

Q2 2025

Management's Discussion & Analysis

S O U R C E 
E N E R G Y S E R V I C E S

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2025

TSX: SHLE

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A"), dated July 30, 2025, reflects the operating and financial results of Source Energy Services Ltd. and its subsidiaries, collectively ("Source" or the "Company"), as at and for the three and six months ended June 30, 2025, compared with the corresponding period in the prior year. This MD&A is provided to assist readers in understanding the Company's financial performance and position during the periods presented and significant trends that may impact the future performance of Source.

This discussion should be read in conjunction with Source's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2025 and 2024 and the audited consolidated financial statements for the years ended December 31, 2024 and 2023, together with the accompanying notes (the "Financial Statements"). The Financial Statements and other information relating to Source, including the Annual Information Form ("AIF"), are available under the Company's SEDAR+ profile at www.sedarplus.ca. The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise stated, all amounts are expressed in Canadian dollars.

Certain financial measures referred to in this MD&A are not prescribed by IFRS and might not be comparable to similar financial measures disclosed by other issuers. "Adjusted EBITDA" is, among other things, used by management as a representation of earnings generated to fund capital investments and meet financial obligations, and "Adjusted Gross Margin" is used by management in measuring pricing and operating cost performance relative to other publicly listed competitors. "Free Cash Flow" is generally used to assess the ability to generate cash flows that can be used to pay down long-term debt or provide other forms of returns to investors. Refer to 'Non-IFRS Measures' for further information regarding the following non-IFRS measures used in this MD&A: "Adjusted EBITDA", "Adjusted Gross Margin", including on a per metric tonne ("MT") basis, and "Free Cash Flow", as well as a reconciliation to IFRS measures of the Company.

This MD&A contains "forward-looking statements" or "forward-looking information" within the meaning of applicable Canadian securities laws (collectively, "forward-looking statements") based on Source's current expectations and projections. For information on the material factors and assumptions underlying such forward-looking statements, refer to 'Forward-Looking Statements' included at the end of this MD&A.

About Source

Source is a company that focuses on the integrated production and distribution of frac sand, as well as the distribution of other bulk completion materials not produced by Source. Source provides its customers with an end-to-end solution for frac sand supported by its Wisconsin and Peace River mines and processing facilities, its Western Canadian terminal network and its "last mile" logistics capabilities, including its trucking operations, and Sahara, a proprietary well site mobile sand storage and handling system.

Source's full-service approach allows customers to rely on its logistics platform to increase reliability of supply and to ensure the timely delivery of frac sand and other bulk completion materials at the well site.

Q2 2025 Performance Highlights

Key achievements for the quarter ended June 30, 2025 include the following:

- realized record sand sales volumes of 1,094,355 MT and sand revenue of \$161.5 million, an increase of \$21.4 million or 15% from the second quarter of 2024;
- generated total revenue of \$201.9 million, a \$25.5 million increase from the same period last year;
- realized gross margin of \$36.7 million and Adjusted Gross Margin⁽¹⁾ of \$48.6 million, increases of 13% and 15%, respectively, when compared to the three months ended June 30, 2024;
- reported net income of \$13.6 million, an increase of \$8.9 million from the second quarter of last year;
- realized Adjusted EBITDA⁽¹⁾ of \$35.2 million, a \$4.4 million improvement from the second quarter of 2024;
- delivered record sand volumes to our customer well sites through our "last mile" logistics and realized 83% utilization across the eleven-unit Sahara fleet;
- completed the next phase of the Peace River facility expansion, approaching nameplate capacity of 1,000,000 MT of domestic sand production;
- implemented a Normal Course Issuer Bid, resulting in the repurchase of 225,400 shares during the second quarter; and
- received a Remission Order from the Government of Canada which reverses and refunds surtaxes paid to date on reciprocal tariffs imposed by the Government of Canada on frac sand imported from the United States earlier this year.

Note:

(1) Adjusted Gross Margin (including on a per MT basis) and Adjusted EBITDA are not defined under IFRS, refer to 'Non-IFRS Measures' below.

Results Overview

(\$000's, except MT and per unit amounts)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Sand volumes (MT)⁽¹⁾	1,094,355	921,148	2,135,578	1,795,997
Sand revenue	161,472	140,056	324,375	273,050
Well site solutions	39,216	35,360	83,644	71,080
Terminal services	1,201	940	2,434	1,794
Sales	201,889	176,356	410,453	345,924
Cost of sales	153,280	134,214	315,649	260,596
Cost of sales – depreciation	11,873	9,500	21,275	17,049
Cost of sales	165,153	143,714	336,924	277,645
Gross margin	36,736	32,642	73,529	68,279
Operating expense	8,383	6,327	16,310	12,369
General & administrative expense	4,839	5,851	9,747	11,201
Depreciation	5,432	4,289	11,132	8,499
Income from operations	18,082	16,175	36,340	36,210
Other expense (income):				
Finance expense	7,177	8,633	14,041	17,349
Share-based compensation expense (recovery)	1,081	(1,032)	(3,878)	8,309
Loss (gain) on asset disposal	536	(47)	540	(1,978)
Other income	(575)	(169)	(715)	(556)
Other expense (recovery) ⁽²⁾	277	691	(12,224)	1,058
Loss on sublease	—	635	13	638
Loss (gain) on debt modification and extinguishment	428	49	(490)	164
Unrealized foreign exchange gain	(8,226)	—	(8,195)	—
Foreign exchange loss (gain) ⁽³⁾	754	(665)	493	(505)
Total other expense (income)	1,452	8,095	(10,415)	24,479
Income before income taxes	16,630	8,080	46,755	11,731
Current tax expense	2,449	1,828	5,226	3,738
Deferred tax expense	613	1,567	4,362	1,415
Net income	13,568	4,685	37,167	6,578
Net earnings per share (\$/share)	1.01	0.35	2.75	0.49
Diluted net earnings per share (\$/share)	1.01	0.26	2.75	0.49
Adjusted EBITDA ⁽⁴⁾	35,208	30,798	68,969	62,819
Sand revenue sales/MT	147.55	152.05	151.89	152.03

Notes:

- (1) One MT is approximately equal to 1.102 short tons.
- (2) Includes amounts related to the incident at the Fox Creek terminal facility, and other one-time expenses, refer to 'Contractual Obligations' and 'Operating and Financial Results' below.
- (3) The average Canadian to United States ("US") dollar exchange rate for the three and six months ended June 30, 2025, was \$0.7225 and \$0.7095, respectively (2024 - \$0.7308 and \$0.7361, respectively).
- (4) Adjusted EBITDA is not defined under IFRS, refer to 'Non-IFRS Measures' below.

Second Quarter 2025 Performance Overview

Source realized record sand sales volumes during the second quarter, reflecting continued strong demand as Source customers pushed through spring break-up. Total revenue was \$201.9 million for the three months ended June 30, 2025, an increase of \$25.5 million, or 14%, compared to the second quarter last year. The second quarter also saw record sand sales volumes delivered for "last mile" logistics, as Source's ability to reliably supply the large volumes of sand required per completion job resulted in a record for the largest daily sand volume fed into a blender in twenty-four hours in April. For the second quarter, average realized sand price per MT was impacted by a shift in product mix to more 100 mesh sand and the elimination of tariff charges, which were included in the average realized sand price during the first quarter of 2025 and reversed during the second quarter. Refer to 'Remission Order' below.

Cost of sales, excluding depreciation, increased on a quarter-over-quarter basis, driven by higher sand sales volumes and increased transportation costs resulting from the record volumes hauled by "last mile" logistics. On a per MT basis, cost of sales, excluding depreciation, decreased for the second quarter, driven by a shift in terminal mix and the impact of the tariff reversal. A weakening of the Canadian dollar increased cost of sales denominated in US dollars by \$1.49 per MT, compared to the second quarter of 2024, which was largely offset by the movement in exchange rates on revenue denominated in US dollars for the period.

Gross Margin (\$000's, except MT and per unit amounts)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Gross margin	36,736	32,642	73,529	68,279
Cost of sales – depreciation	11,873	9,500	21,275	17,049
Adjusted Gross Margin ⁽¹⁾	48,609	42,142	94,804	85,328
Gross margin/MT	33.57	35.44	34.43	38.02
Adjusted Gross Margin/MT ⁽¹⁾	44.42	45.75	44.39	47.51
Percentage of mine gate sand volumes	—%	1%	1%	2%
Percentage of core product sand volumes sold	100%	99%	99%	98%
Sales mix impact of mine gate sales/MT	0.07	0.41	0.35	0.95

Note:

(1) Adjusted Gross Margin (including on a per MT basis) is not defined under IFRS, refer to 'Non-IFRS Measures' below.

For the three months ended June 30, 2025, gross margin increased by \$4.1 million compared to the second quarter of 2024. Higher sand sales volumes and volumes trucked to the well site contributed to the increase, as well as incremental gross margin generated from the sand trucking assets acquired in 2024. Excluding gross margin from mine gate volumes, Adjusted Gross Margin was \$44.49 per MT compared to \$46.16 per MT for the second quarter of 2024. The change is attributed to a shift in product mix, driven by a 17% increase in the sales of 100 mesh sand compared to the second quarter of 2024, the impact of terminal mix and the weakening of the Canadian dollar which negatively impacted Adjusted Gross Margin by \$0.31 per MT for the quarter. The tariff reversal had no impact on Adjusted Gross Margin as these surtaxes were borne by Source customers.

Operating expenses increased by \$2.1 million on a quarter-over-quarter basis, largely driven by higher royalty-related costs, partly attributed to the increased sand sales volumes realized during the period. Higher activity levels impacted costs for rail car related expenses including repairs and maintenance costs, as well as increased compensation expense, including people costs for Source's trucking operations. General and administrative expense decreased by \$1.0 million during the second quarter of 2025, largely the result of lower people costs due to lower variable incentive compensation expense, partially offset by an increase in IT costs, due to the cloud-computing system implemented last year, compared to the second quarter of 2024.

Adjusted EBITDA increased by 14%, or \$4.4 million, to \$35.2 million for the second quarter, attributed primarily to the record sand sales volumes and well site solutions performance, as well as the incremental benefit from trucking assets acquired in 2024. The weakening of the Canadian dollar negatively impacted Adjusted EBITDA by \$0.8 million for the quarter, attributed to the movement in exchange rates on the settlement of working capital.

Normal Course Issuer Bid

On May 13, 2025, Source commenced a Normal Course Issuer Bid (the "NCIB"), under which Source is authorized to purchase up to a maximum of 750,000 common shares or \$5.0 million. The NCIB will terminate on May 12, 2026, or such earlier date as the maximum number of common shares are purchased pursuant to the NCIB or the NCIB is completed or terminated at the election of Source. During the second quarter, Source repurchased 225,400 common shares for a weighted average price of \$11.99 per share under the NCIB. Refer to 'Outstanding Shares' below for additional information.

Remission Order

Since the enactment of the reciprocal tariff by the Canadian government on March 4, 2025, Source has been working diligently with the Canadian government for relief of all surtaxes imposed on frac sand imported from the US. On June 26, 2025, Source received a Remission Order from the Government of Canada which determined that Source is eligible for relief of the surtax on sand at time of import, and qualifies for refunds of all surtaxes paid to date since enactment of the reciprocal tariff. During the second quarter of 2025, Source reversed the impact of tariffs previously recognized in revenue and cost of sales.

Liquidity and Capital Resources

Free Cash Flow (\$000's)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Adjusted EBITDA ⁽¹⁾	35,208	30,798	68,969	62,819
Financing expense paid	(6,710)	(6,625)	(13,516)	(13,437)
Capital expenditures, net of proceeds on disposal of property, plant and equipment and reimbursement of capital costs ⁽²⁾	(7,623)	(5,665)	(14,693)	(10,259)
Payment of lease obligations	(6,321)	(4,987)	(12,595)	(10,106)
Income taxes paid	(2,912)	(637)	(4,604)	(1,169)
Free Cash Flow⁽¹⁾	11,642	12,884	23,561	27,848

Notes:

- (1) Adjusted EBITDA and Free Cash Flow are not defined under IFRS, refer to 'Non-IFRS Measures' below. The reconciliation to the comparable IFRS measure can be found in the table below.
- (2) Excludes capital expenditures related to the Taylor facility. Refer to 'Long-term debt' and 'Non-IFRS Measures' below.

During the second quarter of 2025, Free Cash Flow decreased by \$1.2 million compared to the second quarter of 2024, primarily due to amounts paid for income taxes driven by Source's improved performance. An increase in growth and maintenance capital expenditures, as described below, and higher amounts paid for lease obligations also impacted Free Cash Flow for the quarter. The increase in lease obligations is a result of additional heavy equipment for the Peace River operations while the Wisconsin mining facilities replaced aging equipment which will drive lower costs for repairs and maintenance and reduce higher-cost short-term leases. Payments for lease obligations in Wisconsin, including rail car leases, were impacted by renewals at higher rates and the weakening of the Canadian dollar compared to the second quarter of 2024.

On a year-to-date basis, Free Cash Flow decreased by \$4.3 million compared to the same period of 2024, attributed to amounts paid for income taxes, as well as higher amounts incurred for capital expenditures and lease obligations, as noted above.

Capital expenditures (\$000's)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Terminal	1,028	4,024	1,236	5,758
Well site solutions	497	2,739	760	4,813
Production	2,553	728	5,816	2,180
Overburden removal	3,313	3,245	6,509	6,126
Other	871	61	1,101	1,306
Taylor facility	3,059	—	6,819	—
Capital expenditures	11,321	10,797	22,241	20,183
<i>Proceeds on disposal of property, plant and equipment and reimbursement of capital costs</i>	(639)	(5,132)	(729)	(9,924)
Capital expenditures, net of proceeds on disposal of property, plant and equipment and reimbursement of capital costs	10,682	5,665	21,512	10,259
Growth capital ⁽¹⁾	2,779	6,213	3,433	9,496
Maintenance and sustaining capital	5,483	4,584	11,989	10,687
Capital expenditures, excluding the Taylor facility	8,262	10,797	15,422	20,183
Taylor facility	3,059	—	6,819	—
Capital expenditures	11,321	10,797	22,241	10,259

Note:

- (1) Includes expenditures related to two contracts to construct Source's tenth and eleventh Sahara units and facility upgrades for the Peace River mine, fully reimbursed by customers in 2024, as well as sand trucking assets acquired. Excludes costs for construction of the Taylor facility.

Source's capital expenditures fall into two main categories: (i) capital expenditures at existing terminals and mine facilities to make improvements and maintain operations, including overburden removal; and (ii) growth capital expenditures to expand production and distribution capabilities across its infrastructure.

Capital expenditures, net of proceeds on disposals and reimbursements and excluding expenditures related to the Taylor facility, were \$7.6 million for the three months ended June 30, 2025, an increase of \$2.0 million compared to the second quarter last year. On a quarter-over-quarter basis and excluding construction for the Taylor facility, growth capital expenditures increased by \$1.0 million, attributed to the expansion of the Peace River facility as well as the addition of trailers for Source's trucking operations. Maintenance and sustaining capital expenditures increased for the second quarter of 2025, compared to the same period last year, largely attributed to improvements made for an aging Sahara unit and roadwork at the north mine processing facility in Wisconsin, higher amounts for overburden removal for mining operations, driven by increased volumes, and amounts related to Source's trucking operations, compared to the second quarter of 2024.

For the first half of 2025, capital expenditures, net of proceeds on disposals and reimbursements and excluding expenditures related to the Taylor facility increased by \$4.4 million compared to the same period in 2024. Growth capital expenditures increased by \$1.2 million, largely due to the expansion of the Peace River facility, as noted above. Expenditures for sustaining capital also increased, the result of improvements made at the Peace River mining facility, upgrades for the Sahara unit, higher amounts for overburden removal and Source's trucking operations, as noted above.

Management continues to assess equipment and other assets required to service Source's operations to ensure optimal levels are maintained on an on-going basis. Source funded its capital spend for the first six months of 2025 through cash generated by operating activities during the period, while amounts related to construction of the Taylor terminal facility were funded by the Taylor Financing Facility (as defined below). For the same period in 2024, capital spend was funded with amounts available under the credit facilities and cash flows from operations.

Finance expense	Three months ended June 30,		Six months ended June 30,	
<i>(\$000's)</i>	2025	2024	2025	2024
Interest on Term Loan	4,810	—	9,228	—
Interest on Notes	—	3,710	—	7,571
Interest on prior asset-backed credit facility	—	1,190	—	2,331
Interest on leases	1,726	1,242	3,405	2,446
Other interest (income) expense	(228)	142	(490)	219
Accretion	766	2,039	1,552	4,049
Other finance expense	103	310	346	733
Total finance expense	7,177	8,633	14,041	17,349

Finance expense was \$7.2 million for the second quarter of 2025, a decrease of \$1.5 million compared to the same quarter last year. The reduction was driven by lower accretion expense for the Notes (as defined below) and lower interest expense for long-term debt. Interest income realized, related to commencement of the subleases for Sahara units deployed last year and cash balances on hand, also contributed to the quarter-over-quarter reduction in finance expense. These reductions were partly offset by higher interest incurred for outstanding lease obligations, driven by the addition of heavy equipment leases, as noted above, compared to the second quarter of last year.

Compared to the first half of 2024, finance expense decreased by \$3.3 million, the result of lower accretion expense incurred and lower interest expense paid. The increase in interest for outstanding lease obligations was offset by interest income for the leased Sahara units and other interest income, as noted above.

Long-term debt	June 30, 2025	December 31, 2024
<i>(\$000's)</i>		
Term Loan	166,828	183,547
Taylor Financing Facility	17,188	10,042
Other long-term debt	—	1,378
Total long-term debt	184,016	194,967
Less: current portion	(18,345)	(8,093)
Long-term portion	165,671	186,874
<i>Standby letter of credit facility</i>	<i>US\$13,500</i>	<i>US\$13,500</i>

Total long-term debt outstanding decreased from the year ended December 31, 2024, driven by repayments made on the Term Loan (as defined below) during the first half of 2025 and the movement in foreign exchange rates. Source wound up its restricted share unit and performance share unit plans during the first quarter of 2025, which will be replaced by other long-term incentive plans, and paid out amounts outstanding under these plans, reflected in other long-term debt at December 31, 2024. Amounts outstanding for the Taylor Financing Facility increased through 2025, reflecting advances for construction of the facility which has commenced the first phase of operations and is nearing completion.

Business Outlook

Source is anticipating a slowdown in customer activity levels for the second half of 2025, driven by weaker commodity prices and ongoing economic volatility stemming from trade policy uncertainty. Source continues to monitor the impact of ongoing shifts in tariff policy imposed by the US government and retaliatory measures enacted by the Canadian government, and the related impacts on Source customers.

Source believes in the longer-term additional natural gas export capability with LNG Canada now online and the expedited permitting of additional LNG capacity, including the recent approval for continued construction of an LNG pipeline project by the government of British Columbia, will help mitigate potential impacts related to uncertainty in the current economic environment. Source believes it is well-positioned to accommodate the expected longer-term increase in demand in northeastern British Columbia and take advantage of activity levels in the Western Canadian Sedimentary Basin ("WCSB") through its new Taylor facility, expected to be fully operational in the third quarter. The Peace River facility expansion will result in increased nameplate production capacity and provide Source's customers with an ability to blend their sand and lower their landed sand cost.

In the longer-term, Source believes the increased demand for natural gas, driven by liquefied natural gas exports, increased natural gas pipeline export capabilities and power generation facilities, will drive incremental demand for Source's services in the WCSB. Source continues to see increased demand from customers that are primarily focused on the development of natural gas properties in the Montney, Duvernay and Deep Basin. This trend is consistent with Source's view that natural gas will be an important transitional fuel that is critical for the successful movement to a less carbon-intensive world.

Source continues to focus on increasing its involvement in the provision of logistics services for other items needed at the well site in response to customer requests to expand its service offerings and to further utilize its existing Western Canadian terminals to provide additional services.

Operations Overview

Sand revenue is predominately comprised of sand sales in the WCSB at a Source terminal or to a customer at the well site utilizing Source's integrated logistics business model. This is Source's core business.

Sand revenue may also include mine gate sand sales, which include the sale of products that are lower in demand and sold at either the mine sites or to certain customer sites in the WCSB. Mine gate sand sales are undertaken to maximize production efficiencies but are not considered Source's core business and are typically sold at lower sales prices and may provide a comparatively lower margin per MT sold.

Well site solutions revenue is comprised of revenue from "last mile" logistics (i.e., from a Source terminal to the well site), and well site service offerings including Sahara units. Source believes its "last mile" services benefit customers by managing overall logistics activity, increasing reliability of supply at the well site and increasing operational efficiencies. Source also provides terminal services for certain well-completion products that are not produced by Source, primarily consisting of hydrochloric acid and other chemicals. The magnitude of terminal services revenue realized by Source generally follows completion activity trends in the WCSB.

Principal costs involved in the production of frac sand include the costs of labor, utilities, transportation, maintenance and the depreciation of its manufacturing facilities and equipment. Source incurs transportation and related costs to move sand to its terminal facilities and customer well sites, primarily comprised of transportation and fuel surcharges, third-party trucking costs and demurrage fees. These costs can vary significantly, impacted by the volume of sand produced and sold, as well as market and economic factors. Source also incurs material cash outlays relating to equipment and rail car lease obligations.

Source's business is seasonal in nature. As a result, Source's operating results may vary on a quarterly basis. Lower activity levels are usually realized in the fourth quarter, as exploration and production ("E&P") companies evaluate remaining capital spend for the year, and in the second quarter spring break-up may impact activity levels. There are

other factors that will impact the Company's activities from quarter-to-quarter including commodity prices and completion activity levels of E&P companies.

Consistent with general industry practice, Source mines and washes more sand than current delivery requirements during the warmer months when Source's processing facilities are more efficient. The excess sand is placed in stockpiles that feed drying operations throughout the year. Frac sand washing facilities in Wisconsin and at Peace River are generally not operated during the winter months; however, Source's sand washing facility at its Sumner facility is fully enclosed and heated, making it capable of operating year-round. Winter operations at the Sumner facility are an important aspect of Source's business, as the WCSB is seasonally busiest in the winter months. Source's wash plants at the Blair, Preston and Peace River facilities are not enclosed and therefore are generally not operated during the winter months, but the dry plants at all of Source's facilities are operated on a year-round basis.

Summary of Quarterly Results

(\$000's, except MT and per unit amounts)	2023		2024				2025	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sand volumes (MT)	709,826	819,113	874,849	921,148	963,539	767,712	1,041,223	1,094,355
Sand revenue	102,180	124,302	132,994	140,056	142,236	117,658	162,903	161,472
Well site solutions	21,725	29,359	35,720	35,360	39,908	26,701	44,428	39,216
Terminal services	759	771	854	940	906	617	1,233	1,201
Sales	124,664	154,432	169,568	176,356	183,050	144,976	208,564	201,889
Cost of sales	93,876	118,000	126,382	134,214	139,768	110,957	162,369	153,280
Cost of sales - depreciation	5,746	8,735	7,549	9,500	9,613	8,630	9,402	11,873
Cost of sales	99,622	126,735	133,931	143,714	149,381	119,587	171,771	165,153
Gross margin	25,042	27,697	35,637	32,642	33,669	25,389	36,793	36,736
Operating expense	5,306	5,717	6,042	6,327	6,493	6,618	7,927	8,383
General & administrative expense	3,119	2,722	5,350	5,851	3,518	4,768	4,908	4,839
Depreciation	2,174	3,811	4,210	4,289	4,753	3,832	5,700	5,432
Income from operations	14,443	15,447	20,035	16,175	18,905	10,171	18,258	18,082
Other expense (income):								
Finance expense	8,777	9,075	8,716	8,633	8,217	9,054	6,864	7,177
Share-based compensation expense (recovery)	1,567	1,721	9,341	(1,032)	1,016	5,412	(4,959)	1,081
Loss (gain) on asset disposal	356	(1,536)	(1,931)	(47)	(862)	628	4	536
Gain on Sahara finance lease	—	—	—	—	(1,992)	(1,908)	—	—
Other income	(85)	(664)	(387)	(169)	(12)	(606)	(140)	(575)
Other expense (recovery) ⁽¹⁾	663	(38)	370	691	221	1,545	(12,501)	277
Impairment reversal	—	(128,555)	—	—	—	—	—	—
Loss (gain) on sublease	—	(31)	—	635	—	—	13	—
Loss (gain) on debt modification and extinguishment	(280)	(483)	115	49	—	2,917	(918)	428
Unrealized foreign exchange loss (gain)	—	—	—	—	—	—	31	(8,226)
Foreign exchange loss (gain)	(287)	335	160	(665)	(66)	(610)	(261)	754
Total other expense (income)	10,711	(120,176)	16,384	8,095	6,522	16,432	(11,867)	1,452
Income (loss) before income taxes	3,732	135,623	3,651	8,080	12,383	(6,261)	30,125	16,630
Income taxes	—	(17,377)	1,758	3,395	2,228	963	6,526	3,062
Net income (loss)	3,732	153,000	1,893	4,685	10,155	(7,224)	23,599	13,568
Net earnings (loss) per share (\$/share)	0.28	11.30	0.14	0.35	0.75	(0.53)	1.74	1.01
Diluted net earnings (loss) per share (\$/share)	0.28	10.71	0.14	0.26	0.74	(0.53)	1.74	1.01
Net income (loss)	3,732	153,000	1,893	4,685	10,155	(7,224)	23,599	13,568
Interest expense	6,117	6,459	6,283	6,284	6,281	6,655	5,835	6,308
Income taxes	—	(17,377)	1,758	3,395	2,228	963	6,526	3,062
Depreciation	2,174	3,811	4,210	4,289	4,753	3,832	5,700	5,432
Cost of sales - depreciation	5,746	8,735	7,549	9,500	9,613	8,630	9,402	11,873
Impairment reversal	—	(128,555)	—	—	—	—	—	—
Loss (gain) on debt modification and extinguishment	(280)	(483)	115	49	—	2,917	(918)	428
Finance expense (excluding interest expense)	2,660	2,616	2,433	2,349	1,936	2,399	1,029	869
Share-based compensation expense (recovery)	1,567	1,721	9,341	(1,032)	1,016	5,412	(4,959)	1,081
Loss (gain) on asset disposal	356	(1,536)	(1,931)	(47)	(862)	628	4	536
Loss (gain) on sublease	—	(31)	3	635	—	—	13	—
Unrealized foreign exchange loss (gain)	—	—	—	—	—	—	31	(8,226)
Other expense (recovery) ⁽¹⁾	663	(38)	367	691	221	1,545	(12,501)	277
Adjusted EBITDA⁽²⁾	22,735	28,322	32,021	30,798	35,341	25,757	33,761	35,208
Sand revenue sales/MT	143.95	151.75	152.02	152.05	147.62	153.26	156.45	147.55
Gross margin	25,042	27,697	35,637	32,642	33,669	25,389	36,793	36,736
Cost of sales - depreciation	5,746	8,735	7,549	9,500	9,613	8,630	9,402	11,873
Adjusted Gross Margin⁽²⁾	30,788	36,432	43,186	42,142	43,282	34,019	46,195	48,609
Gross margin/MT	35.28	33.81	40.74	35.44	34.94	33.07	35.34	33.57
Adjusted Gross Margin/MT⁽²⁾	43.37	44.48	49.36	45.75	44.92	44.31	44.37	44.42

Notes:

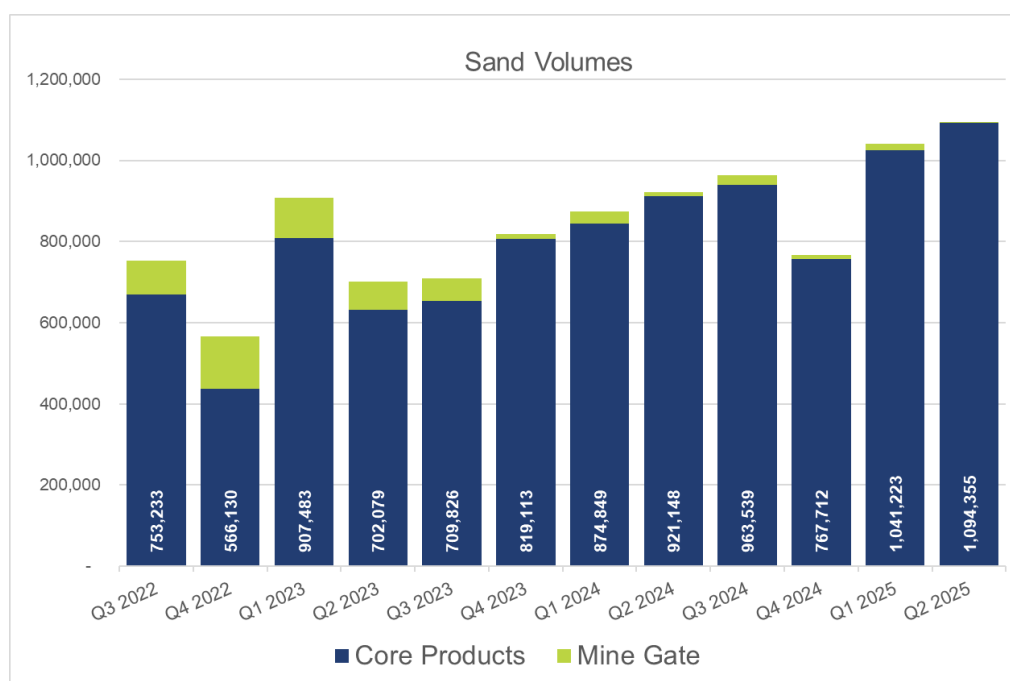
- (1) Includes expenses and recoveries related to the incident at the Fox Creek terminal facility, costs and reimbursements under insurance claims and other one-time expenses, refer to 'Contractual Obligations' below and 'Operating and Financial Results' below.
- (2) Adjusted EBITDA and Adjusted Gross Margin (including on a per MT basis) are not defined under IFRS, refer to 'Non-IFRS Measures' below.

Operating and Financial Results

Sand Revenue

For the three months ended June 30, 2025, Source exceeded the record set during the first quarter of 2025, realizing sand sales volumes of 1,094,355 MT, a 19% increase from the second quarter of 2024, and generated sand revenue of \$161.5 million, a \$21.4 million increase from the second quarter of 2024. Strong activity levels through the quarter were attributed to continued demand for higher quantities of sand per completion job, as Source customers pushed through spring break-up. During the second quarter, Source achieved the highest throughput volumes to date at its Wembley terminal facility. Average realized sand price was impacted by an increase in demand for 100 mesh sand compared to the second quarter of 2024, which lowered average realized sand price by \$2.92 per MT compared to the second quarter last year. However, the sale of lower-value mine gate sales and a more balanced mesh demand profile has a favorable impact on production costs by creating sand processing efficiencies and increasing production yields. Average realized sand price was also impacted by the reversal of tariff charges, as outlined above, included in Source's sales price from enactment of the surtax early in March 2025.

For the six months ended June 30, 2025, sand revenue was \$324.4 million, an increase of \$51.3 million or 19% compared to the first half of 2024, driven by strong Source customer activity levels in the WCSB. Average realized sand price was impacted by volumes from mine gate sales, which lowered the average realized sand price by \$0.35 per MT, as well as a shift in demand for 100 mesh sand, as noted above. These reductions were almost entirely offset by the impact of the weaker Canadian dollar, compared to the same period last year.



Well Site Solutions Revenue

Well site solutions revenue was \$39.2 million for the second quarter of 2025, an increase of \$3.9 million or 11% compared to the second quarter of 2024. Increased sand sales volumes favorably impacted trucked volumes and resulted in record volumes delivered to customer sites during the quarter. Sahara units in Canada were 77% utilized during the second quarter, and Source achieved a new daily record for the largest daily sand volume fed into a blender in twenty-four hours in April. The Sahara units deployed in the US were fully contracted and continued to achieve 100% utilization during the quarter.

On a year-to-date basis, revenue from well site solutions increased by \$12.6 million or 18% compared to the first half of 2024. Trucked volumes for the first half of 2025 increased by 19% compared to the same period last year, reflecting strong Source activity levels in the WCSB. Sahara utilization was 86% for the first half of the year, compared to 88% last year, achieving an increase in total operating days for Sahara units, but impacted by a lower number of operating days available.

Terminal Services Revenue

For the three months ended June 30, 2025, terminal services revenue was \$1.2 million, an increase of \$0.3 million compared to the second quarter of 2024. The improvement was primarily attributed to an increase in revenue from higher chemical elevation volumes realized compared to the second quarter last year, partly attributed to the recent completion of improved access at the Chetwynd terminal, facilitating incremental transloading of hydrochloric acid at the facility. For the first half of 2025, revenue from terminal services increased \$0.6 million or 36% compared to the same period last year, primarily attributed to the increase in chemical elevation volumes realized, as noted above.

Cost of Sales

(\$000's)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Direct materials	117,321	102,717	239,574	197,869
People costs	6,774	4,994	12,746	9,846
Equipment costs	2,137	1,348	4,398	2,691
Transportation costs	26,756	24,935	58,368	49,804
Facility costs	292	220	563	386
Cost of sales	153,280	134,214	315,649	260,596
Cost of sales - depreciation	11,873	9,500	21,275	17,049

Cost of sales, excluding depreciation, increased by \$19.1 million for the three months ended June 30, 2025 compared to the same period in 2024, due to the increased sand volumes sold and higher trucked volumes from "last mile" logistics. Cost of sales, excluding depreciation, was lower on a per tonne basis, due to lower production costs realized and a shift in terminal mix, despite a weakening of the Canadian dollar. The impact of the movement in foreign exchange rates on US dollar denominated components of cost of sales drove an increase of \$1.49 per MT to cost of sales, excluding depreciation, compared to the second quarter last year. Overall cost of sales was impacted by an increase in people costs and higher repairs and maintenance expenses for equipment, largely attributed to the sand trucking assets purchased last year, compared to the second quarter of 2024.

For the six months ended June 30, 2025, cost of sales, excluding depreciation, increased by \$55.1 million or 21% compared to the same period in 2024. Record sand sales volumes and trucked volumes realized through the first half of the year drove higher cost of sales, excluding depreciation, and higher rail transportation costs during the first quarter, offset by shifts in terminal mix, and incremental costs for Source's trucking operations, as noted above. A weakening of the Canadian dollar on US dollar denominated components of cost of sales contributed to an increase of \$4.15 per MT to cost of sales, compared to the first half of last year. This impact was largely offset by US dollar denominated revenue for the quarter.

Gross Margin

(\$000's, except MT and per unit amounts)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Gross margin	36,736	32,642	73,529	68,279
Cost of sales – depreciation	11,873	9,500	21,275	17,049
Adjusted Gross Margin ⁽¹⁾	48,609	42,142	94,804	85,328
Gross margin/MT	33.57	35.44	34.43	38.02
Adjusted Gross Margin/MT ⁽¹⁾	44.42	45.75	44.39	47.51
Percentage of mine gate sand volumes	—%	1%	1%	2%
Percentage of sand volumes sold in the WCSB	100%	99%	99%	98%

Note:

(1) Adjusted Gross Margin (including on a per MT basis) is not defined under IFRS, refer to 'Non-IFRS Measures' below.

Gross margin increased by \$4.1 million for the three months ended June 30, 2025, driven by the increased activity levels realized compared to the second quarter of 2024. Excluding gross margin from mine gate volumes, Adjusted Gross Margin was \$44.49 per MT, compared to \$46.16 per MT for the second quarter of 2024, primarily due to a change in product mix. During the second quarter, an increase of 17% in sales of 100 mesh sand resulted in a reduction of approximately \$0.65 per MT to Adjusted Gross Margin compared to the second quarter last year. However, a more balanced sand mesh sales profile has a favorable impact on production costs by creating sand processing efficiencies and will increase production yields for the year. Adjusted Gross Margin was impacted by higher terminal costs, due to increased activity levels resulting from the expansion at the Chetwynd terminal facility and the commencement of operations at the Taylor terminal facility which drove higher people costs compared to the

second quarter last year. For the three months ended June 30, 2025, the weakening of the Canadian dollar negatively impacted Adjusted Gross Margin by approximately \$0.31 per MT.

On a year-to-date basis, gross margin increased by \$5.3 million compared to the first half of last year, primarily attributed to the increase in activity levels, as noted above. Excluding gross margin from mine gate volumes, Adjusted Gross Margin was \$44.74 per MT, compared to \$48.46 per MT for the first half of 2024. A shift in product mix, resulting from higher sales of 100 mesh sand, impacted Adjusted Gross Margin, excluding gross margin from mine gate sales, by \$1.63 per MT. Gross margin was impacted by higher costs incurred as a result of expanded operations at certain terminal facilities, as noted above, and challenging road conditions experienced during the first quarter which resulted in higher costs, including higher standby charges. These impacts were partly offset by incremental gross margin generated from the sand trucking assets acquired last year, compared to the first half of 2024. For the six months ended June 30, 2025, the weakening of the Canadian dollar negatively impacted Adjusted Gross Margin by approximately \$0.55 per MT.

Operating and General & Administrative Expense

	Three months ended June 30,				Six months ended June 30,			
	2025		2024		2025		2024	
(\$000's)	OPEX	G&A	OPEX	G&A	OPEX	G&A	OPEX	G&A
People	3,098	3,441	2,764	4,682	6,373	6,917	5,476	8,786
Equipment	892	—	674	22	1,562	1	1,099	23
Facility	469	10	350	39	884	23	755	37
Selling and administrative	3,924	1,388	2,539	1,108	7,491	2,806	5,039	2,355
Operating and general & administrative expense	8,383	4,839	6,327	5,851	16,310	9,747	12,369	11,201

For the second quarter of 2025, total operating and general and administrative expense increased by \$1.0 million compared to the second quarter of 2024. During the three months ended June 30, 2025, operating expense increased by \$2.1 million from the same period last year, primarily due to higher people costs, attributed to higher activity levels driving an increase in selling and administrative costs from royalty related fees and higher insurance expense. Additional repairs and maintenance and rail related costs were incurred for Source's rail car fleet, and incremental costs relating to the Taylor facility were incurred during the quarter, compared to the same quarter last year.

During the six months ended June 30, 2025, operating expense increased by \$3.9 million from the first half of last year, largely due to increased royalty and royalty related costs and higher expenses for insurance and professional fees. People costs were also higher than the first half of last year, as noted above.

General and administrative expense decreased by \$1.0 million and \$1.5 million, respectively, for the three and six months ended June 30, 2025 compared to the same periods in 2024, primarily due to lower variable incentive compensation costs, partly offset by an increase in IT expense due to the amortization of Source's cloud-based computing system implementation costs, completed late in 2024. Selling costs also decreased as a result of a \$0.2 million bad debt loss recorded in the first half of last year.

Share-based compensation

For the three months ended June 30, 2025, share-based compensation expense (recovery) changed by \$2.1 million and \$12.2 million, respectively, compared to the same periods in 2024, attributed to the movement in Source's share price as well as the wind-up of certain share-based compensation plans, as noted above.

Loss (gain) on asset disposal

During the three months ended June 30, 2025, Source recognized a loss on asset disposal, attributed to proceeds received for equipment sold at auction during the period. During the first half of 2024, Source recognized insurance proceeds received in respect of damaged equipment which malfunctioned at a terminal facility in 2023.

Other expense (recovery)

For the three months ended June 30, 2025, other expense decreased by \$0.4 million compared to the second quarter last year. The decrease was attributed to lower professional fees associated with the legal proceedings and subsequent settlement of claims related to the Fox Creek terminal. During the first quarter of 2025, claims between the parties were settled and the lawsuit was dismissed, resulting in a net payment to Source (refer to 'Contractual Obligations' below for additional information). During the six months ended June 30, 2024, Source incurred costs associated with litigation relating to the above-noted claim.

Loss (gain) on debt modification and extinguishment

During the three and six months ended June 30, 2025, Source revalued its long-term debt to reflect changes in expected cash flows and the movement in interest rates. For the three and six months ended June 30, 2024, Source purchased and cancelled a portion of the senior secured notes outstanding, resulting in a loss on debt extinguishment for the periods.

Unrealized foreign exchange gain

For the three months ended June 30, 2025, Source recognized an unrealized foreign exchange gain of \$8.2 million, primarily attributed to the movement in exchange rates on the Term Loan, partly offset by the impact of exchange rate movement on deposits and cash balances on hand.

Foreign exchange loss (gain)

For the three and six months ended June 30, 2025, Source was impacted by foreign exchange rate movement on the settlement of working capital items denominated in US dollars.

Capital Resource Management

Source's capital management policy is to maintain a strong capital base that optimizes its ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its stakeholders. Source considers its capital structure to include Source's equity and long-term credit facilities, and manages its capital structure through various means including monthly management meetings and quarterly board of director ("Board") meetings to review financial information. Source evaluates and monitors its capital based on its current working capital, available bank line, projected cash flows provided by operating activities and anticipated capital expenditures. Source's management prepares annual capital expenditure and operating budgets which are approved by the Board and are regularly reviewed and updated as necessary.

Source's ability to fund future operating expenses and capital expenditures, to make scheduled payments of principal and interest on the Term Loan and the ABL facility, as well as generate transloading credits for repayment of the Taylor Financing Facility, and to satisfy any of Source's other present or future debt obligations will depend on Source's future operating performance which will be affected by general economic, financial and other factors.

Source's capital management policy has not changed during the six months ended June 30, 2025.

Long-term Debt

Term Loan

Source has a five-year term loan for US\$135.0 million (the "Term Loan") which matures on December 20, 2029, and a delayed draw facility of US\$25.0 million, which remains undrawn, available through December 31, 2025. The Term Loan bears interest at the Secured Overnight Finance Rate ("SOFR"), plus an applicable margin, and is secured by a first charge on all assets of the business, excluding assets related to the Taylor transload facility, as outlined below, and a second charge on cash, accounts receivable and inventory.

The Term Loan has a stated amortization of 5% per annum for amounts drawn on the facility, with 2% due on March 31 and September 30, respectively, and 1% due on June 30. The Term Loan also contains a quarterly mandatory repayment feature, equal to 50% of excess cash flows, payable 45 days after the fiscal quarter. Excess cash flows are defined as cash flows provided by operating activities (which includes an adjustment for cash taxes paid), less maintenance capital expenditures, amounts paid for lease obligations and amounts of interest or principal prepayments on the credit facilities in the applicable fiscal quarter. To date in 2025, Source has repaid US\$1.7 million under this feature and during the second quarter of 2025 Source generated excess cash flows resulting in a repayment of US\$5.6 million, payable on August 15, 2025.

The Company may repay all or a portion of amounts outstanding under the Term Loan, plus unpaid and accrued interest, subject to an applicable call premium on amounts repaid (prior to December 20, 2027 - 5%, prior to December 20, 2028 - 3% and thereafter - nil). Required financial covenants are a fixed charge coverage ratio of 1.20:1, a current ratio of 1.25:1 and a leverage ratio of 2.25:1 for 2025 (2026 - 2.00:1 and 2027 - 1.75:1), tested each fiscal quarter. At June 30, 2025, Source was in compliance with all covenants.

ABL facility

Source also has a \$40.0 million revolving asset-backed credit facility (the “ABL”) with the Canadian Imperial Bank of Commerce which matures on December 20, 2027. The ABL facility is secured by a first lien charge on cash, the accounts receivable and inventory of the Company and a second lien charge on all other assets of the business, excluding assets related to the Taylor transload facility. The ABL facility may be drawn in Canadian or US dollars and bears interest based on the bank’s prime lending rate, base rate, Canadian Overnight Repo Rate Average or SOFR plus an applicable margin depending on the amount of excess availability. The amount available under the facility is subject to a borrowing base formula applied to accounts receivable and inventory and as of June 30, 2025, no amounts were drawn on the facility. The ABL facility includes a springing fixed charge ratio of 1.00:1 to be measured when the Company’s excess availability is less than 10%. As of June 30, 2025, Source was in compliance with all of its covenants.

The Company has a US\$13.5 million standby letter of credit facility. The Company also has outstanding letters of credit, supported by cash deposits, and surety bonds issued in respect of reclamation obligations related to its mining operations in Wisconsin. For the period ended June 30, 2025, amounts held on deposit totaled \$3.4 million.

Senior Secured Notes and prior credit facilities

On December 30, 2020, Source issued \$142.2 million in aggregate principal of senior secured notes (the “Notes”), which bore interest at 10.5% and were going to mature on March 15, 2025. The Notes were extinguished upon closing of the Term Loan in December 2024, and the aggregate principal amount outstanding for the Notes was repaid.

The Company also had a revolving asset-backed senior credit facility. Upon closing of the Term Loan the outstanding balance was repaid, and the facility was terminated. Amounts outstanding for promissory notes issued in partial consideration in respect of the sand trucking assets, acquired during 2024, were also repaid in full with proceeds from the Term Loan.

Taylor Financing Facility

On July 25, 2024, Source and Trican Well Service Ltd. (“Trican”) entered into an arrangement to construct a new terminal facility located in Taylor, British Columbia. Under the terms of the agreement, Trican advances funding for construction under a project financing structure (the “Taylor Financing Facility”), and receives a fee on each advance drawn which is added to the obligation outstanding. The Taylor Financing Facility is capped at an amount of \$23.5 million and secured by a first lien charge on all assets of the Taylor transload entity, including a mortgage in favor of Trican. Amounts outstanding under the facility are repayable through the provision of transload services and optional cash payments over a three-year term, with options to extend for additional one-year periods.

The financial performance of the Taylor facility, including capital expenditures drawn on the Taylor Financing Facility, are excluded from the financial covenants as prescribed under the Term Loan and the ABL facility. As at June 30, 2025, \$17.2 million was outstanding under the Taylor Financing Facility.

Cash and Net Working Capital

(\$000's)	June 30, 2025	December 31, 2024
Current assets ⁽¹⁾	212,676	211,692
Current liabilities	(136,934)	(140,973)
Net working capital	75,742	70,719
Current portion of long-term debt	18,345	8,093
Net working capital, excluding current portion of long-term debt	94,087	78,812

Note:

(1) Excludes cash on hand related to the timing of advances under the Taylor Financing Facility, refer to 'Long-term debt' above.

At June 30, 2025, total current assets less total current liabilities (net working capital) reflected a surplus of \$75.7 million. Excluding the current portion of long-term debt, net working capital was \$94.1 million, an increase of \$15.3 million compared to December 31, 2024. Total current assets remained relatively flat, driven by higher activity levels resulting in an increase in accounts receivable and lower levels of inventory on hand compared to year end. The increase in net working capital, excluding the current portion of long-term debt, is primarily attributed to lower amounts outstanding for accounts payable and contract liabilities, partly offset by higher amounts for lease obligations. The reduction in accounts payable is due to the timing of payments made at the end of the year as well as the wind up of Source’s share-based compensation plan. The increase in lease obligations is attributed to additional heavy equipment at the Peace River and Wisconsin manufacturing facilities, largely due to the replacement of expiring leases and aging equipment. At June 30, 2025, amounts outstanding for accrued receivables and accrued

liabilities reflect higher balances, of approximately \$11.4 million each, reflecting tariff rebates forthcoming from the Canadian government, as noted above, which will in turn be refunded to Source customers.

Source operates in a working capital and capital expenditure intensive industry where capital is required to fund working capital growth and maintenance capital expenditures for the Company. Source intends to fund future working capital and capital expenditures using cash flows from operating activities, amounts available under the Term Loan, ABL facility and the Taylor Financing Facility and additional debt or equity issuances as may be required. The availability of any additional future funding will depend on, among other things, operating performance and the current state of the equity and debt capital markets.

Foreign Currency Risk

Source is exposed to currency price risk on sales denominated in US dollars to the extent that the receipt of payment of the US denominated accounts receivable is subject to fluctuations in the related foreign exchange rate. In addition, foreign currency risk exists on the cost of manufacturing and transporting inventory for sale to the extent that the payment of those costs are foreign denominated accounts payable and are subject to fluctuations in the foreign exchange rate. Source monitors its net foreign currency exposure on a regular basis. Included in accounts receivable and accounts payable and accrued liabilities at June 30, 2025, are \$18.7 million (December 31, 2024 - \$25.9 million) and \$26.7 million (December 31, 2024 - \$26.1 million) denominated in foreign currency, respectively. The net effect of each 1% change in foreign exchange would have an impact on net income of \$0.6 million and \$1.2 million respectively, for the three and six months ended June 30, 2025 (\$0.3 million and \$0.6 million respectively, for the three and six months ended June 30, 2024). Source is also exposed to foreign exchange risk on debt denominated in US dollars. The net effect of each 1% change in foreign exchange would impact long-term debt and net income by \$1,764 at June 30, 2025 (December 31, 2024 - \$1,943).

In order to manage exposure to fluctuations in the Canadian to US dollar exchange rate, the Company rebalances US denominated revenues where possible as well as enters into foreign currency contracts between prescribed minimum and maximum amounts of net US dollar exposure, as determined by the Company's foreign currency risk management policy. Source continues to monitor its exposure to fluctuations in foreign exchange rates and will continue to use foreign currency contracts to mitigate foreign exchange risk as appropriate.

Contractual Obligations

Source has various commitments regarding lease agreements, various IT software subscriptions and physical natural gas contracts. The leases expire between July 2025 and September 2046, the IT software subscriptions expire between October 2025 and August 2028, and the natural gas contracts expire between October 2025 and December 2027. The financial liabilities on Source's interim condensed consolidated statements of financial position consist of the Term Loan, ABL facility, Taylor Financing Facility and leases. Source's planned cash outflows relating to lease commitments and financial liabilities are outlined in the table below:

(\$000's)	Total	2025	2026	2027	2028	2029	2030 and beyond
Lease liabilities	110,325	15,545	26,411	21,503	12,497	8,209	26,160
Other commitments	3,793	1,464	1,834	492	3	—	—
Term Loan ⁽¹⁾	241,429	20,025	24,801	23,823	23,012	149,768	—
Taylor Financing Facility	20,629	2,169	4,425	6,900	6,900	235	—

Note:

(1) The timing and amount of interest payments on such balances will fluctuate depending on balances outstanding and applicable interest rates.

Source is a party to contracts with numerous customers. Source's customers consist primarily of E&P companies and pressure pumping companies operating in the WCSB. Source has structured contracts with customers outlining fixed pricing, the terms of which vary from one to three years, which help mitigate the impact of any non-payment or non-performance. Source's customers are also serviced on a spot basis where volume thresholds are not set, and orders are serviced on an as-available basis at prevailing market prices.

In the ordinary course of conducting business, Source occasionally becomes involved in legal proceedings relating to contracts, environmental issues or other matters. While any proceeding or litigation has an element of uncertainty, management of Source believes that the outcome of any pending or threatened actions will not have a material adverse effect on the business or on the financial condition of Source.

Source had been pursuing claims against certain organizations in respect of damages related to the structural failure of assets at its Fox Creek terminal facility which occurred on May 7, 2019. During the first quarter of 2025, the claims between the parties were settled and the lawsuit was dismissed, resulting in a net payment to Source of \$11.2 million. Certain amounts payable and outstanding related to the incident were also written off during the first quarter.

Outstanding Shares

The Company's share capital is not subject to external restrictions. As at June 30, 2025, Source had issued and outstanding 13,319,655 common shares (June 30, 2024 - 13,545,055). As at July 30, 2025, Source had 13,279,155 common shares outstanding.

Normal course issuer bid

During the second quarter, Source purchased and cancelled 225,400 common shares at a weighted average price per common share of \$11.99.

During the three months ended June 30, 2025, Source entered into an Automated Share Purchase Plan (the "ASPP") with an independent broker which permits Source to purchase common shares during its internal blackout period. Subsequent to June 30, 2025, and as of July 29, 2025, Source purchased an additional 41,300 common shares at a weighted average price of \$14.10 per common share as per the terms of the ASPP. All common shares purchased under the NCIB are returned to treasury for cancellation.

Off-Balance Sheet Arrangements

Source does not have any off-balance sheet arrangements at this time.

Transactions between Related Parties

During the six months ended June 30, 2025, there were no related party transactions.

Proposed Transactions

Source does not have any proposed transactions other than those occurring in the ordinary course of business.

Controls and Procedures

The Company is required to comply with National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings*. The certificate for annual filings requires the Chief Executive Officer and the Chief Financial Officer to certify the design of Source's disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") as at June 30, 2025. There were no material weaknesses in the design of the DC&P and the ICFR at June 30, 2025, and no changes in ICFR during the period beginning on January 1, 2025, and ended on June 30, 2025, that have materially affected or are reasonably likely to materially affect Source's ICFR. The control framework used to design the Company's ICFR is the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. While the Company's certifying officers believe that the Company's DC&P and ICFR provide a reasonable level of assurance with regard to their effectiveness, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met and it should not be expected that the control system will prevent all errors or fraud.

Financial Instruments and Other Instruments

Risk Management Overview

Source's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. Further quantitative disclosures are included in the Company's Financial Statements. Source employs risk management strategies and policies to ensure that any exposures to risk are in compliance with Source's business objectives and risk tolerance levels. While the Board has the overall responsibility for Source's risk management framework, Source's management has the responsibility to administer and monitor these risks.

For additional information regarding the risks that Source is exposed to, see the disclosure provided under the heading 'Risk Factors' in the AIF.

Fair Value of Financial Instruments

Financial assets and financial liabilities are not measured at their fair values when the carrying amount is a reasonable approximation of fair value due to their nature, short-term maturity or floating rate interest. At June 30, 2025, the fair value of the Term Loan was approximately \$167.0 million and the fair value of the Taylor Financing Facility was approximately \$17.7 million, determined using Level 3 inputs.

Critical Accounting Estimates

The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets, liabilities and equity.

Leases and right-of-use assets

The Company measures the lease liability and corresponding right-of-use asset at the present value of the lease payments, which are discounted using the Company's incremental borrowing rate when the interest rate implicit in the lease cannot be readily determined. Determining the incremental borrowing rate requires estimates and management judgement, as it equates to the rate the Company would use to obtain the funds necessary to purchase a similar asset in a similar economic environment.

Depreciation

The amounts recorded for depreciation of property, plant and equipment are based on estimates of the useful lives of the assets and residual values. These estimates may be impacted as general market conditions change or as patterns impacting useful lives emerge over time. The estimated residual value and useful lives of property, plant and equipment are reviewed at the end of each reporting period and adjusted if required.

Income taxes

The amounts recorded for deferred income taxes are based on estimates regarding the timing of the reversal of temporary differences and tax rates currently substantively enacted. Legislation and regulations in the various jurisdictions that the Company operates in are subject to change and differing interpretations require management judgment. Income tax filings are subject to audits, re-assessments and changes in facts, circumstances and interpretations of the standards which could result in a material change in the Company's provision for income taxes. As such, income taxes are subject to measurement uncertainty including judgment regarding the recognition or derecognition of deferred tax assets.

Cash-generating units

The determination of a cash-generating unit ("CGU") is based on management's judgment regarding geographical proximity, shared equipment and mobility of equipment. Management has determined that the Company's operations represent one CGU.

Impairment and impairment reversal of non-financial assets

Assets that are subject to depreciation are reviewed for impairment or impairment reversal at each reporting date. Management's judgment is required when assessing the existence of impairment or impairment reversal indicators and whether these internal or external factors indicate that assets may be impaired or that a previous impairment may no longer exist. The assessment of impairment or impairment reversal indicators includes judgment relating to economic and operating environments, market interest rates and market capitalization.

For the purposes of assessing impairment and impairment reversal, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGUs). The recoverable amount of a CGU is the higher of its fair value less costs of disposal and value in use as determined using an approach which considers a discounted cash flow model approach. The discounted cash flow model incorporates significant judgment, including assumptions related to revenue growth rates, forecasted earnings before interest taxes depreciation and amortization, and discount rates.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. If the estimated recoverable amount of an asset that was previously impaired exceeds its carrying value, an impairment reversal is recognized, to a maximum of the carrying value that would have been determined, net of depreciation, in the event no impairment loss had been recognized previously.

Future Accounting Policy Changes

The following accounting standards and amendments, issued by the IASB, are effective for fiscal years beginning on or after January 1, 2026:

Standard	Description of change
Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7	The amendment clarifies when a financial liability qualifies for derecognition and provides guidance on assessing contractual cash flow characteristics of financial assets that include environmental, social and governance-linked features. The amendments are effective January 1, 2026.
Presentation and Disclosure in Financial Statements - IFRS 18 replaces IAS 1	The new standard redefines financial statement presentation and disclosure requirements including a new structure for the statements of operations and comprehensive income, disclosure of management-defined performance measures, and enhanced principles on aggregation and disaggregation of financial information. The new standard is effective January 1, 2027.

The Company intends to adopt the new standards on their respective effective dates and does not expect the amendments to IFRS 9, IFRS 7 and the new standard IFRS 19 to have a material impact on the interim condensed consolidated financial statements. The Company is in the process of assessing the impact of IFRS 18; however, given the new standard redefines presentation and disclosure for financial reporting, the Company expects the standard to have a material impact on its interim condensed consolidated financial statements.

NON-IFRS MEASURES

This MD&A refers to certain financial measures that are not determined in accordance with IFRS. These financial measures do not have standardized meanings prescribed by IFRS and Source's method of calculating these measures may differ from the method used by other entities and, accordingly, they may not be comparable to similar measures presented by other companies. These financial measures should not be considered as an alternative to, or more meaningful than, net income (loss), cash flows from operating activities, gross margin and other measures of financial performance as determined in accordance with IFRS.

Source believes that the non-IFRS measure of Adjusted EBITDA is a useful measure to management and investors to provide relative performance and measure changes in respect of Source's financial performance in the context of earnings generated to fund capital investments and meet financial obligations. Adjusted Gross Margin is useful to management and investors in measuring pricing and operating cost performance relative to other publicly listed competitors throughout North America. Adjusted EBITDA per MT and Adjusted Gross Margin per MT are calculated by taking the non-IFRS measures and dividing by sand volumes for the periods stated.

Free Cash Flow is a useful measure to management and investors as it reflects the Company's ability to generate cash flows that can be used to pay down long-term debt or provide other forms of returns to investors. The movement in cash flows from operating activities is often included in the calculation of Free Cash Flow; however, changes in working capital can have significant fluctuations due to the seasonality of Source's operations. Management believes use of Adjusted EBITDA in the calculation is more representative of the funds generated to pay down debt and other returns to investors.

Adjusted EBITDA represents earnings generated to fund capital investments and meet financial obligations. It represents, for the period presented, net income (loss) plus income taxes, interest expense, cost of sales - depreciation, depreciation, amortization, impairment expense (reversal) and loss (gain) on debt modification and extinguishment; and is adjusted to add back or deduct, as applicable, the following expense charges or benefits incurred in such period which, in management's view, are not indicative of the underlying business performance: finance expense excluding interest expense, loss (gain) on asset disposal, transaction and related professional fees, unrealized loss (gain) on derivative instruments and foreign exchange, gain on settlement of deferred revenue, share-based compensation, loss (gain) on sublease and other expense (recovery) as it relates to the incident at the Fox Creek terminal facility, one-time retirement payments and asset repairs which will be fully recovered through insurance proceeds. The reconciliation to the most comparable IFRS measure, net income (loss), can be found in the table below.

Adjusted Gross Margin represents a margin more comparable to other publicly listed competitors throughout North America. It represents, for the period presented, gross margin plus cost of sales - depreciation. The reconciliation to the most comparable IFRS measure, gross margin, can be found in the table below.

Free Cash Flow represents, for the period presented, Adjusted EBITDA, adjusted for financing expense paid, capital expenditures (net of proceeds on disposal of property, plant and equipment and reimbursement of capital costs and

excludes expenditures for the Taylor facility which are funded through the Taylor Financing Facility), payments for lease obligations, cash income taxes paid or recovered and various non-cash operating activities. Free Cash Flow is considered a key non-IFRS measure as it reflects Source's ability to generate cash flows that can be used to pay down long-term debt or provide other forms of returns to investors. The reconciliation to the most comparable IFRS measure, net income, can be found in the table below.

This MD&A makes reference to these non-IFRS measures. These non-IFRS measures and other financial estimates of management are based upon variable components. There can be no assurance that these components and future calculations of non-IFRS measures will not vary. Investors are cautioned not to consider these non-IFRS measures in isolation or place undue reliance on ratios or percentages calculated using these non-IFRS measures.

Reconciliation of Adjusted EBITDA and Free Cash Flow to Net Income (Loss)

(\$000's)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Net income	13,568	4,685	37,167	6,578
Add:				
Income taxes	3,062	3,395	9,588	5,153
Interest expense	6,308	6,284	12,143	12,567
Cost of sales – depreciation	11,873	9,500	21,275	17,049
Depreciation	5,432	4,289	11,132	8,499
Loss (gain) on debt modification and extinguishment	428	49	(490)	164
Finance expense (excluding interest expense)	869	2,349	1,898	4,782
Share-based compensation expense (recovery)	1,081	(1,032)	(3,878)	8,309
Loss (gain) on asset disposal	536	(47)	540	(1,978)
Loss on sublease	—	635	13	638
Unrealized foreign exchange gain	(8,226)	—	(8,195)	—
Other expense (recovery) ⁽¹⁾	277	691	(12,224)	1,058
Adjusted EBITDA	35,208	30,798	68,969	62,819
Financing expense paid	(6,710)	(6,625)	(13,516)	(13,437)
Capital expenditures, net of proceeds on disposal of property, plant and equipment and reimbursement of capital costs ⁽²⁾	(7,623)	(5,665)	(14,693)	(10,259)
Payment of lease obligations	(6,321)	(4,987)	(12,595)	(10,106)
Income taxes paid	(2,912)	(637)	(4,604)	(1,169)
Free Cash Flow	11,642	12,884	23,561	27,848

Notes:

- (1) Includes expenses and recoveries related to the incident at the Fox Creek terminal facility, costs and reimbursements under insurance claims and other one-time expenses, refer to 'Contractual Obligations' and 'Operating and Financial Results' above.
- (2) Excludes capital expenditures for the Taylor facility, refer to 'Long-term debt' above.

Reconciliation of Gross Margin to Adjusted Gross Margin

(\$000's)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Gross margin	36,736	32,642	73,529	68,279
Cost of sales – depreciation	11,873	9,500	21,275	17,049
Adjusted Gross Margin	48,609	42,142	94,804	85,328

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements relating to, without limitation, expectations, intentions, plans and beliefs, including information as to the future events, results of operations and Source's future performance (both operational and financial) and business prospects. In certain cases, forward-looking statements can be identified by the use of words such as "anticipates", "ensure", "expects", "intends", "believes", "continues", "focus", "could", "trend", "would", "approach", "improve", "advance" or variations of such words and phrases, or statements that certain actions, events or results "may" or "will" be taken, occur or be achieved. Such forward-looking statements reflect Source's beliefs, estimates and opinions regarding its future growth, results of operations, future performance (both operational and financial), and business prospects and opportunities at the time such statements are made, and Source undertakes no obligation to update forward-looking statements if these

beliefs, estimates and opinions or circumstances should change unless required by applicable law. Forward-looking statements are necessarily based upon a number of estimates and assumptions made by Source that are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Forward-looking statements are not guarantees of future performance.

In particular, this MD&A contains forward-looking statements pertaining, but not limited to: Source's continued focus on the integrated production and distribution of frac sand and the distribution of other bulk completion materials not produced by Source; Source's full service approach which allows customers to rely on its logistics platform to increase reliability of supply and to ensure the timely delivery of frac sand and other bulk completion materials at the well site; expectations that Source is approaching nameplate capacity of one million tons of domestic sand production resulting from the completion of the next phase of the Peace River facility expansion; expectations that WCSB and E&P activity levels will remain strong through the balance of the year, particularly in northeastern British Columbia with the expectation that LNG Canada will come online; expectations regarding the partnership arrangement with Trican to construct the Taylor facility; management's continued assessment respecting Source's equipment and other assets required to service Source's operations; the outcomes of countermeasures proposed by the Canadian federal and provincial governments to mitigate any tariff-related impacts; expectations with respect to sand revenue and mine gate sand sales and associated costs; the expectation that Source is anticipating a slowdown in customer activity levels for the second half of 2025, driven by weaker commodity prices and ongoing economic volatility; improvement of Source's production efficiencies; expectations of maintaining a strong customer activity levels and strong capital base; belief that Source is well-positioned to accommodate increased demand for mine to well site services as LNG Canada comes online; expectations that increased demand for natural gas, increased natural gas pipeline export capabilities and liquefied natural gas exports will drive incremental demand for Source's services in the WCSB; continued increases in demand from customers primarily focused on the development of natural gas properties in Montney, Duvernay and Deep Basin; the belief that Source is well-positioned to accommodate the expected longer-term increase in demand in northeastern British Columbia and take advantage of activity levels in the WCSB through the Taylor facility; Source's continued focus on increasing its involvement in the provision of logistic services for other items needed at the well site in response to customer requests to expand its service offerings and to further utilize its existing Western Canadian terminals to provide additional services; views that natural gas is an important transitional fuel for the successful movement to a less carbon-intensive world; Source's focus on and expectations regarding increasing its involvement in the provision of logistics services for other well site items; the benefits that Source's "last mile" services provide to customers; other factors which will impact Source's activities from quarter-to-quarter including seasonality, commodity pricing and completion activity levels of E&P companies; Source's strong activity levels attributed to continued demand for higher quantities of sand per completion job; Source's ability to maintain optimal operational levels through regular assessment of equipment and other assets; reasons for increase in net working capital, expectations regarding funding for future working capital and capital expenditures; planned cash outflows relating to lease commitments and financial liabilities; the availability of any additional future funding; expectations on Source's ability to meet its capital needs; fluctuations in foreign currency; expectations regarding the outcome of any pending or threatened legal claims and proceedings; the Company's belief that the DC&P and ICFR provide a reasonable level of assurance with regard to their effectiveness; other business, legal and financial risks that may affect the Company; and the Company's intention to adopt the new accounting policy changes and the potential impacts on the Company financial statements.

By their nature, forward-looking statements involve numerous current assumptions, known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Source to differ materially from those anticipated by Source and described in the forward-looking statements.

With respect to the forward-looking statements contained in this MD&A, assumptions have been made regarding, among other things: proppant market prices; future oil, natural gas and liquefied natural gas prices; future global economic and financial conditions, including the results of ongoing tariff and trade negotiations in North America, as well as globally; predictable inflationary pressures; future commodity prices, demand for oil and gas and the product mix of such demand; levels of activity in the oil and gas industry in the areas in which Source operates; the continued availability of timely and safe transportation for Source's products, including without limitation, Source's rail car fleet and the accessibility of additional transportation by rail and truck; the maintenance of Source's key customers and the financial strength of its key customers; the maintenance of Source's significant contracts or their replacement with new contracts on substantially similar terms and that contractual counterparties will comply with current contractual terms; operating costs; that the regulatory environment in which Source operates will be maintained in the manner currently anticipated by Source; future exchange and interest rates; geological and engineering estimates in respect of Source's resources; the recoverability of Source's resources; the accuracy and veracity of information and projections sourced from third parties respecting, among other things, future industry conditions and product demand; demand for horizontal drilling and hydraulic fracturing and the maintenance of current techniques and procedures, particularly with respect to the use of proppants; Source's ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the regulatory framework governing royalties, taxes and environmental matters in the jurisdictions in which Source conducts its business and any other jurisdictions in which Source may conduct its business in the future; future capital expenditures to be made by Source; future sources of funding for Source's

capital program; Source's future debt levels; the impact of competition on Source; and Source's ability to obtain financing on acceptable terms.

A number of factors, risks and uncertainties could cause results to differ materially from those anticipated and described herein including, among others: the effects of competition and pricing pressures; risks inherent in key customer dependence; effects of fluctuations in the price of proppants; risks related to indebtedness and liquidity, including Source's leverage, restrictive covenants in Source's debt instruments and Source's capital requirements; risks related to interest rate fluctuations and foreign exchange rate fluctuations; changes in general economic, financial, market and business conditions in the markets in which Source operates, including with respect to tariff and trade policy in North America, as well as globally; changes in the technologies used to drill for and produce oil and natural gas; Source's ability to obtain, maintain and renew required permits, licenses and approvals from regulatory authorities; the stringent requirements of and potential changes to applicable legislation, regulations and standards; the ability of Source to comply with unexpected costs of government regulations; liabilities resulting from Source's operations; the results of litigation or regulatory proceedings that may be brought by or against Source; the ability of Source to successfully bid on new contracts and the loss of significant contracts; uninsured and underinsured losses; risks related to the transportation of Source's products, including potential rail line interruptions or a reduction in rail car availability; the geographic and customer concentration of Source; the impact of extreme weather patterns and natural disasters; the impact of climate change risk; the ability of Source to retain and attract qualified management and staff in the markets in which Source operates; labor disputes and work stoppages and risks related to employee health and safety; general risks associated with the oil and natural gas industry, loss of markets, consumer and business spending and borrowing trends; limited, unfavorable, or a lack of access to capital markets; uncertainties inherent in estimating quantities of mineral resources; sand processing problems; implementation of recently issued accounting standards; the use and suitability of Source's accounting estimates and judgments; the impact of information systems and cyber security breaches; the impact of inflation on capital expenditures; and risks and uncertainties related to pandemics, including changes in energy demand.

Although Source has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will materialize or prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Readers should not place undue reliance on forward-looking statements. These statements speak only as of the date of this MD&A. Except as may be required by law, Source expressly disclaims any intention or obligation to revise or update any forward-looking statements or information whether as a result of new information, future events or otherwise.

Any financial outlook and future-oriented financial information contained in this MD&A regarding prospective financial performance, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action based on management's assessment of the relevant information that is currently available. Projected operational information contains forward-looking information and is based on a number of material assumptions and factors, as are set out above. These projections may also be considered to contain future oriented financial information or a financial outlook. The actual results of Source's operations for any period will likely vary from the amounts set forth in these projections and such variations may be material. Actual results will vary from projected results. Readers are cautioned that any such financial outlook and future-oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein. The forward-looking information and statements contained in this document speak only as of the date hereof and have been approved by the Company's management as at the date hereof. The Company does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.