customer.

General and Administrative Costs

We incur general and administrative costs related to our corporate operations, which includes our corporate office and facilities rent, administrative personnel payroll related expenses, professional fees, insurance, stock-based compensation and depreciation and amortization expenses.

How We Evaluate Our Operations

We utilize various financial and operational measures to evaluate our operations. Management measures the performance of the Partnership through performance indicators, including gross profit, contribution margin, earnings before interest, taxes, depreciation and amortization ("EBITDA"), Adjusted EBITDA and distributable cash flow.

Gross Profit and Contribution Margin

We use gross profit, which we define as revenues less costs of goods sold and depreciation, depletion and amortization, to measure our financial performance. We believe gross profit is a meaningful measure because it provides a measure of profitability and operating performance based on the historical cost basis of our assets.

We use contribution margin, which we define as total revenues less costs of goods sold excluding depreciation, depletion and amortization, to measure our financial and operating performance. Contribution margin excludes other operating expenses and income, including costs not directly associated with the operations of our business such as accounting, human resources, information technology, legal, sales and other administrative activities. We believe contribution margin is a meaningful measure because it provides an operating and financial measure of our ability to generate margin in excess of our operating cost base.

As a result, contribution margin, contribution margin per ton sold, sales volumes, sales price per ton sold and gross profit are key metrics used by management to evaluate our results of operations.

EBITDA, Adjusted EBITDA and Distributable Cash Flow

We view EBITDA and Adjusted EBITDA as important indicators of performance. We define EBITDA as net income (loss) plus depreciation, depletion and amortization and interest expense, net of interest income. We define Adjusted EBITDA as EBITDA, adjusted for any non-cash impairments of long-lived assets and goodwill, earnings (loss) from equity method investments and loss on extinguishment of debt. We define distributable cash flow as Adjusted EBITDA less cash paid for interest expense, net accruals and maintenance and replacement capital expenditures, including accrual for reserve replacement, plus accretion of asset retirement obligations and non-cash unit-based compensation. We use distributable cash flow as a performance metric to compare cash performance of the Partnership from period to period and to compare the cash generating performance for specific periods to the cash distributions (if any) that are expected to be paid to our unitholders. Distributable cash flow will not reflect changes in working capital balances. EBITDA and Adjusted EBITDA are supplemental measures utilized by our management and other users of our financial statements, such as investors, commercial banks, research analysts and others, to assess the financial performance of our assets without regard to financing methods, capital structure or historical cost basis.

Note Regarding Non-GAAP Financial Measures

EBITDA, Adjusted EBITDA and distributable cash flow are not financial measures presented in accordance with GAAP. We believe that the presentation of these non-GAAP financial measures will provide useful information to investors in assessing our financial condition and results of operations. Our non-GAAP financial measures should not be considered as alternatives to the most directly comparable GAAP financial measure. Each of these non-GAAP financial measures has important limitations as analytical tools because they exclude some but not all items that affect the most directly comparable GAAP financial measures. You should not consider EBITDA, Adjusted EBITDA or distributable cash flow in isolation or as substitutes for analysis of our results as reported under GAAP. Because EBITDA, Adjusted EBITDA and distributable cash flow may be defined differently by other companies in our industry, our definitions of these non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

The following table presents a reconciliation of EBITDA, Adjusted EBITDA and distributable cash flow to the most directly comparable GAAP financial measure, as applicable, for each of the periods indicated:

	Three Months Ended March 31,	
(in thousands)	**2019**	**2018**
Reconciliation of distributable cash flow to net income (loss):		
Net income (loss)	$ (6,207)	$ 53,431
Depreciation and depletion expense	11,500	7,903
Amortization expense	1,448	421
Interest expense	10,590	3,473
EBITDA	17,331	65,228
Earnings from equity method investments	(1,116)	(1,166)
Adjusted EBITDA	16,215	64,062
Less: Cash interest paid, net accruals	(10,181)	(3,278)
Less: Maintenance and replacement capital expenditures, including accrual for reserve replacement (a)	(4,864)	(4,675)
Add: Accretion of asset retirement obligations	129	126
Add: Unit-based compensation	1,578	1,801
Distributable cash flow	2,877	58,036
Adjusted for: Distributable cash flow attributable to assets contributed by the sponsor, prior to the period in which the contribution occurred (b)	—	414
Distributable cash flow attributable to Hi-Crush Partners LP	2,877	58,450
Less: Distributable cash flow attributable to the holder of incentive distribution rights	—	(2,047)
Distributable cash flow attributable to limited partner unitholders	$ 2,877	$ 56,403

(a) Maintenance and replacement capital expenditures, including accrual for reserve replacement, were determined based on an estimated reserve replacement cost of $1.85 per ton produced and delivered through December 31, 2018. Effective January 1, 2019 we revised our estimated reserve replacement cost to $2.10 per ton produced and delivered as a result of completion of construction of the Kermit 2 facility. Such expenditures include those associated with the replacement of equipment and sand reserves, to the extent that such expenditures are made to maintain our long-term operating capacity. The amount presented does not represent an actual reserve account or requirement to spend the capital.

(b) The Partnership's historical financial information has been recast to consolidate our sponsor and general partner for the periods leading up to their contribution into the Partnership. For purposes of calculating distributable cash flow attributable to Hi-Crush Partners LP, the Partnership excludes the incremental amount of recast distributable cash flow earned during the periods prior to the contribution.

Basis of Presentation

The following discussion of our historical performance and financial condition is derived from the historical financial statements.

Factors Impacting Comparability of Our Financial Results

Our historical results of operations and cash flows may not be comparable between periods for the following reasons:

- ***On August 1, 2018, we completed the acquisition of FB Industries Inc.*** On August 1, 2018, the Partnership purchased FB Industries, a company engaged in the engineering, design and marketing of silo-based frac sand management systems. Accordingly, our financial statements reflect increased sales of equipment, costs of goods sold, related operating costs and general and administrative expenses associated with the FB Industries operations during the three months ended March 31, 2019.

- ***We commenced operations at our second Kermit production facility in December 2018.*** The Kermit 2 facility commenced operations and sales of frac sand at the end of 2018, resulting in an increase in volumes produced and delivered during the three months ended March 31, 2019 as compared to the same period of 2018.

- ***Our Augusta production facility was temporarily idled in January 2019.*** In January 2019, we temporarily idled our Augusta facility resulting in a decrease in volumes produced and delivered during the three months ended March 31, 2019 as compared to the same period of 2018.

Market Conditions

Exploration and production activity increased throughout 2017 and continued to do so in 2018, as demonstrated by the growth in the reported Baker Hughes U.S. land rig count from a low average of 380 rigs in May 2016 to 1,056 rigs as of December 28, 2018, reflecting an increase of 16% since the end of 2017. Well completion activity has, for the most part, similarly increased over the same periods, and, when coupled with continued growth in frac sand usage per well, has resulted in an increased positive influence on demand for raw frac sand. The industry currently estimates 2018 total annual demand was approximately 110 million tons of frac sand, up significantly from 2017 and historical levels. However, demand slowed significantly in the latter half of 2018 as well completion activity declined, which we believe is due to early exhaustion of exploration and production company ("E&P") capex budgets and pipeline capacity constraints impacting E&Ps' ability to move produced hydrocarbons from production areas to demand centers. While greater demand is forecasted for 2019 than 2018, the pace and timing of the growth remains uncertain. While stated frac sand capacity may exceed near-term demand, available industry capacity is constrained due to several factors, including availability of the grades of frac sand that are most in demand in certain regions or well completion environments, general operating conditions and normal downtime, and logistics constraints. In response to growing demand for U.S. frac sand, the industry has developed additional capacity which will continue to ramp up into 2019, with the majority of this development in the Permian Basin.

In August of 2018, well completion activity slowed significantly as many E&Ps reduced spending or had reached their budgeted spending levels more quickly than anticipated as well completion efficiencies continued to improve through the first half of 2018. Within the Permian Basin, concerns around pipeline takeaway capacity for transporting crude oil out of the basin also may have impacted E&Ps' decisions to reduce spending for the remainder of 2018. Additionally, with the completion of construction and start-up of operations at several Permian mines during 2018, In-Basin supply has become more available. The advent of sand supply available closer to the wellsite in the Permian Basin, and to a lesser extent in the Eagle Ford, Haynesville and Mid-Con basins, has resulted in a rapid shift in consumption in the latter part of 2018 from Northern White sand to In-Basin sand supply. The onset of reduced activity has caused frac sand demand growth to lag the increase in supply, and has resulted in a significant reduction in pricing, particularly for Northern White sand, that is impacting sand pricing in all basins. These factors resulted in declines in pricing of 10 percent or more in the latter part of 2018. In response to the price decline, we and many of our competitors have reduced available capacity through the temporary idling of facilities. Pricing weakness continued in the first quarter of 2019, but has stabilized and improved somewhat exiting the first quarter. As production capacity remains idled or is not restarted as the Northern White winter season ends, and frac sand demand increases as expected in 2019, we anticipate pricing, particularly of Northern White sand, will continue to stabilize and improve slightly through the year. Due to the available supply of In-Basin sand, particularly 100 mesh in the Permian Basin, we do not anticipate significant price improvements in 2019 for Permian Basin sand, even as demand continues to increase.

We believe there will be continued demand for Northern White frac sand within the Permian Basin as completion activity within that basin increases due to customer preferences and other factors. However, we believe a large portion of Northern White frac sand which previously supplied the Permian Basin and certain other basins has been and will continue to be displaced due to continued adoption of locally-produced sand. These Northern White volumes may be reallocated into other major basins around the country where they are most cost-effectively delivered via rail, barge or other modes of transportation, and which do not have the same readily available production of In-Basin sand. However, over time we believe frac sand facilities producing Northern White at a higher cost will remain idled or permanently shut down due to increased competition within these regions resulting in realized sales pricing below the level at which such facilities can profitably operate. At this time it is not possible to determine if additional facilities will be idled or shut down, or the exact timeframe in which such actions would be taken.

We anticipate improving activity in 2019 as E&Ps focus a larger share of their capital budgets on completions and additional takeaway capacity in the Permian Basin becomes available, but the pace of improvement remains uncertain as E&Ps remain focused on capital discipline. Supply and demand dynamics for frac sand should also improve as more production capacity is shut down, construction and ramp-up of new In-Basin supply slows, and demand fundamentals continue to strengthen. Overall, some headwinds may prove more persistent than previously anticipated, continuing the challenging environment for Northern White sand. Additionally, an increase in the number of drilled but uncompleted wells represent pent up demand for completions services and frac sand that will provide further support for overall demand in 2019 and beyond, regardless of rig count activity.

The following table presents sales, volume and pricing comparisons for the first quarter of 2019, as compared to the fourth quarter of 2018:

	Three Months Ended			
	March 31, 2019	December 31, 2018	Change	Percentage Change
Revenues generated from the sale of frac sand *(in thousands)*	$ 115,091	$ 114,831	$ 260	— %
Tons sold	2,411,262	1,976,805	434,457	22 %
Average price per ton sold	$ 48	$ 58	$ (10)	(17)%

Revenues generated from the sale of frac sand were flat quarter over quarter. The 22% increase in volumes sold was primarily driven by the continued ramp-up of our second Kermit facility, which began initial production in December 2018. As a result, 46% of volumes sold during the first quarter of 2019 were produced by the in-basin Kermit facilities as compared to 34% in the fourth quarter of 2018 volumes sold. This quarterly change in sales mix, combined with negotiated decreases in the contracted pricing for sand produced from the Kermit facilities, drove the 17% quarterly decrease in average sales price.

Results of Operations

The following table presents revenues and expenses for the periods indicated:

	Three Months Ended March 31,	
	2019	2018
Revenues	$ 159,910	$ 218,113
Costs of goods sold:		
Production costs	31,418	43,512
Logistics costs	94,404	98,471
Other costs of sales	4,700	—
Depreciation, depletion and amortization	11,272	7,799
Gross profit	18,116	68,331
Operating costs and expenses	14,849	12,593
Income from operations	3,267	55,738
Other income (expense):		
Earnings from equity method investments	1,116	1,166
Interest expense	(10,590)	(3,473)
Net income (loss)	$ (6,207)	$ 53,431

Three Months Ended March 31, 2019 Compared to the Three Months Ended March 31, 2018

Revenues

The following table presents sales, volume and pricing comparisons for the three months ended March 31, 2019, as compared to the three months ended March 31, 2018:

	Three Months Ended March 31,			
	2019	2018	Change	Percentage Change
Revenues generated from the sale of frac sand *(in thousands)*	$ 115,091	$ 191,484	$ (76,393)	(40)%
Tons sold	2,411,262	2,617,627	(206,365)	(8)%
Average price per ton sold	$ 48	$ 73	$ (25)	(34)%

Revenues generated from the sale of frac sand were $115,091 and $191,484 for the three months ended March 31, 2019 and 2018, respectively, during which we sold 2,411,262 and 2,617,627 tons of frac sand, respectively. The volume decrease is primarily driven by an increase in the available supply of locally produced in-basin sand, particularly in the Permian Basin, in the comparable periods, and the idling of the Augusta facility, offset by increased volumes sold from the Kermit facilities. Average sales price per ton was $48 and $73 for the three months ended March 31, 2019 and 2018, respectively. The decrease in the average sales price is attributable to the increased supply of in-basin produced sand, which drove down prices, but also an increased percentage of our total volumes coming from our in-basin Kermit facility of 46% of volumes sold for the three months ended March 31, 2019 compared to 28% of volumes sold for the same period in 2018.

Other revenues related to PropStream integrated logistics services and activities performed at our in-basin terminals, including transloading, railcar storage, silo storage and other services was $38,226 and $26,629 for the three months ended March 31, 2019 and 2018, respectively. Other revenues generated from the sales of silo and related logistics equipment was $6,593 for the three months ended March 31, 2019. The increase in total other revenues is a direct result of increased activity levels at our terminals and year-over-year increased use of our PropStream integrated logistics services, including the acquisition of FB Industries in August 2018.

Costs of Goods Sold – Production Costs

We incurred production costs of $31,418 and $43,512 for the three months ended March 31, 2019 and 2018, respectively. The decrease in production costs between the comparable periods was driven by an overall 8% decline in tons delivered from our production facilities, but more specifically, the mix of where the volumes were produced. In the comparable periods, volumes produced and delivered from our Wisconsin facilities declined 33%, primarily due to idling of the Augusta facility as a result of the displacement of Northern White sand in the Permian Basin, while quarterly volumes produced at our in-basin production facilities increased 50%, primarily due to the completion of our second Kermit facility in December 2018. The cost of production at our in-basin Kermit facilities are generally lower than the average production costs of our Wisconsin facilities. For the three months ended March 31, 2019 and 2018, we purchased $1,864 and $6,115, respectively, of sand and other proppants from third-party suppliers.

Costs of Goods Sold – Logistics Costs

We incurred logistics costs of $94,404 and $98,471 for the three months ended March 31, 2019 and 2018, respectively. Despite logistics costs remaining relatively flat, the underlying make-up of these costs reflects the change which has taken place in our industry over the past twelve months, as in the comparable periods there was a significant reduction in rail freight costs due to increased volumes at our in-basin terminal facilities outside of the Permian Basin, which generally has the highest tariffs from our Wisconsin production facilities. This decrease in freight costs was offset by higher trucking costs from the growth of our PropStream logistics service in the comparable periods, coupled with additional headcount and staffing for PropStream, and increased levels of repairs and maintenance on last mile equipment.

Costs of Goods Sold - Other Costs of Sales

We incurred $4,700 of other costs of sales in the three months ended March 31, 2019, primarily related to the costs of manufacturing, assembling and delivery of silo systems, conveyors and other equipment sold to our customers, subsequent to the acquisition of FB Industries in August 2018.

Costs of Goods Sold – Depreciation, Depletion and Amortization

For the three months ended March 31, 2019 and 2018, we incurred $11,272 and $7,799, respectively, of depreciation, depletion and amortization expense, generally using the units-of-production method of depreciation. The increase was primarily attributable to increased mining and depletion of our in-basin reserves upon completion of our second Kermit facility in December 2018. Also contributing to the increase was depreciation on last mile equipment acquired during the second half of 2018, primarily from the acquisition of FB Industries.

Gross Profit

Gross profit was $18,116 and $68,331 for the three months ended March 31, 2019 and 2018, respectively. Gross profit percentage decreased to 11.3% in the first three months of 2019 from 31.3% in the first three months of 2018. The decrease was primarily driven by decreased prices and volumes during the 2019 period compared to 2018 as a result of increased supply from the influx of in-basin production, specifically in the Permian Basin, throughout 2018, which drove down the price of proppant in basins across the U.S.

Operating Costs and Expenses

General and administrative expenses was $12,613 and $10,943 for the three months ended March 31, 2019 and 2018, respectively. The increase in general and administrative expense for the comparable periods in 2019 and 2018 was attributable to increased headcount necessitated due to growth of the business and increased property tax and insurance costs from an expanded asset base. For the three months ended March 31, 2019, the Partnership had $1,009 of non-recurring business development and legal costs primarily associated with the Conversion.

Depreciation and amortization was $1,676 and $525 for the three months ended March 31, 2019 and 2018, respectively. The increase was primarily attributable to increased amortization expense associated with assets acquired from FB Industries.

During the three months ended March 31, 2019, the Partnership incurred $431 of other operating expenses, net primarily associated with staffing reductions. During the three months ended March 31, 2018, the Partnership incurred $999 of other operating expenses, net which primarily related to the settlement of a contract dispute.

Earnings from Equity Method Investments

During the three months ended March 31, 2019 and 2018, the Partnership recognized earnings of $1,116 and $1,166, respectively, from its equity method investments, comprised primarily of our investment in Proppant Express Investments, LLC ("PropX").

Interest Expense

Interest expense was $10,590 and $3,473 for the three months ended March 31, 2019 and 2018, respectively, principally associated with the interest on our Senior Notes in 2019 and our previous term loan in 2018. The increase in interest expense during the 2019 period was driven by the issuance of $450,000 of 9.50% Senior Notes in August 2018 compared to the $199,500 outstanding on the term loan, which carried an interest rate of 5.66% for the same period in 2018.

Net Income (Loss)

Net loss was $6,207 for the three months ended March 31, 2019, compared to net income of $53,431 for the three months ended March 31, 2018.

Liquidity and Capital Resources

Overview

We expect our principal sources of liquidity will be available cash, cash generated by our operations, and if needed, supplemented by borrowings under our ABL Credit Facility, as available. We believe that cash from these sources will be sufficient to meet our short-term working capital requirements, long-term capital expenditure requirements and debt service obligations, including interest payments. As of May 2, 2019, our sources of liquidity consisted of $51,039 of available cash and $55,164 pursuant to available borrowings under our ABL Credit Facility ($77,131, net of $21,967 letter of credit commitments).

We may also sell, from time to time, common units representing limited partner interests in the Partnership up to an aggregate gross sales price of $50,000 under an equity distribution program. Our general partner is also authorized to issue an unlimited number of units without the approval of existing limited partner unitholders.

We expect that our future principal uses of cash will be for capital expenditures, funding debt service obligations and working capital, as well as any distributions to our unitholders or any repurchases of common units.

Senior Notes and ABL Credit Facility

As of May 2, 2019, we have $450,000 of 9.50% Senior Notes which mature on August 1, 2026 and had $55,164 of undrawn borrowing capacity ($77,131, net of $21,967 letter of credit commitments) under our ABL Credit Facility. The ABL Credit Facility contains customary representations and warranties and customary affirmative and negative covenants, including limits or restrictions on the Partnership's ability to incur liens, incur indebtedness, make certain restricted payments, merge or consolidate, and dispose of assets. As of March 31, 2019, we are in compliance with the covenants contained in the ABL Credit Facility.

Borrowings under our Senior Notes and ABL Credit Facility are secured by substantially all of our assets. In addition, our subsidiaries have guaranteed our obligations under both credit agreements and have granted the lenders security interests in substantially all our their respective assets. For additional information regarding our Senior Notes and ABL Credit Facility, see Note 8 of the Notes to Unaudited Condensed Consolidated Financial Statements included under Part I, Item 1. "Financial Statements" of this Quarterly Report on Form 10-Q.

Credit Ratings

As of May 2, 2019, the credit rating of the Partnership's Senior Notes was B3 from Moody's Investors Service Inc. and B- from Standard and Poor's.

The credit ratings of the Partnership's Senior Notes reflect only the view of a rating agency and should not be interpreted as a recommendation to buy, sell or hold any of our securities. A credit rating can be revised upward or downward or withdrawn at any time by a rating agency, if it determines that circumstances warrant such a change. A credit rating from one rating agency should be evaluated independently of credit ratings from other rating agencies.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a material effect on our current or future financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Equity Distribution Agreement

On January 4, 2017, the Partnership entered into an equity distribution program with certain financial institutions (each, a "Manager") under which we may sell, from time to time, through or to the Managers, common units representing limited partner interests in the Partnership up to an aggregate gross sales price of $50,000. As of May 2, 2019, the Partnership had not issued any common units under this equity distribution program.

Distributions

On January 7, 2019, we announced the decision of the board of directors of our general partner to suspend the quarterly distribution to common unitholders.

Unit Buyback Program

On October 17, 2017, the Partnership announced that the board of directors of our general partner approved a unit buyback program of up to $100,000. The unit buyback program does not obligate the Partnership to repurchase any specific dollar amount or number of units and may be suspended, modified or discontinued by the board of directors at any time, in its sole discretion and without notice. As of May 2, 2019, the Partnership has repurchased a total of 2,783,253 common units for a total cost of $29,426, with $70,574 remaining under its approved unit buyback program.

Capital Requirements

Capital expenditures totaled $40,289 during the three months ended March 31, 2019, primarily related to 2018 carryover growth capex of $25,205 associated with completion of the Kermit 2 construction and Wyeville expansion. Remaining 2018 carryover growth capex for Wyeville is expected to be in the range of $5,000 to $10,000 to be spent in the second quarter of 2019, resulting in an expected total of $30,000 to $35,000 in 2018 carryover growth capex for 2019.

In addition, the Partnership spent $4,006 on maintenance capex projects during the three months ended March 31, 2019. For the full year of 2019, maintenance capex is expected to range between $20,000 and $25,000.

The Partnership also spent $11,078 during the three months ended March 31, 2019 related to 2019 growth capex, primarily related to spending on logistics assets, including new Atlas topfill conveyor systems and trailers. For the full year, 2019 growth capex, including upgrades to the current silo systems and the PropDispatch functionality enhancement and development, is expected to range between $30,000 and $40,000.

Working Capital

Working capital is the amount by which current assets, excluding cash, exceed current liabilities and is a measure of our ability to pay our liabilities as they become due. At the end of any given period, accounts receivable and payable tied to sales and purchases are relatively balanced to the volume of tons sold during the period. The factors that typically cause variability in the Partnership's working capital are (1) changes in receivables due to fluctuations in volumes sold, pricing and timing of collection, (2) inventory levels, which the Partnership closely manages, or (3) major structural changes in the Partnership's asset base or business operations, such as any acquisition, divestitures or organic capital expenditures. As of March 31, 2019, we had a positive working capital balance of $48,765 as compared to a balance of $19,041 at December 31, 2018.

The following table summarizes our working capital as of the dates indicated.

	March 31, 2019	December 31, 2018
Current assets:		
Accounts receivable, net	$ 97,264	$ 101,029
Inventories	44,400	57,089
Prepaid expenses and other current assets	12,482	13,239
Total current assets	154,146	171,357
Current liabilities:		
Accounts payable	33,635	71,039
Accrued and other current liabilities	44,796	61,337
Current portion of deferred revenues	26,950	19,940
Total current liabilities	105,381	152,316
Working capital	$ 48,765	$ 19,041

Accounts receivable decreased $3,765 during the three months ended March 31, 2019, reflecting a slight decrease in revenues during the first quarter of 2019 compared to fourth quarter of 2018.

Our inventory consists primarily of sand that has been excavated and processed through the wet plant and finished goods. The decrease in our inventory of $12,689 was primarily driven by wintertime depletion of the washed sand stockpiles at our Wisconsin production facilities and decreased in-basin finished goods inventory at March 31, 2019 as compared to December 31, 2018.

Accounts payable and accrued liabilities decreased by $53,945 on a combined basis, resulting from the payment of construction costs related to our Kermit 2 facility and the expansion of our Wyeville facility, as well as payment of the semiannual interest due on our Senior Notes in February 2019.

Current portion of deferred revenues represent prepayments from customers for future deliveries of frac sand to be made within the next twelve months. The increase in deferred revenues was due to the receipt of additional prepayments from customers made during the three months ended March 31, 2019.

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

	Three Months Ended March 31,	
	2019	2018
Net cash provided by (used in):		
Operating activities	$ (8,607)	$ 70,635
Investing activities	(43,478)	(9,391)
Financing activities	(1,780)	(54,623)

Cash Flows - Three Months Ended March 31, 2019 and 2018

Operating Activities

Net cash used in operating activities was $8,607 for the three months ended March 31, 2019, compared to net cash provided by $70,635 for the three months ended March 31, 2018. Operating cash flows include net loss of $6,207 and net income of $53,431 during the three months ended March 31, 2019 and 2018, respectively, adjusted for non-cash operating expenses and the changes in operating assets and liabilities described above. The decrease in cash flows from operations was primarily attributable to decreased sales and gross profit margins as well as a greater build in working capital in the first three months of 2019 as compared to the same period of 2018.

Investing Activities

Net cash used in investing activities was $43,478 for the three months ended March 31, 2019, and consisted of $40,289 of capital expenditures, $3,119 of net cash paid for a business acquisition and $495 of equity method investments, offset by $425 of proceeds from the sale of property, plant and equipment.

Capital expenditures for the three months ended March 31, 2019, consisted of $25,205 of 2018 carryover growth capex associated with completion of the Kermit 2 construction and Wyeville expansion, $11,078 of 2019 growth capex related to spending on logistics assets, with the remainder being spent on maintenance capex projects.

Net cash used in investing activities was $9,391 for the three months ended March 31, 2018, and consisted of $12,258 of capital expenditures primarily related to continued investment in equipment for PropStream and normal maintenance capital expenditures, including overburden removal, at our production facilities and terminals, offset by $2,867 of proceeds from the sale of property, plant and equipment.

Financing Activities

Net cash used in financing activities was $1,780 for the three months ended March 31, 2019, and was comprised primarily of $1,044 repayment of premium financing notes and $694 of repayments on long-term debt.

Net cash used in financing activities was $54,623 for the three months ended March 31, 2018, and was comprised primarily of $9,426 of repurchases of common units under the unit buyback program, $17,809 of distributions paid to our unitholders, $24,838 of distributions paid to members of our sponsor, $857 repayment of premium financing notes and $1,457 of repayments on long-term debt.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally acceptable 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 we believe 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 discussion of our significant accounting policies is included in Note 2 - Significant Accounting Policies of the Notes to Unaudited Condensed Consolidated Financial Statements included under Part I, Item 1. "Financial Statements" of this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K, as filed with the SEC on February 20, 2019. Significant estimates include, but are not limited to, purchase accounting allocations and valuations, asset retirement obligations, depletion of mineral rights, inventory valuation, valuation of unit-based compensation, valuation of right-of-use asset and lease liabilities, estimated fair value of contingent consideration in the future and impairment of long-lived and intangible assets.

Forward-Looking Statements

Some of the information in this Quarterly Report on Form 10-Q may contain forward-looking statements. Forward-looking statements give our current expectations, contain projections of results of operations or of financial condition, or forecasts of future events. Words such as "may," "should," "assume," "forecast," "position," "predict," "strategy," "expect," "intend," "hope," "plan," "estimate," "anticipate," "could," "believe," "project," "budget," "potential," "likely," or "continue," and similar expressions are used to identify forward-looking statements. They can be affected by assumptions used or by known or unknown risks or uncertainties. Consequently, no forward-looking statements can be guaranteed. When considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the SEC on February 20, 2019. Actual results may vary materially. You are cautioned not to place undue reliance on any forward-looking statements. You should also understand that it is not possible to predict or identify all such risk factors and as such should not consider the following to be a complete list of all potential risks and uncertainties. Factors that could cause our actual results to differ materially from the results contemplated by such forward-looking statements include:

- the potential corporate conversion transaction we are considering may not occur, and even if such transaction were to be completed we may fail to realize the anticipated benefits;
- the volume of frac sand we are able to buy and sell;
- the price at which we are able to buy and sell frac sand;
- demand and pricing for our integrated logistics solutions;
- the pace of adoption of our integrated logistics solutions;
- the amount of frac sand we are able to timely deliver at the wellsite, which could be adversely affected by, among other things, logistics constraints, weather, or other delays at the wellsite or transloading facility;
- changes in prevailing economic conditions, including the extent of changes in crude oil, natural gas and other commodity prices;

- the amount of frac sand we are able to excavate and process, which could be adversely affected by, among other things, operating difficulties, cave-ins, pit wall failures, rock falls and unusual or unfavorable geologic conditions;
- changes in the price and availability of natural gas or electricity;
- inability to obtain necessary equipment or replacement parts;
- changes in the railroad infrastructure, price, capacity and availability, including the potential for rail line disruptions;
- changes in the road infrastructure, including the potential for trucking and other transportation disruptions;
- changes in the price and availability of transportation;
- extensive regulation of trucking services;
- volatility of fuel prices;
- availability of or failure of our contractors, partners and service providers to provide services at the agreed-upon levels or times;
- failure to maintain safe work sites at our facilities or by third parties at their work sites;
- inclement or hazardous weather conditions, including flooding, and the physical impacts of climate change;
- environmental hazards, such as leaks and spills as well as unauthorized discharges of fluids or other pollutants into the surface and subsurface environment;
- industrial and transportation related accidents;
- fires, explosions or other accidents;
- difficulty collecting receivables;
- inability of our customers to take delivery;
- difficulty or inability in obtaining, maintaining and renewing permits, including environmental permits or other licenses and approvals such as mining or water rights;
- facility shutdowns or restrictions in operations in response to environmental regulatory actions including but not limited to actions related to endangered species;
- systemic design or engineering flaws in the equipment we use to provide logistics services;
- changes in laws and regulations (or the interpretation or enforcement thereof) related to the mining and hydraulic fracturing industries, silica dust exposure or the environment;
- the outcome of litigation, claims or assessments, including unasserted claims;
- challenges to or infringement upon our intellectual property rights;
- labor disputes and disputes with our third-party contractors;
- inability to attract and retain key personnel;
- cyber security breaches of our systems and information technology;
- our ability to borrow funds and access capital markets;
- changes in the foreign currency exchange rates in the countries that we conduct business; and
- changes in the political environment of the geographical areas in which we and our customers operate.

All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

(Dollars in thousands)

Quantitative and Qualitative Disclosure of Market Risks

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about our potential exposure to market risk. Market risk is the risk of loss arising from adverse changes in market rates and prices. The disclosures are not meant to be precise indicators of expected future losses, but rather indicators of reasonably possible losses. This forward-looking information provides indicators of how we view and manage our ongoing market risk exposures. Historically, our risks have been predominantly related to potential changes in the fair value of our long-term debt due to fluctuations in applicable market interest rates and those risks that arise in the normal course of business, as we do not engage in speculative, non-operating transactions, nor do we utilize financial instruments or derivative instruments for trading purposes.

Commodity Price Risk

The market for frac sand is indirectly exposed to fluctuations in the prices of crude oil and natural gas to the extent such fluctuations impact well completion activity levels and thus impact the activity levels of our customers in the pressure pumping industry. We do not intend to hedge our indirect exposure to commodity risk.

Interest Rate Risk

Borrowings under the ABL Credit Facility bear interest at a rate equal to, at the Partnership's option, either (1) a base rate plus an applicable margin ranging between 0.75% per annum and 1.50% per annum, based upon the Partnership's leverage ratio, or (2) a LIBOR rate plus an applicable margin ranging between 1.75% per annum and 2.50% per annum, based upon the Partnership's leverage ratio. As of March 31, 2019, we had no borrowings outstanding under the ABL Credit Facility. To the extent there are any outstanding borrowings under the ABL Credit Facility, changes in applicable interest rates would not affect the ABL Credit Facility's fair market value, but would impact our future results of operations and cash flows. Changes in interest rates do not impact the amount of interest we pay on our Senior Notes, but can impact their fair market values. As of March 31, 2019, our Senior Notes had a carrying value of $450,000.

Foreign Currency Translation Risk

Our consolidated financial statements are expressed in U.S. dollars, but a portion of our operations is conducted in a currency other than U.S. dollars. The Canadian dollar is the functional currency of the Partnership's foreign subsidiary as it is the primary currency within the economic environment in which the subsidiary operates. Changes in the exchange rate can affect our revenues, earnings, and the carrying value of our assets and liabilities in our consolidated balance sheet, either positively or negatively. Adjustments resulting from the translation of the subsidiary's financial statements are reported in other comprehensive income (loss). For the three months ended March 31, 2019, the Partnership recorded comprehensive income of $1,724.

Credit Risk – Customer Concentration

During the three months ended March 31, 2019, approximately 44% of our revenues were earned from our three largest customers, each of which accounted for greater than 10% of our total revenues. Our customers are generally oil and natural gas exploration and production companies and pressure pumping service providers. This concentration of counterparties operating in a single industry may increase our overall exposure to credit risk in that the counterparties may be similarly affected by changes in economic, regulatory or other conditions. If a customer defaults or if any of our contracts expire in accordance with their terms, and we are unable to renew or replace these contracts, our gross profit and cash flows may be adversely affected.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures, and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15 and 15d-15 of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS.

Legal Proceedings

From time to time the Partnership may be subject to various claims and legal proceedings which arise in the normal course of business. Management is not aware of any legal matters that are likely to have a material adverse effect on the Partnership's financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS.

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors discussed under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the SEC on February 20, 2019. Other than the risk factor noted below, there have been no material changes to the risk factors previously disclosed under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018.

New Colorado legislation may result in increased costs and delays or limits in oil and natural-gas exploration and production operations in the state, which could reduce demand for our products and services and have an adverse effect on our business, financial condition and results of operations.

On April 16, 2019, Colorado Governor Jared Polis signed into law Senate Bill 19-181, which is legislation that reforms exploration and production activities by the oil and natural gas industry in the state including, among other things, revising the mission of the Colorado Oil and Gas Conservation Commission ("COGCC") from fostering energy development in the state to instead focusing on regulating the industry in a manner that is protective of public health and safety and the environment, as well as authorizing cities and counties to regulate oil and natural-gas operations within their jurisdiction as they do other development. Additionally, passage of this legislation could lead to a possible significant delay in the state in issuing new drilling permits while the COGCC codifies the new law. The passage of Senate Bill 19-181, which alters the current mission of the COGCC, repeals existing limitations on municipalities' and county governments' land use authority over oil and natural gas development areas, and may result in significant delays in the state issuing new drilling permits could increase our customers' costs of operation as well as delay or limit our customers' exploration and production activities in the state, which could reduce the demand for our products and services and have an adverse effect on our business, financial condition and results of operations.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

We adhere to a strict occupational health program aimed at controlling exposure to silica dust, which includes dust sampling, a respiratory protection program, medical surveillance, training and other components. Our safety program is designed to ensure compliance with the standards of our Occupational Health and Safety Manual and U.S. Federal Mine Safety and Health Administration ("MSHA") regulations. For both health and safety issues, extensive training is provided to employees. We have safety committees at our plants made up of salaried and hourly employees. We perform annual internal health and safety audits and conduct semi-annual crisis management drills to test our abilities to respond to various situations. Health and safety programs are administered by our corporate health and safety department with the assistance of plant environmental, health and safety coordinators.

All of our production facilities are classified as mines and are subject to regulation by MSHA under the Federal Mine Safety and Health Act of 1977 (the "Mine Act"). MSHA inspects our mines on a regular basis and issues various citations and orders when it believes a violation has occurred under the Mine Act. 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 on Form 10-Q.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

The exhibits to this report are listed in the Exhibit Index.

HI-CRUSH PARTNERS LP
EXHIBIT INDEX

Exhibit Number	Description
3.1	Certificate of Limited Partnership of Hi-Crush Partners LP (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1, Registration No. 333-182574, filed with the SEC on July 9, 2012).
3.2	Third Amended and Restated Agreement of Limited Partnership of Hi-Crush Partners LP, dated October 21, 2018 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on October 23, 2018; File No. 001-35630).
23.1	Consent of John T. Boyd Company (incorporated by reference to Exhibit 23.3 to the Registrant's Annual Report on Form 10-K, filed with the SEC on February 20, 2019; File No. 001-35630).
31.1	Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 signed by the Principal Executive Officer, filed herewith.
31.2	Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 signed by the Principal Financial Officer, filed herewith.
32.1	Statement required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 signed by Principal Executive Officer, filed herewith. (1)
32.2	Statement required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 signed by Principal Financial Officer, filed herewith. (1)
95.1	Mine Safety Disclosure Exhibit
101	Interactive Data Files- XBRL

(1) This document is being furnished in accordance with SEC Release Nos. 33-8212 and 34-47551.

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.

Hi-Crush Partners LP
(Registrant)
By: Hi-Crush GP LLC, its general partner

Date:	May 7, 2019	/s/ Laura C. Fulton
		Laura C. Fulton
		Chief Financial Officer
		(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
(Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended)

I, Robert E. Rasmus, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hi-Crush Partners LP;

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 officers 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 officers 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.

/s/ Robert E. Rasmus

Robert E. Rasmus
Chief Executive Officer

May 7, 2019

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
(Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended)

I, Laura C. Fulton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hi-Crush Partners LP;

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 officers 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 officers 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.

/s/ Laura C. Fulton

Laura C. Fulton
Chief Financial Officer

May 7, 2019

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
(Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 of Hi-Crush Partners LP (the "Partnership") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert E. Rasmus, Chief Executive Officer of the Partnership, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

/s/ Robert E. Rasmus

Robert E. Rasmus
Chief Executive Officer

May 7, 2019

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
(Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 of Hi-Crush Partners LP (the "Partnership") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Laura C. Fulton, Chief Financial Officer of the Partnership, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

/s/ Laura C. Fulton

Laura C. Fulton
Chief Financial Officer

May 7, 2019

Exhibit 95.1

MINE SAFETY DISCLOSURES

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

Mine Safety Information

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

Mine Safety Data

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

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

Pattern or Potential Pattern of Violations

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

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

Pending Legal Actions

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

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

- *Temporary Relief:* Applications for temporary relief are applications filed under section 105(b)(2) of the Mine Act for temporary relief from any modification or termination of any order.
- *Appeals:* An appeal may be filed by an operator to challenge judges' decisions or orders to the Commission, including petitions for discretionary review and review by the Commission on its own motion.

Three Months Ended March 31, 2019:

Mine (a)	Wyeville, WI	Whitehall, WI	Augusta, WI	Blair, WI	Kermit, TX
Section 104 citations for violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard (#)	—	—	—	—	1
Section 104(b) orders (#)	—	—	—	—	—
Section 104(d) citations and orders (#)	—	—	—	—	—
Section 110(b)(2) violations (#)	—	—	—	—	—
Section 107(a) orders (#)	—	—	—	—	—
Proposed assessments under MSHA (b)	$—	$—	$—	$1,665	$—
Mining-related fatalities (#)	—	—	—	—	—
Section 104(e) notice	No	No	No	No	No
Notice of the potential for a pattern of violations under Section 104(e)	No	No	No	No	No
Legal actions before the Federal Mine Safety and Health Review Commission ("FMSHRC") initiated (#)	—	—	—	—	—
Legal actions before the FMSHRC resolved (#)	—	—	—	—	—
Legal actions pending before the FMSHRC, end of period:					
Contests of citations and orders referenced in Subpart B of 29 CFR Part 2700 (#)	—	—	—	—	—
Contests of proposed penalties referenced in Subpart C of 29 CFR Part 2700 (#)	—	—	—	—	—
Complaints for compensation referenced in Subpart D of 29 CFR Part 2700 (#)	—	—	—	—	—
Complaints of discharge, discrimination or interference referenced in Subpart E of 29 CFR Part 2700 (#)	—	—	—	—	—
Applications for temporary relief referenced in Subpart F of 29 CFR Part 2700 (#)	—	—	—	—	—
Appeals of judges' decisions or orders referenced in Subpart H of 29 CFR Part 2700 (#)	—	—	—	—	—
Total pending legal actions (#)	—	—	—	—	—

(a) The definition of mine under section 3 of the Mine Act includes the mine, as well as other items used in, or to be used in, or resulting from, the work of extracting minerals, such as land, structures, facilities, equipment, machines, tools and minerals preparation facilities. Unless otherwise indicated, any of these other items associated with a single mine have been aggregated in the totals for that mine. MSHA assigns an identification number to each mine and may or may not assign separate identification numbers to related facilities such as preparation facilities. We are providing the information in the table by mine rather than MSHA identification number because that is how we manage and operate our mining business and we believe this presentation will be more useful to investors than providing information based on MSHA identification numbers.

(b) Represents the total dollar value of the proposed assessment from MSHA under the Mine Act pursuant to the citations and/or orders preceding such dollar value in the corresponding row.