

Q3 2025

Management's Discussion & Analysis



FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2025

TSX: SHLE

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A"), dated November 6, 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 nine months ended September 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 nine months ended September 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 IFRS[®] Accounting 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.

Q3 2025 Performance Highlights

Source experienced lower activity levels during the third quarter, as lower commodity prices and continued economic uncertainty led to customers deferring completion jobs to the fourth quarter or into 2026. Highlights for the quarter include:

- realized sand sales volumes of 665,006 MT and sand revenue of \$100.3 million, a decrease of 30% from the third quarter of 2024;
- generated total revenue of \$125.3 million, a \$57.7 million decrease from the same period last year;
- realized gross margin of \$19.6 million and Adjusted Gross Margin⁽¹⁾ of \$30.3 million, decreases of 42% and 30%, respectively, when compared to the three months ended September 30, 2024;
- reported net loss of \$6.2 million, a decrease of \$16.4 million from the same period last year;
- realized Adjusted EBITDA⁽¹⁾ of \$20.3 million, a \$15.1 million decrease from the third quarter of 2024;
- achieved 62% utilization across the eleven-unit Sahara fleet;
- secured sand processing assets to support the future expansion of Source's domestic sand platform as market demand increases;
- reduced the outstanding balance for the Term Loan by \$11.7 million, bringing total repayments for the year to \$19.9 million; and
- repurchased 167,500 shares under Source's Normal Course Issuer Bid program, for total repurchases of 392,900 shares to date 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

	Three months ended September 30,		Nine months ended September 30,	
(\$000's, except MT and per unit amounts)	2025	2024	2025	2024
Sand volumes (MT)⁽¹⁾	665,006	963,539	2,800,584	2,759,536
Sand revenue	100,265	142,236	424,640	415,286
Well site solutions	23,941	39,908	107,585	110,988
Terminal services	1,113	906	3,547	2,700
Sales	125,319	183,050	535,772	528,974
Cost of sales	95,016	139,768	410,665	400,364
Cost of sales – depreciation	10,676	9,613	31,951	26,662
Cost of sales	105,692	149,381	442,616	427,026
Gross margin	19,627	33,669	93,156	101,948
Operating expense	7,149	6,493	23,459	18,862
General & administrative expense	3,235	3,518	12,982	14,719
Depreciation	5,484	4,753	16,616	13,252
Income from operations	3,759	18,905	40,099	55,115
Other expense (income):				
Finance expense	6,568	8,217	20,609	25,566
Share-based compensation expense (recovery)	321	1,016	(3,557)	9,325
Loss (gain) on asset disposal	443	(862)	983	(2,840)
Other income	(22)	(12)	(737)	(568)
Other expense (recovery) ⁽²⁾	187	221	(12,037)	1,279
Loss on sublease	—	—	13	638
(Gain) loss on debt modification and extinguishment	(204)	—	(694)	164
Unrealized foreign exchange loss (gain)	3,529	—	(4,666)	—
Foreign exchange (gain) loss ⁽³⁾	(349)	(66)	144	(571)
Total other expense	10,473	6,522	58	31,001
(Loss) income before income taxes	(6,714)	12,383	40,041	24,114
Current tax expense	1,212	812	6,437	4,550
Deferred tax (recovery) expense	(1,709)	1,416	2,654	2,831
Net (loss) income	(6,217)	10,155	30,950	16,733
Net (loss) earnings per share (\$/share)	(0.46)	0.75	2.31	1.24
Diluted net (loss) earnings per share (\$/share)	(0.46)	0.74	2.31	1.24
Adjusted EBITDA ⁽⁴⁾	20,290	35,341	89,259	98,160
Sand revenue sales/MT	150.77	147.62	151.63	150.49

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 nine months ended September 30, 2025, was \$0.7261 and \$0.7149, respectively (2024 - \$0.7331 and \$0.7351, respectively).
- (4) Adjusted EBITDA is not defined under IFRS, refer to 'Non-IFRS Measures' below.

Third Quarter 2025 Performance Overview

Results for the third quarter were significantly impacted by lower customer activity levels across the Western Canadian Sedimentary Basin ("WCSB"), driven by weak commodity pricing, particularly for natural gas, which led to a deferral of capital spending resulting in reduced sand sales volumes realized for the quarter. Total revenue was \$125.3 million for the three months ended September 30, 2025, a decrease of \$57.7 million, or 32%, compared to the third quarter last year. Average realized sand price per MT increased by \$3.15 compared to the third quarter last year, primarily due to a shift in terminal mix, partly offset by an increase in lower priced, finer sand sales. Weakened customer activity levels also impacted sand volumes delivered for "last mile" logistics during the period, as well as Sahara utilization for units operating in Canada, while units operating in the US were 100% utilized during the quarter.

Cost of sales, excluding depreciation, decreased on a quarter-over-quarter basis, driven by lower sand sales volumes and lower transportation costs resulting from a reduction in volumes hauled by "last mile" logistics. On a per MT basis, cost of sales, excluding depreciation, was relatively flat for the third quarter, as lower costs incurred for third party sand purchases were offset by a shift in terminal mix. A weakening of the Canadian dollar increased cost of sales denominated in US dollars by \$0.72 per MT, compared to the third quarter of 2024, which was offset by the movement in exchange rates on revenue denominated in US dollars for the quarter.

Gross Margin (\$000's, except MT and per unit amounts)	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Gross margin	19,627	33,669	93,156	101,948
Cost of sales – depreciation	10,676	9,613	31,951	26,662
Adjusted Gross Margin ⁽¹⁾	30,303	43,282	125,107	128,610
Gross margin/MT	29.51	34.94	33.26	36.94
Adjusted Gross Margin/MT ⁽¹⁾	45.57	44.92	44.67	46.61
Percentage of mine gate sand volumes	3%	2%	1%	2%
Percentage of core product sand volumes sold	97%	98%	99%	98%
Sales mix impact of mine gate sales/MT	0.99	0.97	0.49	0.98

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 September 30, 2025, gross margin decreased by \$14.0 million compared to the third quarter of 2024, driven by lower sand sales volumes and volumes trucked to the well site, as noted above. Excluding gross margin from mine gate volumes, Adjusted Gross Margin was \$46.56 per MT compared to \$45.89 per MT for the third quarter of 2024. Adjusted Gross Margin per MT benefited from a customer performance bonus achieved, partly offset by incremental production costs incurred with the Peace River facility expansion. The weakening of the Canadian dollar favorably impacted Adjusted Gross Margin by \$0.52 per MT for the quarter.

Operating expense increased by \$0.7 million on a quarter-over-quarter basis, largely driven by higher royalty-related costs and rail car-related expenses, slightly offset by lower variable incentive compensation expense for the quarter. General and administrative expense decreased by \$0.3 million during the third quarter of 2025 due to lower people costs, attributed to lower variable incentive compensation expense, partially offset by an increase in IT costs, driven by the cloud-computing system implemented last year, compared to the third quarter of 2024.

Adjusted EBITDA decreased by 43%, or \$15.1 million, to \$20.3 million for the third quarter, attributed primarily to the reduction in sand sales volumes and lower revenue from well site solutions, as noted above, compared to the third quarter last year. The weakening of the Canadian dollar favorably impacted Adjusted EBITDA by \$0.3 million for the quarter, largely attributed to the movement in exchange rates on the repayment of long-term debt.

Liquidity and Capital Resources

Free Cash Flow (\$000's)	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Adjusted EBITDA ⁽¹⁾	20,290	35,341	89,259	98,160
Financing expense paid	(6,500)	(6,655)	(20,016)	(20,092)
Capital expenditures, net of proceeds on disposal of property, plant and equipment and reimbursement of capital costs ⁽²⁾	(18,541)	(3,277)	(33,234)	(13,536)
Payment of lease obligations	(6,832)	(5,328)	(19,427)	(15,434)
Income taxes paid	(1,111)	—	(5,715)	(1,169)
Free Cash Flow⁽¹⁾	(12,694)	20,081	10,867	47,929

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 third quarter of 2025, Source capitalized on an opportunity to acquire sand processing assets to support future expansion at the Peace River production facility. The assets comprise key infrastructure for Source's domestic sand platform and advances its expansion strategy which, once fully executed, would provide nameplate capacity of 3,000,000 MT of domestic sand production. The installation timeline for these assets will be dependent on the overall growth of the proppant market in the WCSB.

Source generated negative Free Cash Flow of \$12.7 million for the third quarter of 2025, compared to \$20.1 million of Free Cash Flow for the third quarter of 2024. The reduction was due to the impact of lower customer activity levels, as well as an increase in capital expenditures of \$15.3 million, primarily due to the acquisition of sand processing assets, as noted above. Free Cash Flow was also impacted by higher amounts paid for lease obligations, due to additional heavy equipment for the Peace River operations, and higher amounts paid for US income taxes, as Source utilizes its loss carry-forward pools.

On a year-to-date basis, Free Cash Flow decreased by \$37.1 million compared to the same period of 2024, attributed to higher amounts paid for capital expenditures, a slow down in activity levels and higher amounts paid for income

taxes and lease obligations, as noted above. 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 same period last year.

Capital expenditures (\$000's)	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Terminal	(70)	991	1,166	6,749
Well site solutions	50	3,441	810	8,255
Production	14,197	82	20,012	2,262
Overburden removal	3,904	2,050	10,413	8,175
Other	1,279	474	2,381	1,780
Taylor facility	6,307	2,705	13,126	2,705
Capital expenditures	25,667	9,743	47,908	29,926
<i>Proceeds on disposal of property, plant and equipment and reimbursement of capital costs</i>	<i>(819)</i>	<i>(3,761)</i>	<i>(1,548)</i>	<i>(13,685)</i>
Capital expenditures, net of proceeds on disposal of property, plant and equipment and reimbursement of capital costs	24,848	5,982	46,360	16,241
Growth capital ⁽¹⁾	14,515	4,073	17,948	13,569
Maintenance and sustaining capital	4,845	2,965	16,834	13,652
Capital expenditures, excluding the Taylor facility	19,360	7,038	34,782	27,221
Taylor facility	6,307	2,705	13,126	2,705
Capital expenditures	25,667	9,743	47,908	29,926

Note:

- (1) Includes expenditures related to the construction of two Sahara units and facility upgrades for the Peace River mine, fully reimbursed by customers in 2024, as well as sand trucking assets acquired and assets for future expansion at the Peace River facility, as noted above. 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 \$18.5 million for the three months ended September 30, 2025, an increase of \$15.3 million compared to the third quarter last year. On a quarter-over-quarter basis and excluding construction for the Taylor facility, growth capital expenditures increased by \$12.5 million, mainly attributed to the assets acquired for future expansion at the Peace River facility, as noted above, as well as the addition of trailers for Source's trucking operations. Maintenance and sustaining capital expenditures increased by \$2.8 million for the third quarter of 2025, compared to the same period last year, largely attributed to higher amounts for overburden removal for mining operations.

During the nine months ended September 30, 2025, capital expenditures, net of proceeds on disposals and reimbursements and excluding expenditures related to the Taylor facility, increased by \$19.7 million compared to the same period in 2024. Growth capital expenditures increased by \$13.6 million, primarily due to the Peace River assets acquired, as noted above, and expansion at the existing Peace River facility, with the current phase of the expansion to 1,000,000 MT of domestic sand production capacity nearing completion. Expenditures for sustaining capital also increased on a year-to-date basis, the result of higher amounts for overburden removal, driven by increased volumes, improvements made at the Peace River mining facility and improvements made for an aging Sahara unit.

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 nine 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 (\$000's)	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Interest on Term Loan	3,818	—	13,046	—
Interest on Notes	—	3,707	—	11,278
Interest on prior asset-backed credit facility	—	1,116	—	3,447
Interest on Promissory Notes	—	158	—	307
Interest on leases	1,780	1,301	5,185	3,747
Other interest (income) expense	(204)	(1)	(694)	69
Accretion	897	1,630	2,449	5,679
Other finance expense	277	306	623	1,039
Total finance expense	6,568	8,217	20,609	25,566

For the third quarter of 2025, finance expense was lower by \$1.6 million compared to the same quarter last year. The decrease was driven by \$0.9 million in lower interest expense for long-term debt outstanding, including an adjustment to capitalize non-utilization fees for the delayed draw facility incurred during the first six months of the year, as well as lower accretion expense incurred. These reductions were partly offset by an increase in interest expense for outstanding lease obligations, driven by the addition of heavy equipment leases, as noted below, and interest income earned. Interest income realized is attributed to the commencement of the subleases for Sahara units deployed last year, as well as cash balances on hand.

For the nine months ended September 30, 2025, finance expense decreased by \$5.0 million, the result of lower accretion expense incurred and lower interest expense paid on long-term debt outstanding. Interest income realized increased on a year-over-year basis, due to the Sahara subleases and cash balances on hand, as noted above. The reduction in finance expense was partly offset by an increase in interest for outstanding lease obligations, attributed to additional heavy equipment required for the Peace River operations and the replacement of aging equipment at the Wisconsin mining facilities, compared to the same period last year.

Long-term debt

(\$000's)	September 30, 2025	December 31, 2024
Term Loan	159,146	183,547
Taylor Financing Facility	21,873	10,042
Other long-term debt	—	1,378
Total long-term debt	181,019	194,967
Less: current portion	(14,727)	(8,093)
Long-term portion	166,292	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 nine months ended September 30, 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 (as defined below) increased through 2025, reflecting advances for construction of the facility which has commenced operations.

Business Outlook

As a result of the lower completion activity levels experienced across the WCSB during the third quarter, Source anticipates increased activity levels for the remainder of the year which will result in a solid rebound for the fourth quarter and a full year 2025 proppant demand similar to or slightly ahead of 2024. With the additional natural gas export capability via LNG Canada, Source expects robust proppant demand in 2026.

Over the medium to longer term, the Western Canadian LNG projects currently being constructed, along with the expedited permitting of additional LNG capacity, including the recent approval of the KSI Lisims project by the government of British Columbia and the inclusion of LNG Canada (Phase 2) in the Government of Canada's major projects list, will drive incremental demand for proppant in the WCSB. Source believes it is well-positioned to capitalize on the expected demand increase in northeastern British Columbia and to take advantage of growing proppant demand levels in the WCSB through its existing northern white sand franchise, expanded terminal network and growing domestic sand production at Peace River.

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.

Source also 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	
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sand volumes (MT)	819,113	874,849	921,148	963,539	767,712	1,041,223	1,094,355	665,006
Sand revenue	124,302	132,994	140,056	142,236	117,658	162,903	161,472	100,265
Well site solutions	29,359	35,720	35,360	39,908	26,701	44,428	39,216	23,941
Terminal services	771	854	940	906	617	1,233	1,201	1,113
Sales	154,432	169,568	176,356	183,050	144,976	208,564	201,889	125,319
Cost of sales	118,000	126,382	134,214	139,768	110,957	162,369	153,280	95,016
Cost of sales - depreciation	8,735	7,549	9,500	9,613	8,630	9,402	11,873	10,676
Cost of sales	126,735	133,931	143,714	149,381	119,587	171,771	165,153	105,692
Gross margin	27,697	35,637	32,642	33,669	25,389	36,793	36,736	19,627
Operating expense	5,717	6,042	6,327	6,493	6,618	7,927	8,383	7,149
General & administrative expense	2,722	5,350	5,851	3,518	4,768	4,908	4,839	3,235
Depreciation	3,811	4,210	4,289	4,753	3,832	5,700	5,432	5,484
Income from operations	15,447	20,035	16,175	18,905	10,171	18,258	18,082	3,759
Other expense (income):								
Finance expense	9,075	8,716	8,633	8,217	9,054	6,864	7,177	6,568
Share-based compensation expense (recovery)	1,721	9,341	(1,032)	1,016	5,412	(4,959)	1,081	321
Loss (gain) on asset disposal	(1,536)	(1,931)	(47)	(862)	628	4	536	443
Gain on Sahara finance lease	—	—	—	(1,992)	(1,908)	—	—	—
Other income	(664)	(387)	(169)	(12)	(606)	(140)	(575)	(22)
Other expense (recovery) ⁽¹⁾	(38)	370	691	221	1,545	(12,501)	277	187
Impairment reversal	(128,555)	—	—	—	—	—	—	—
Loss (gain) on sublease	(31)	—	635	—	—	13	—	—
Loss (gain) on debt modification and extinguishment	(483)	115	49	—	2,917	(918)	428	(204)
Unrealized foreign exchange loss (gain)	—	—	—	—	—	31	(8,226)	3,529
Foreign exchange loss (gain)	335	160	(665)	(66)	(610)	(261)	754	(349)
Total other expense (income)	(120,176)	16,384	8,095	6,522	16,432	(11,867)	1,452	10,473
Income (loss) before income taxes	135,623	3,651	8,080	12,383	(6,261)	30,125	16,630	(6,714)
Income taxes	(17,377)	1,758	3,395	2,228	963	6,526	3,062	(497)
Net income (loss)	153,000	1,893	4,685	10,155	(7,224)	23,599	13,568	(6,217)
Net earnings (loss) per share (\$/share)	11.30	0.14	0.35	0.75	(0.53)	1.74	1.01	(0.46)
Diluted net earnings (loss) per share (\$/share)	10.71	0.14	0.26	0.74	(0.53)	1.74	1.01	(0.46)
Net income (loss)	153,000	1,893	4,685	10,155	(7,224)	23,599	13,568	(6,217)
Interest expense	6,459	6,283	6,284	6,281	6,655	5,835	6,308	5,394
Income taxes	(17,377)	1,758	3,395	2,228	963	6,526	3,062	(497)
Depreciation	3,811	4,210	4,289	4,753	3,832	5,700	5,432	5,484
Cost of sales - depreciation	8,735	7,549	9,500	9,613	8,630	9,402	11,873	10,676
Impairment reversal	(128,555)	—	—	—	—	—	—	—
Loss (gain) on debt modification and extinguishment	(483)	115	49	—	2,917	(918)	428	(204)
Finance expense (excluding interest expense)	2,616	2,433	2,349	1,936	2,399	1,029	869	1,174
Share-based compensation expense (recovery)	1,721	9,341	(1,032)	1,016	5,412	(4,959)	1,081	321
Loss (gain) on asset disposal	(1,536)	(1,931)	(47)	(862)	628	4	536	443
Loss (gain) on sublease	(31)	3	635	—	—	13	—	—
Unrealized foreign exchange loss (gain)	—	—	—	—	—	31	(8,226)	3,529
Other expense (recovery) ⁽¹⁾	(38)	367	691	221	1,545	(12,501)	277	187
Adjusted EBITDA⁽²⁾	28,322	32,021	30,798	35,341	25,757	33,761	35,208	20,290
Sand revenue sales/MT	151.75	152.02	152.05	147.62	153.26	156.45	147.55	150.77
Gross margin	27,697	35,637	32,642	33,669	25,389	36,793	36,736	19,627
Cost of sales - depreciation	8,735	7,549	9,500	9,613	8,630	9,402	11,873	10,676
Adjusted Gross Margin⁽²⁾	36,432	43,186	42,142	43,282	34,019	46,195	48,609	30,303
Gross margin/MT	33.81	40.74	35.44	34.94	33.07	35.34	33.57	29.51
Adjusted Gross Margin/MT⁽²⁾	44.48	49.36	45.75	44.92	44.31	44.37	44.42	45.57

Notes:

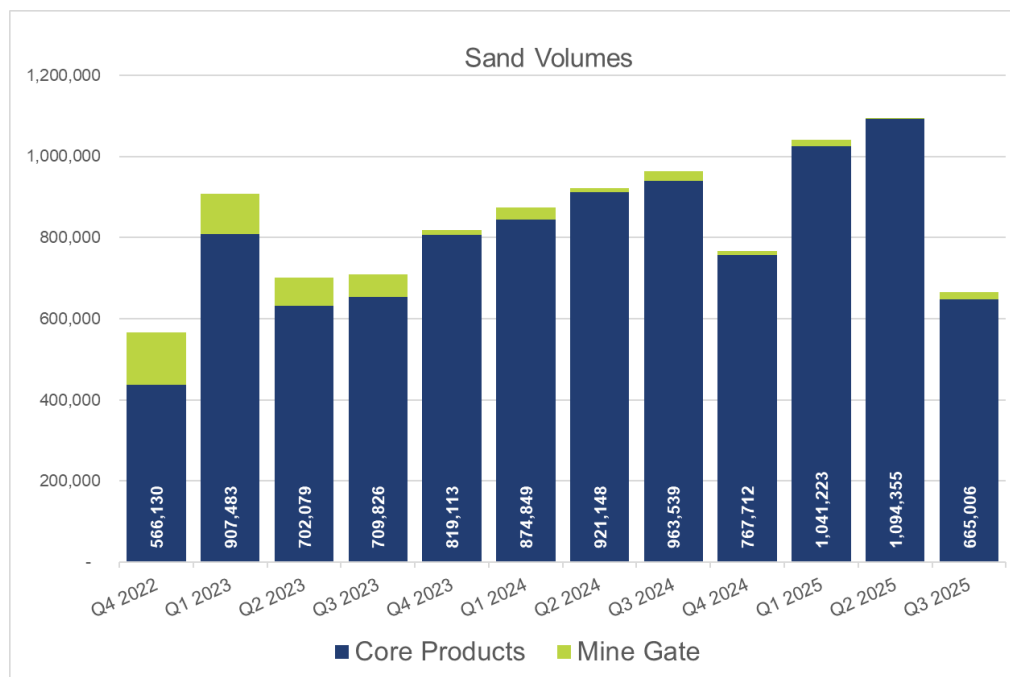
- (1) Includes expenses and recoveries related to the incident at the Fox Creek terminal facility, costs and reimbursements under insurance claims and other one-time expenses, refer to 'Contractual Obligations' below and 'Operating and Financial Results' below.
- (2) Adjusted EBITDA and Adjusted Gross 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 September 30, 2025, Source generated sand sales volumes of 665,006 MT, a 31% decrease from the third quarter of 2024, and sand revenue of \$100.3 million, a \$42.0 million decrease from the same period of 2024. The decline was primarily driven by reduced customer activity levels compared to the same period last year, as lower prices for oil and natural gas resulted in a slowdown across the WCSB and Source customers pushed pads into the fourth quarter and early next year. Despite the decline in sand sales volumes, average realized sand price increased by \$3.15 per MT compared to the third quarter of 2024. This improvement was supported by a shift in terminal mix, partly offset by a higher proportion of finer mesh sand sales. The sale of lower-value sand volumes contributes to a more balanced mesh demand profile which has a favorable impact on production costs by creating sand processing efficiencies and increasing production yields.

For the nine months ended September 30, 2025, Source generated sand revenue of \$424.6 million, an increase of \$9.4 million or 2% compared to the first nine months of 2024. The growth was primarily driven by the record customer activity levels realized during the first half of 2025. Average realized sand price increased by \$1.14 per MT compared to the same period of 2024, impacted by volumes from mine gate sales, which lowered the average realized sand price by \$0.58 per MT. This reduction was more than offset by the impact of the weaker Canadian dollar, compared to the same period last year.



Well Site Solutions Revenue

Well site solutions revenue totaled \$23.9 million for the third quarter of 2025, a decrease of \$16.0 million or 40% compared to the third quarter of 2024. This decline was driven by lower customer activity levels, as noted above, resulting in reduced volumes delivered to well sites. Sahara units in Canada were 47% utilized during the third quarter, a 42% decrease compared to the third quarter last year. Sahara units deployed in the U.S. remained fully contracted, maintaining 100% utilization during the quarter.

On a year-to-date basis, revenue from well site solutions decreased by \$3.4 million or 3% compared to the nine months ended September 30, 2024. Trucked volumes decreased slightly compared to last year, reflecting record activity levels during the first six months of 2025, offset by a decrease in activity levels for the third quarter, compared to the same period last year, attributed to weak commodity prices and a slowdown across the WCSB. Sahara utilization averaged 78% for the nine months ended September 30, 2025, compared to 86% last year.

Terminal Services Revenue

For the three and nine months ended September 30, 2025, terminal services revenue increased by \$0.2 million and \$0.8 million, respectively, compared to the same periods last year. The improvement was due to an increase in

revenue from higher chemical elevation volumes realized, as well as the recent completion of work at the Chetwynd terminal, enabling improved access and facilitating incremental transloading of hydrochloric acid at the facility.

Cost of Sales

(\$000's)	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Direct materials	72,558	104,324	312,132	302,193
People costs	6,923	5,780	19,669	15,626
Equipment costs	1,899	1,579	6,297	4,270
Transportation costs	13,273	27,923	71,640	77,728
Facility costs	363	162	927	547
Cost of sales	95,016	139,768	410,665	400,364
Cost of sales - depreciation	10,676	9,613	31,951	26,662

Cost of sales, excluding depreciation, decreased by \$44.8 million for the three months ended September 30, 2025 compared to the same period in 2024, due to the reduction in sand volumes sold and lower trucked volumes from "last mile" logistics. On a per tonne basis, cost of sales, excluding depreciation was impacted by a shift in terminal mix, offset by lower costs for third-party sand purchases. Overall cost of sales was impacted by an increase in people costs and higher repairs and maintenance expenses for equipment, largely attributed to trucking operations and the sand trucking assets purchased last year, as well as incremental rental costs related to the Taylor transload facility, with the terminal now fully operational, and incremental costs associated with the expansion of the Peace River facility. The impact of the movement in foreign exchange rates on US dollar denominated components of cost of sales drove an increase of \$0.72 per MT to cost of sales, excluding depreciation, compared to the third quarter last year.

For the nine months ended September 30, 2025, cost of sales, excluding depreciation, increased by \$10.3 million or 3% 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, despite the reduction in activity levels during the third quarter. Cost of sales, excluding depreciation, was also impacted by incremental costs for newly added operations at Taylor, the expansion at Peace River and Source's trucking operations, as noted above, compared to the same period in 2024. A weakening of the Canadian dollar on US dollar denominated components of cost of sales contributed to an increase of \$3.40 per MT to cost of sales, compared to the same period last year; however, this impact was offset by US dollar denominated revenue for the period.

Gross Margin

(\$000's, except MT and per unit amounts)	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Gross margin	19,627	33,669	93,156	101,948
Cost of sales – depreciation	10,676	9,613	31,951	26,662
Adjusted Gross Margin⁽¹⁾	30,303	43,282	125,107	128,610
Gross margin/MT	29.51	34.94	33.26	36.94
Adjusted Gross Margin/MT⁽¹⁾	45.57	44.92	44.67	46.61
Percentage of mine gate sand volumes	3%	2%	1%	2%
Percentage of sand volumes sold in the WCSB	97%	98%	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 decreased by \$14.0 million for the three months ended September 30, 2025, reflecting an overall reduction in customer activity levels compared to the third quarter of 2024. Excluding gross margin from mine gate volumes, Adjusted Gross Margin was \$46.56 per MT, compared to \$45.89 per MT for the third quarter of 2024. During the quarter, an increase of 17% in sales of 100 mesh sand resulted in a small reduction Adjusted Gross Margin compared to the third quarter last year; however, a more balanced sand mesh sales profile has a favorable impact on production costs by creating sand processing efficiencies and increases production yields for the year. Adjusted Gross Margin was favorably impacted by a customer performance bonus, awarded for Source's achievement of low non-productive time targets, offset by the impact of additional costs attributed to the expansion of operations at the Peace River facility compared to the third quarter last year. For the three months ended September 30, 2025, the weakening of the Canadian dollar favorably impacted Adjusted Gross Margin by approximately \$0.52 per MT.

On a year-to-date basis, gross margin decreased by \$8.8 million compared to the same period last year, due primarily to lower activity levels, as noted above. Excluding gross margin from mine gate volumes, Adjusted Gross Margin was \$45.16 per MT, compared to \$47.59 per MT for the same period in 2024. Gross margin was impacted by higher costs

incurred as a result of the addition of operations at Taylor and the Chetwynd terminal expansion, and expanded operations at the Peace River mining facility, partly offset by incremental gross margin generated from the sand trucking assets acquired last year, compared to the same period of 2024. For the nine months ended September 30, 2025, the weakening of the Canadian dollar negatively impacted Adjusted Gross Margin by approximately \$0.31 per MT.

Operating and General & Administrative Expense

	Three months ended September 30,				Nine months ended September 30,			
	2025		2024		2025		2024	
(\$000's)	OPEX	G&A	OPEX	G&A	OPEX	G&A	OPEX	G&A
People	2,655	1,994	2,832	2,503	9,028	8,911	8,308	11,289
Equipment	789	—	709	1	2,351	2	1,808	24
Facility	442	19	381	16	1,325	41	1,136	53
Selling and administrative	3,263	1,222	2,571	998	10,755	4,028	7,610	3,353
Operating and general & administrative expense	7,149	3,235	6,493	3,518	23,459	12,982	18,862	14,719

For the third quarter of 2025, total operating and general and administrative expense increased by \$0.4 million compared to the same period of 2024. Operating expense increased by \$0.7 million for the three months ended September 30, 2025, primarily due to higher selling and administrative costs driven by royalty-related fees and higher insurance premiums. Additional rail-related expenses were incurred for Source's rail fleet, as well as incremental costs associated with the Taylor facility. These increases were partially offset by lower people costs, reflecting reduced incentive compensation expense incurred during the quarter.

For the nine months ended September 30, 2025, operating expense increased by \$4.6 million on a year-over-year basis, largely due to higher royalty and royalty-related costs resulting from record activity levels realized during the first half of 2025, increased insurance expense, higher professional fees and increased people costs. Higher people costs are attributed to increased compensation expenses and staffing increases related to the ramp-up of the Taylor facility and Source trucking operations. Additional repairs and maintenance and rail-related costs for the rail car fleet also contributed to the increase compared to the same period last year.

General and administrative expense decreased by \$0.3 million and \$1.7 million, respectively, for the three and nine months ended September 30, 2025, primarily due to lower variable incentive compensation cost. This reduction was partly offset by the amortization of Source's cloud-based computing system implementation costs, compared to the same period in 2024.

Share-based compensation

For the three months ended September 30, 2025, share-based compensation expense (recovery) changed by \$0.7 million and \$12.9 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 and nine months ended September 30, 2025, Source recognized a loss on asset disposal for equipment sold at auction during the periods. During the three and nine months ended September 30, 2024, Source recognized a gain on sale of assets sold, attributed to a gain recognized for the disposal of excess equipment and insurance proceeds received in respect of damaged equipment which malfunctioned at a terminal facility in 2023, respectively.

Other expense (recovery)

For the nine months ended September 30, 2025, Source settled claims related to the Fox Creek terminal (refer to 'Contractual Obligations' below for additional information), partly offset by costs incurred for professional fees associated with the legal proceedings, as well as legal fees related to the corporate restructuring that occurred late in 2024. For the nine months ended September 30, 2025, Source incurred costs associated with litigation relating to the above-noted claim.

Loss (gain) on debt modification and extinguishment

During the three and nine months ended September 30, 2025, Source revalued its long-term debt to reflect changes in expected cash flows and the movement in interest rates. For the nine months ended September 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 loss (gain)

For the three and nine months ended September 30, 2025, Source recognized an unrealized foreign exchange loss of \$3.5 million and an unrealized foreign exchange gain of \$4.7 million, respectively, primarily attributed to the movement in exchange rates on the Term Loan, partly offset by the impact of exchange rate movement on cash balances on hand and long-term deposits.

Foreign exchange loss (gain)

For the three and nine months ended September 30, 2025 and 2024, Source was impacted by foreign exchange rate movement on the settlement of working capital items denominated in US dollars. For the three and nine months ended September 30, 2025, Source realized a foreign exchange gain related to Term Loan repayments of \$0.3 million and \$0.5 million, respectively.

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 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.

Source's capital management policy has not changed during the nine months ended September 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 bears interest at the Secured Overnight Finance Rate ("SOFR"), plus an applicable margin. The Term Loan 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. Source also has a delayed draw facility of US\$25.0 million, which remains undrawn, available through December 31, 2025. Source is currently considering its options with respect to use of the delayed draw facility.

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. Source has repaid US\$7.2 million to date in 2025 under this feature and, during the third quarter of 2025, Source generated excess cash flows resulting in a repayment of US\$2.6 million, payable on November 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 September 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 September 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%. At September 30, 2025, Source was in compliance with all 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 September 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 September 30, 2025, \$21.9 million was outstanding under the Taylor Financing Facility.

Cash and Net Working Capital

(\$000's)	September 30, 2025	December 31, 2024
Current assets ⁽¹⁾	177,891	211,692
Current liabilities	(128,413)	(140,973)
Net working capital	49,478	70,719
Current portion of long-term debt	14,727	8,093
Net working capital, excluding current portion of long-term debt	64,205	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 September 30, 2025, total current assets less total current liabilities (net working capital) reflected a surplus of \$49.5 million. Excluding the current portion of long-term debt, net working capital was \$64.2 million, a decrease of \$14.6 million compared to December 31, 2024. The reduction is primarily attributed to a decrease in accounts receivable due to the reduction in third-quarter activity levels, compared to year end. This reduction was partly offset by lower amounts outstanding for accounts payable, also attributed to the lower activity levels realized for the third quarter, and lower amounts outstanding for contract liabilities, partly offset by higher amounts for lease obligations. 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 September 30,

2025, amounts outstanding for accrued receivables and accrued liabilities each reflect higher balances of approximately \$10.6 million, respectively, reflecting tariff rebates forthcoming from the Canadian government, as noted below, which will in turn be refunded to Source customers.

Reciprocal Tariff and Remission Order

Since the enactment of the reciprocal tariff by the Canadian government on March 4, 2025, Source had 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.

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 September 30, 2025, are \$6.1 million (December 31, 2024 - \$25.9 million) and \$29.1 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 \$0.4 million and \$1.6 million respectively, for the three and nine months ended September 30, 2025 (\$0.5 million and \$1.1 million respectively, for the three and nine months ended September 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 \$1.7 million at September 30, 2025 (December 31, 2024 - \$1.9 million).

In order to manage exposure to fluctuations in the Canadian to US dollar exchange rate, the Company rebalances US denominated revenues where possible and may enter 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 October 2025 and September 2046, the IT software subscriptions expire between September 2026 and May 2030, 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, contract and lease liabilities. 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	125,957	8,866	31,897	26,507	17,307	12,226	29,154
Other commitments	3,724	817	2,091	653	125	19	19
Term Loan ⁽¹⁾	228,937	7,240	24,923	23,934	23,112	149,728	—
Contract liabilities	4,250	2,642	1,608	—	—	—	—
Taylor Financing Facility	26,063	1,617	5,252	5,252	5,252	8,690	—

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 September 30, 2025, Source had issued and outstanding 13,152,155 common shares (September 30, 2024 - 13,545,055). As at November 6, 2025, Source had 13,135,155 common shares outstanding.

Normal course issuer bid

During the nine months ended September 30, 2025, Source purchased and cancelled 392,900 common shares at a weighted average price per common share of \$12.72. In May 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 September 30, 2025, Source revised the ASPP to reflect an amended NCIB, approved by the TSX on October 7, 2025, which increases the maximum number of shares eligible for repurchase to 1,189,458 common shares, or \$15.6 million. 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 nine months ended September 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 September 30, 2025. There were no material weaknesses in the design of the DC&P and the ICFR at September 30, 2025, and no changes in ICFR during the period beginning on January 1, 2025, and ended on September 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 September

30, 2025, the fair value of the Term Loan was approximately \$159.3 million and the fair value of the Taylor Financing Facility was approximately \$22.4 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 judgment, 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)

	Three months ended September 30,		Nine months ended September 30,	
(\$000's)	2025	2024	2025	2024
Net (loss) income	(6,217)	10,155	30,950	16,733
Add:				
Income taxes	(497)	2,228	9,091	7,381
Interest expense	5,394	6,281	17,537	18,848
Cost of sales – depreciation	10,676	9,613	31,951	26,662
Depreciation	5,484	4,753	16,616	13,252
(Gain) loss on debt modification and extinguishment	(204)	—	(694)	164
Finance expense (excluding interest expense)	1,174	1,936	3,072	6,718
Share-based compensation expense (recovery)	321	1,016	(3,557)	9,325
Loss (gain) on asset disposal	443	(862)	983	(2,840)
Loss on sublease	—	—	13	638
Unrealized foreign exchange loss (gain)	3,529	—	(4,666)	—
Other expense (recovery) ⁽¹⁾	187	221	(12,037)	1,279
Adjusted EBITDA	20,290	35,341	89,259	98,160
Financing expense paid	(6,500)	(6,655)	(20,016)	(20,092)
Capital expenditures, net of proceeds on disposal of property, plant and equipment and reimbursement of capital costs ⁽²⁾	(18,541)	(3,277)	(33,234)	(13,536)
Payment of lease obligations	(6,832)	(5,328)	(19,427)	(15,434)
Income taxes paid	(1,111)	—	(5,715)	(1,169)
Free Cash Flow	(12,694)	20,081	10,867	47,929

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

	Three months ended September 30,		Nine months ended September 30,	
(\$000's)	2025	2024	2025	2024
Gross margin	19,627	33,669	93,156	101,948
Cost of sales – depreciation	10,676	9,613	31,951	26,662
Adjusted Gross Margin	30,303	43,282	125,107	128,610

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", "project", "strategy", "future", "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; expectation that the acquisition of sand processing assets would increase Source's nameplate capacity to three million tons of domestic sand production; expectation that Western Canadian LNG projects will drive incremental demand for proppant in the WCSB; belief that activity levels will rebound for the fourth quarter with results similar to or slightly ahead of 2024; robust proppant demand in 2026; 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; expectations with respect to sand revenue and mine gate sand sales and associated costs; the expectation that Source is anticipating improvement of Source's production efficiencies; expectations of maintaining a strong customer activity levels and strong capital base; 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 capitalize on the increase in demand in northeastern British Columbia and take advantage of growing activity levels in the WCSB; 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; 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 ability to maintain optimal operational levels through regular assessment of equipment and other assets; reasons for decrease 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.