

Q4 2025

# Management's Discussion & Analysis

**S O U R C E** 

ENERGY SERVICES

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2025

TSX: SHLE

## TABLE OF CONTENTS

---

ABOUT SOURCE .....	3
RESULTS OVERVIEW .....	4
BUSINESS OUTLOOK .....	5
OPERATIONS OVERVIEW .....	6
ANNUAL RESULTS REVIEW .....	6
SUMMARY OF QUARTERLY RESULTS .....	10
LIQUIDITY AND CAPITAL RESOURCES .....	13
CAPITAL RESOURCE MANAGEMENT .....	16
OFF-BALANCE SHEET ARRANGEMENTS AND OTHER TRANSACTIONS .....	18
SELECT ANNUAL INFORMATION .....	18
CONTROLS AND PROCEDURES .....	18
BUSINESS RISKS .....	19
FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS .....	23
CRITICAL ACCOUNTING ESTIMATES .....	23
NON-IFRS MEASURES .....	24
FORWARD-LOOKING STATEMENTS .....	26

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A"), dated February 26, 2026, 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 twelve months ended December 31, 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 audited consolidated financial statements for the years ended December 31, 2025 and 2024, 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](http://www.sedarplus.ca). The Financial Statements have been prepared in accordance with IFRS<sup>®</sup> 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.

### 2025 Performance Highlights

A rebound in activity levels drove volumes of 906,903 MT for the fourth quarter, an 18% increase over the fourth quarter of 2024, resulting in a record year of volume for Source. For the year ended December 31, 2025, key achievements include the following:

- realized sand sales volumes of 3,707,487 MT and sand revenue of \$560.0 million, an increase of \$27.0 million or 5% over last year;
- generated total revenue of \$700.3 million, a \$26.4 million increase over 2024;
- realized gross margin of \$116.6 million and Adjusted Gross Margin<sup>(1)</sup> of \$159.3 million, decreases of 8% and 2%, respectively, when compared to last year;
- reported net income of \$33.1 million, an increase of \$23.6 million over 2024;
- realized Adjusted EBITDA<sup>(1)</sup> of \$112.3 million, an \$11.6 million decrease from 2024;
- realized record sand sales volumes and record sand volumes delivered to customer well sites through "last mile" logistics during the first half of the year;
- achieved 74% utilization across the eleven-unit Sahara fleet, compared to 78% last year, as units operating in the US achieved 100% utilization during 2025;
- commenced operations at the Taylor transload facility;
- completed the first phase of the Peace River facility expansion, achieving nameplate domestic sand production capacity of 1,000,000 MT; and
- implemented a Normal Course Issuer Bid program, resulting in the repurchase of 464,800 shares during the 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 December 31,		Year ended December 31,	
	2025	2024	2025	2024
<b>Sand volumes (MT)<sup>(1)</sup></b>	<b>906,903</b>	767,712	<b>3,707,487</b>	3,527,248
Sand revenue	<b>135,342</b>	117,658	<b>559,982</b>	532,944
Well site solutions	<b>28,323</b>	26,701	<b>135,908</b>	137,689
Terminal services	<b>868</b>	617	<b>4,415</b>	3,317
<b>Sales</b>	<b>164,533</b>	144,976	<b>700,305</b>	673,950
Cost of sales	<b>130,379</b>	110,957	<b>541,044</b>	511,321
Cost of sales – depreciation	<b>10,731</b>	8,630	<b>42,682</b>	35,292
<b>Cost of sales</b>	<b>141,110</b>	119,587	<b>583,726</b>	546,613
Gross margin	<b>23,423</b>	25,389	<b>116,579</b>	127,337
Operating expense	<b>6,795</b>	6,618	<b>30,254</b>	25,480
General & administrative expense	<b>4,482</b>	4,768	<b>17,464</b>	19,487
Depreciation	<b>5,748</b>	3,832	<b>22,364</b>	17,084
<b>Income from operations</b>	<b>6,398</b>	10,171	<b>46,497</b>	65,286
<b>Other expense:</b>				
Finance expense	<b>9,795</b>	9,054	<b>30,404</b>	34,620
Share-based compensation expense (recovery)	<b>528</b>	5,412	<b>(3,029)</b>	14,737
Loss (gain) on asset disposal	—	628	<b>983</b>	(2,212)
Gain on Sahara finance lease	—	(1,908)	—	(3,900)
Other income	<b>(70)</b>	(606)	<b>(807)</b>	(1,174)
Other expense (recovery) <sup>(2)</sup>	<b>145</b>	1,545	<b>(11,892)</b>	2,824
Loss on sublease	—	—	<b>13</b>	638
(Gain) loss on debt modification and extinguishment	<b>(499)</b>	2,917	<b>(1,193)</b>	3,081
Foreign exchange (gain) loss <sup>(3)</sup>	<b>(134)</b>	(610)	<b>10</b>	(1,181)
Unrealized foreign exchange gain	<b>(1,782)</b>	—	<b>(6,448)</b>	—
Total other expense	<b>7,983</b>	16,432	<b>8,041</b>	47,433
(Loss) income before income taxes	<b>(1,585)</b>	(6,261)	<b>38,456</b>	17,853
Current tax (recovery) expense	<b>(2,267)</b>	517	<b>4,170</b>	5,067
Deferred tax (recovery) expense	<b>(1,449)</b>	446	<b>1,205</b>	3,277
<b>Net income (loss)</b>	<b>2,131</b>	(7,224)	<b>33,081</b>	9,509
Net earnings (loss) per share (\$/share)	<b>0.16</b>	(0.53)	<b>2.48</b>	0.70
Diluted net earnings (loss) per share (\$/share)	<b>0.16</b>	(0.53)	<b>2.48</b>	0.70
Adjusted EBITDA <sup>(4)</sup>	<b>23,081</b>	25,757	<b>112,340</b>	123,917
Sand revenue sales/MT	<b>149.24</b>	153.26	<b>151.04</b>	151.09

### 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 'Annual Results Review' below.
- (3) The average Canadian to United States ("US") dollar exchange rate for the three and twelve months ended December 31, 2025, was \$0.7170 and \$0.7154, respectively (2024 - \$0.7152 and \$0.7300, respectively).
- (4) Adjusted EBITDA is not defined under IFRS, refer to 'Non-IFRS Measures' below.

Total revenue for the year ended December 31, 2025 was \$700.3 million compared to \$674.0 million for 2024, an increase of \$26.4 million, reflecting strong demand and activity levels realized through most of the year. Despite continued economic uncertainty, which significantly impacted Source customer activity levels during the third quarter, demand rebounded in the fourth quarter as many previously deferred completion jobs were executed. Strong customer activity levels in the Western Canadian Sedimentary Basin ("WCSB") drove record volumes delivered for "last mile" logistics in 2025, and the three Sahara units operating in the US achieved 100% utilization for the year.

Cost of sales, excluding depreciation, increased for 2025 compared to 2024, driven by record sand sales volumes and higher transportation costs resulting from the increased volumes hauled to the terminals and by "last mile" logistics. Commissioning of the newly expanded Peace River facility was impacted by integration issues with legacy equipment, resulting in incremental costs incurred compared to last year. Cost of sales, excluding depreciation, benefited from lower production costs achieved at the Wisconsin mining facilities. Additional costs associated with Source's trucking operations and the addition of the Taylor terminal facility also impacted cost of sales, excluding depreciation, compared to 2024. A weakening of the Canadian dollar increased cost of sales denominated in US dollars by \$2.54 per MT, compared to 2024, which was largely offset by the movement in exchange rates on revenue denominated in US dollars for the year.

<b>Gross Margin</b> ( <i>\$000's, except MT and per unit amounts</i> )	Year ended December 31,	
	2025	2024
Gross margin	116,579	127,337
Cost of sales – depreciation	42,682	35,292
Adjusted Gross Margin <sup>(1)</sup>	159,261	162,629
Gross margin/MT	31.44	36.10
Adjusted Gross Margin/MT <sup>(1)</sup>	42.96	46.11
Percentage of mine gate sand volumes	2%	2%
Percentage of core product sand volumes sold	98%	98%
Sales mix impact of mine gate sales/MT	0.75	0.88

**Note:**

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

For the year ended December 31, 2025, gross margin decreased by \$10.8 million compared to 2024. Excluding margin from mine gate volumes, Adjusted Gross Margin was \$43.71 per MT compared to \$46.99 per MT in 2024, impacted by a shift in terminal and product mix and incremental costs incurred for the Peace River facility expansion, as noted above. These impacts were partially offset by \$3.6 million of incremental margin generated from Source's trucking operations and lower rail transportation costs realized late in 2025. Adjusted Gross Margin also reflects higher costs related to expanded terminal facility operations, including the commencement of operations at the Taylor terminal facility, compared to 2024. The weakening of the Canadian dollar negatively impacted Adjusted Gross Margin by \$0.24 per MT for 2025, compared to last year.

Operating expense increased by \$4.8 million on a year-over-year basis, largely driven by higher royalty-related costs, increased compensation expense, including incremental people costs for trucking and terminal operations, and higher rail car-related expenses. General and administrative expense decreased by \$2.0 million compared to 2024 due primarily to lower people costs, driven by lower variable incentive compensation expense, partly offset by an increase in IT costs, attributed to the cloud-computing system implemented last year, and higher costs for professional fees.

Adjusted EBITDA decreased by 9%, or \$11.6 million, to \$112.3 million for the year ended December 31, 2025. The reduction is mainly attributed to a significant slowdown in Source customer activity levels experienced during the third quarter, as noted above, an increase in finer mesh sand sales and incremental costs incurred at the Peace River mining facility. Last year, Adjusted EBITDA benefited by \$3.9 million from the commencement of the leases for Source's tenth and eleventh Sahara units. Despite a weakening of the Canadian dollar compared to last year, Adjusted EBITDA was not impacted, largely attributed to the movement in exchange rates on the repayment of long-term debt.

## Business Outlook

Source anticipates most customers will adopt a more defensive budget approach for 2026, a reflection of the current commodity price environment. As a result, Source expects 2026 customer activity levels to be broadly consistent with 2025 activity levels. While higher commodity prices could provide upside to expected volumes for 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.

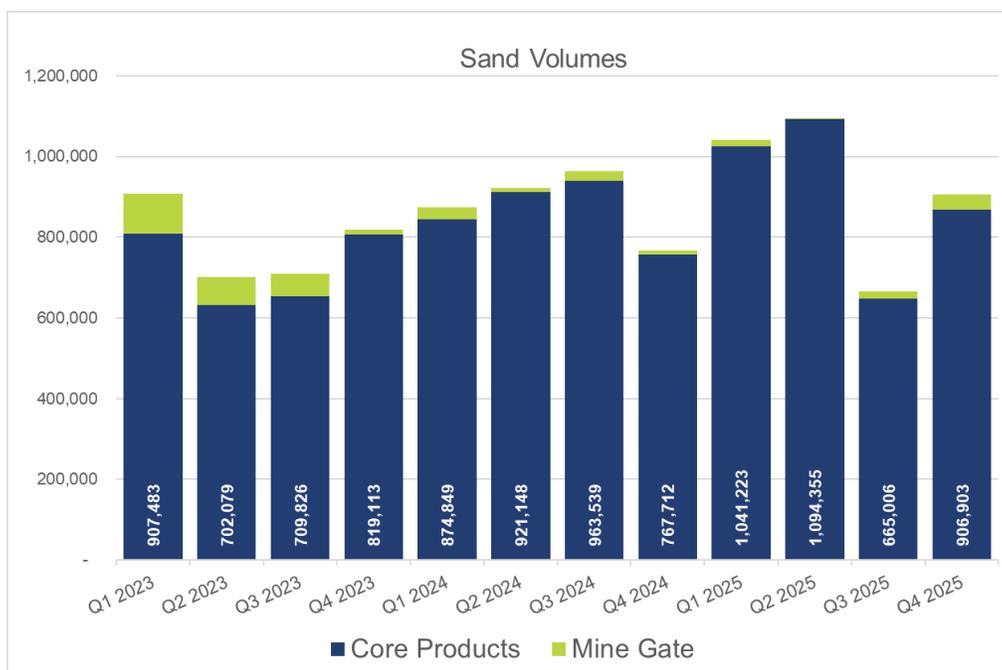
Consistent with general industry practice, Source mines and washes more sand than current delivery requirements during the warmer months when Source's processing facilities are more efficient. The excess sand is placed in stockpiles that feed drying operations throughout the year. Frac sand washing facilities 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.

## Annual Results Review

### **Sand Revenue**

Source realized sand revenue of \$560.0 million for the year ended December 31, 2025, an increase of \$27.0 million or 5% compared to 2024. The year-over-year increase was driven by record sand sales volumes of 3,707,487 MT reflecting continued growth in Source's customer base, particularly during the first half of 2025, and a rebound in activity levels across the WCSB during the fourth quarter. An increase of 61% in sand sales volumes and 78% in sand revenue realized from the Peace River facility also contributed to the improvement in sand revenue, compared to last year.

Average realized sand pricing remained relatively flat when compared to 2024, as a shift in product mix and a greater proportion of lower-priced, finer sand compared to 2024 was offset by the weakening of the Canadian dollar. Mine gate sales reduced the average realized sand price by \$0.98 per MT for the year ended December 31, 2025; however, these sales provide a favorable impact on production costs by creating sand efficiencies and increasing production yields.



### Well Site Solutions Revenue

Well site solutions revenue was \$135.9 million for the year ended December 31, 2025, a decrease of 1% or \$1.8 million compared to 2024. Trucked volumes from "last mile" logistics increased by 133,811 MT compared to last year, reflecting strong activity levels. This record volume growth was partly offset by lower realized trucking revenue, driven by reduced fuel surcharge recoveries and shorter average haul distances to customer well sites compared to 2024.

Sahara-related revenue decreased by 4% on a year-over-year basis, driven by lower utilization for units operating in Canada, attributed to insourcing of services by certain customers, as well as industry consolidations which occurred during the year. Sahara units deployed in the US were fully contracted and achieved 100% utilization for the year, compared to 73% utilization for the prior year.

### Terminal Services Revenue

Terminal services revenue was \$4.4 million for the year ended December 31, 2025, an increase of \$1.1 million compared to 2024. The increase was driven by strong volume throughput across Source's terminal network and a 36% increase in chemical elevation fees. These gains were partially offset by a small reduction in revenue from other terminal storage services.

### Cost of Sales

(\$000's)	Year ended December 31,	
	2025	2024
Direct materials	416,859	387,877
People costs	26,757	20,890
Equipment costs	8,055	5,937
Transportation costs	88,069	95,820
Facility costs	1,304	797
<b>Cost of sales</b>	<b>541,044</b>	<b>511,321</b>
<b>Cost of sales - depreciation</b>	<b>42,682</b>	<b>35,292</b>

For the year ended December 31, 2025, cost of sales, excluding depreciation, increased by \$29.7 million or 6% compared to the same period in 2024. Record sand sales volumes and trucked volumes drove higher cost of sales, excluding depreciation, including increased rail transportation costs. Despite this increase, total transportation costs declined, on a year-over-year basis, primarily due to the continued growth in Source's trucking operations, which reduced reliance on third party trucking for "last mile" logistics. These savings were partly offset by higher personnel and equipment-related repairs and maintenance costs associated with the sand trucking assets acquired last year. Cost of sales, excluding depreciation, was also impacted by incremental costs for newly added operations at Taylor

and the expansion at Peace River, as noted above, compared to 2024. A decrease in costs to produce sand at the Wisconsin processing facilities, driven by lower third-party sand purchases and incremental efficiencies achieved, favorably impacted cost of sales, depreciation, compared to last year.

Significant components of cost of sales are denominated in US dollars, including sand processing and rail transportation, and are therefore subject to exchange rate fluctuations. During the year ended December 31, 2025, a weakening of the Canadian dollar on US dollar denominated components of cost of sales contributed to an increase of \$2.54 per MT to cost of sales, compared to the same period last year; however, this impact was largely offset by US dollar denominated revenue for the year.

### **Gross Margin**

For the year ended December 31, 2025, gross margin decreased by \$10.8 million and Adjusted Gross Margin decreased by \$3.4 million compared to 2024. Excluding gross margin from mine gate volumes, Adjusted Gross Margin was \$43.71 per MT compared to \$46.99 per MT for the prior year. The reduction is primarily attributed to costs associated with the newly expanded facility at Peace River, as noted above, and higher costs incurred as a result of the addition of operations at the Taylor and Chetwynd terminals, compared to the prior year. These increases were partly offset by incremental gross margin of \$3.6 million generated by the trucking assets acquired, as well as the benefits realized from lower Wisconsin production costs compared to 2024. For the year ended December 31, 2025, the weakening of the Canadian dollar negatively impacted Adjusted Gross Margin by approximately \$0.24 per MT.

### **Operating and General & Administrative Expense**

	Year ended December 31,			
	2025		2024	
(\$'000's)	OPEX	G&A	OPEX	G&A
People	11,708	12,050	11,135	14,786
Equipment	3,014	2	2,459	25
Facility	1,851	44	1,567	64
Selling and administrative	13,681	5,368	10,319	4,612
<b>Operating and General &amp; Administrative Expense</b>	<b>30,254</b>	<b>17,464</b>	25,480	19,487

For the year ended December 31, 2025, total operating and general and administrative expense increased by \$2.8 million compared to last year. Operating expense increased by \$4.8 million over 2024, mainly due to increased royalty-related costs and higher compensation expense as a result of increased activity levels and incremental terminal and trucking operations. Additional costs for repairs and maintenance on rail cars and facilities, and higher workers' compensation insurance premiums, also contributed to the increase compared to the year ended December 31, 2024.

General and administrative expense decreased \$2.0 million for the year ended December 31, 2025, compared to 2024. The decrease was mainly due to lower people costs, driven by lower incentive compensation costs, partly offset by higher selling and administrative costs. Selling and administrative costs increased on a year-over-year basis due to increased IT expenses, including the amortization of costs to implement the cloud-computing arrangement late in 2024, and higher professional fees incurred.

### **Depreciation**

Depreciation expense increased by \$5.3 million for the year ended December 31, 2025, compared to the prior year. The increase was driven by a higher depreciable asset base, including the Peace River facility expansion and other terminal upgrades placed into service in 2025.

### **Share-based compensation**

For the year ended December 31, 2025, share-based compensation decreased by \$17.8 million compared to 2024, due to movement in Source's share price and the windup of all outstanding restricted share unit ("RSU") and performance share unit ("PSU") grants early in 2025.

### **Loss (gain) on asset disposal**

For the year ended December 31, 2025, Source recognized a loss on asset disposal of \$1.0 million, attributed to the sale of excess equipment at auction. The gain on asset disposal recognized in 2024 primarily reflected non-recurring insurance proceeds received in respect of damaged equipment which malfunctioned at a terminal facility in 2023.

#### *Gain on Sahara finance lease*

During 2024, Source recognized a gain as a result of the two finance leases entered into upon completion of Source's tenth and eleventh Sahara units, where the cost to construct the units was fully reimbursed by the customers.

#### *Other income*

Other income decreased by \$0.4 million for the year ended December 31, 2025, primarily due to lower amounts of revenue generated for certain freight forwarding services compared to last year. During the year ended December 31, 2024, Source received insurance proceeds for equipment that malfunctioned at a Source terminal in 2023.

#### *Other (recovery) expense*

For the year ended December 31, 2025, Source recorded a recovery of \$11.9 million, compared to an expense of \$2.8 million compared to 2024. The recovery is primarily attributable to the settlement of claims related to the Fox Creek terminal, resulting in a net payment to Source of \$11.2 million. Certain amounts payable and outstanding related to the claims were also written off during the year, refer to 'Contractual Obligations' below for additional information. During 2024, Source incurred professional fees associated with the Fox Creek claims, as well as professional fees associated with the corporate reorganization completed in December, 2024.

#### *Loss on sublease*

Loss on sublease decreased by \$0.6 million for the year ended December 31, 2025. The decrease is driven by the termination of Source's sublease arrangement for the lease of its previous head office location, which occurred in 2024.

#### *(Gain) loss on debt modification and extinguishment*

During the year ended December 31, 2025, Source recorded a gain on debt modification, primarily attributable to the revaluation of the estimated payments under the Taylor Financing Facility (as defined below). In December 2024, amounts outstanding for the senior secured notes, the Prior ABL facility (as defined below) and the Promissory Notes (as defined below) were repaid, resulting in a loss on debt extinguishment for the year. Prior to the extinguishment of the senior secured notes, Source purchased and cancelled a portion of the senior secured notes outstanding, also contributing to the loss on debt extinguishment for 2024.

#### *Foreign exchange*

For the year ended December 31, 2025, no impact related to foreign exchange rate movement on the settlement of working capital items denominated in US dollars was realized. For the year ended December 31, 2024, Source realized a gain of \$1.2 million due to foreign exchange rate movement on these items.

#### *Unrealized foreign exchange*

For the year ended December 31, 2025, Source reported an unrealized foreign exchange gain, attributed primarily to the movement of foreign exchange rates on US dollar denominated debt, partly offset by the impact of exchange rate movement on US denominated cash balances on hand.

## Summary of Quarterly Results

(\$'000's, except MT and per unit amounts)	2024				2025			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Sand volumes (MT)</b>	874,849	921,148	963,539	767,712	1,041,223	1,094,355	665,006	906,903
Sand revenue	132,994	140,056	142,236	117,658	162,903	161,472	100,265	135,342
Well site solutions	35,720	35,360	39,908	26,701	44,428	39,216	23,941	28,323
Terminal services	854	940	906	617	1,233	1,201	1,113	868
<b>Sales</b>	169,568	176,356	183,050	144,976	208,564	201,889	125,319	164,533
Cost of sales	126,382	134,214	139,768	110,957	162,369	153,280	95,016	130,379
Cost of sales - depreciation	7,549	9,500	9,613	8,630	9,402	11,873	10,676	10,731
<b>Cost of sales</b>	133,931	143,714	149,381	119,587	171,771	165,153	105,692	141,110
<b>Gross margin</b>	35,637	32,642	33,669	25,389	36,793	36,736	19,627	23,423
Operating expense	6,042	6,327	6,493	6,618	7,927	8,383	7,149	6,795
General & administrative expense	5,350	5,851	3,518	4,768	4,908	4,839	3,235	4,482
Depreciation	4,210	4,289	4,753	3,832	5,700	5,432	5,484	5,748
<b>Income from operations</b>	20,035	16,175	18,905	10,171	18,258	18,082	3,759	6,398
<b>Other expense (income):</b>								
Finance expense	8,716	8,633	8,217	9,054	6,864	7,177	6,568	9,795
Share-based compensation expense (recovery)	9,341	(1,032)	1,016	5,412	(4,959)	1,081	321	528
(Gain) loss on asset disposal	(1,931)	(47)	(862)	628	4	536	443	—
Gain on Sahara finance lease	—	—	(1,992)	(1,908)	—	—	—	—
Other income	(387)	(169)	(12)	(606)	(140)	(575)	(22)	(70)
Other expense (recovery) <sup>(1)</sup>	370	691	221	1,545	(12,501)	277	187	145
Loss on sublease	—	635	—	—	13	—	—	—
Loss (gain) on debt modification and extinguishment	115	49	—	2,917	(918)	428	(204)	(499)
Foreign exchange loss (gain)	160	(665)	(66)	(610)	(261)	754	(349)	(134)
Unrealized foreign exchange loss (gain)	—	—	—	—	31	(8,226)	3,529	(1,782)
<b>Total other expense (income)</b>	16,384	8,095	6,522	16,432	(11,867)	1,452	10,473	7,983
<b>Income (loss) before income taxes</b>	3,651	8,080	12,383	(6,261)	30,125	16,630	(6,714)	(1,585)
Income taxes	1,758	3,395	2,228	963	6,526	3,062	(497)	(3,716)
<b>Net income (loss)</b>	1,893	4,685	10,155	(7,224)	23,599	13,568	(6,217)	2,131
<b>Net earnings (loss) per share (\$/share)</b>	0.14	0.35	0.75	(0.53)	1.74	1.01	(0.46)	0.16
<b>Diluted net earnings (loss) per share (\$/share)</b>	0.14	0.26	0.74	(0.53)	1.74	1.01	(0.46)	0.16
<b>Net income (loss)</b>	1,893	4,685	10,155	(7,224)	23,599	13,568	(6,217)	2,131
Interest expense	6,283	6,284	6,281	6,655	5,835	6,308	5,394	8,671
Income taxes	1,758	3,395	2,228	963	6,526	3,062	(497)	(3,716)
Depreciation	4,210	4,289	4,753	3,832	5,700	5,432	5,484	5,748
Cost of sales - depreciation	7,549	9,500	9,613	8,630	9,402	11,873	10,676	10,731
Loss (gain) on debt modification and extinguishment	115	49	—	2,917	(918)	428	(204)	(499)
Finance expense (excluding interest expense)	2,433	2,349	1,936	2,399	1,029	869	1,174	1,124
Share-based compensation expense (recovery)	9,341	(1,032)	1,016	5,412	(4,959)	1,081	321	528
(Gain) loss on asset disposal	(1,931)	(47)	(862)	628	4	536	443	—
Loss on sublease	3	635	—	—	13	—	—	—
Unrealized foreign exchange loss (gain)	—	—	—	—	31	(8,226)	3,529	(1,782)
Other expense (recovery) <sup>(1)</sup>	367	691	221	1,545	(12,501)	277	187	145
<b>Adjusted EBITDA<sup>(2)</sup></b>	32,021	30,798	35,341	25,757	33,761	35,208	20,290	23,081
Sand revenue sales/MT	152.02	152.05	147.62	153.26	156.45	147.55	150.77	149.24
Gross margin	35,637	32,642	33,669	25,389	36,793	36,736	19,627	23,423
Cost of sales - depreciation	7,549	9,500	9,613	8,630	9,402	11,873	10,676	10,731
<b>Adjusted Gross Margin<sup>(2)</sup></b>	43,186	42,142	43,282	34,019	46,195	48,609	30,303	34,154
Gross margin/MT	40.74	35.44	34.94	33.07	35.34	33.57	29.51	25.83
<b>Adjusted Gross Margin/MT<sup>(2)</sup></b>	49.36	45.75	44.92	44.31	44.37	44.42	45.57	37.66

### 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 'Annual Results Review' above.
- (2) Adjusted EBITDA and Adjusted Gross Margin (including on a per MT basis) are not defined under IFRS, refer to 'Non-IFRS Measures' below.

## Fourth Quarter Results Review

### Sand Revenue

For the three months ended December 31, 2025, Source generated sand sales volumes of 906,903 MT, an 18% increase over the fourth quarter of 2024, and sand revenue of \$135.3 million, a \$17.7 million increase over the same period in 2024. The increase was primarily driven by a rebound in Source customer activity levels, as several customers deferred third quarter work into the fourth quarter and early 2026. Average realized sand price decreased by \$4.02 per MT compared to the same period last year, attributed to a shift in product mix and the impact of lower-priced, finer mesh sand sales. The increased proportion of lower-value sand volumes contributes to a more balanced mesh demand profile which supports improved production efficiency and higher processing yields, as noted above.

### Well Site Solutions Revenue

Well site solutions revenue totaled \$28.3 million for the fourth quarter of 2025, an increase of \$1.6 million or 6% compared to the fourth quarter of 2024. This increase was driven by higher volumes delivered by “last mile” logistics, reflecting strong Source customer activity levels and longer trips to well sites compared to the same period in 2024. Sahara units in Canada were 50% utilized during the fourth quarter, a 4% increase compared to fourth quarter of 2024, and Sahara units deployed in the US remained fully contracted, maintaining 100% utilization during the quarter.

### Terminal Services Revenue

For the fourth quarter of 2025, terminal services revenue increased by \$0.3 million compared to the fourth quarter of 2024, due to an increase in revenue from higher chemical elevation volumes realized, as well as sand elevation storage rate increases.

### Cost of Sales

(\$000's)	Three months ended December 31,	
	2025	2024
Direct materials	104,727	85,684
People costs	7,088	5,264
Equipment costs	1,757	1,667
Transportation costs	16,430	18,092
Facility costs	377	250
<b>Cost of sales</b>	<b>130,379</b>	<b>110,957</b>
<b>Cost of sales - depreciation</b>	<b>10,731</b>	<b>8,630</b>

Cost of sales, excluding depreciation, increased by \$19.4 million for the three months ended December 31, 2025 compared to the fourth quarter of 2024, driven by higher sand volumes sold and incremental costs incurred for the Peace River facility in 2025. Commissioning of the newly expanded facility was impacted by integration issues with legacy equipment, resulting in incremental costs incurred. The increase in overall cost of sales also reflects higher people costs and higher repairs and maintenance expenses for equipment, largely attributed to the sand trucking assets purchased last year, as well as incremental royalty costs for the Peace River facility, driven by increased production levels. Compared to the fourth quarter of 2024, a reduction in third party trucking costs favorably impacted cost of sales, excluding depreciation, driving lower costs for transportation.

On a per tonne basis, cost of sales, excluding depreciation was impacted by a shift in terminal mix, partly offset by lower costs for rail-related transportation during the quarter. The impact of the movement in foreign exchange rates on US dollar denominated components of cost of sales drove a decrease of \$0.25 per MT to cost of sales, excluding depreciation, compared to the fourth quarter last year.

## Gross Margin

(\$000's, except MT and per unit amounts)	Three months ended December 31,	
	2025	2024
Gross margin	23,423	25,389
Cost of sales – depreciation	10,731	8,630
Adjusted Gross Margin <sup>(1)</sup>	34,154	34,019
Gross margin/MT	25.83	33.07
Adjusted Gross Margin/MT <sup>(1)</sup>	37.66	44.31
Percentage of mine gate sand volumes	4%	3%
Percentage of sand volumes sold in the WCSB	96%	97%

### 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 \$2.0 million and Adjusted Gross Margin improved by \$0.1 million for the three months ended December 31, 2025, attributed to the increase in activity levels realized during the period. Excluding gross margin from mine gate volumes, Adjusted Gross Margin was \$39.07 per MT, compared to \$44.88 per MT for the fourth quarter of 2024. The fourth quarter was impacted by incremental costs at the Peace River facility, as noted above, as well as extremely cold temperatures and heavy snowfall in certain Source customer operating areas, resulting in additional performance-related charges which impacted Adjusted Gross Margin by \$0.52 per MT. For the three months ended December 31, 2025, the strengthening of the Canadian dollar led to a decrease of Adjusted Gross Margin by approximately \$0.02 per MT.

## Operating and General & Administrative Expense

(\$000's)	Three months ended December 31,			
	2025		2024	
	OPEX	G&A	OPEX	G&A
People	2,678	3,139	2,827	3,497
Equipment	663	—	650	1
Facility	526	3	431	11
Selling and administrative	2,928	1,340	2,710	1,259
<b>Operating and general &amp; administrative expense</b>	<b>6,795</b>	<b>4,482</b>	<b>6,618</b>	<b>4,768</b>

For the fourth quarter of 2025, total operating and general and administrative expense decreased by \$0.1 million compared to the same period of 2024. Operating expense increased by \$0.2 million, mainly due to higher selling and administrative costs, including higher royalty expenses, increased workers' compensation premiums and property tax expenses. These cost pressures were partially offset by lower people costs, reflecting reduced incentive compensation expense compared to the fourth quarter last year.

General and administrative expense decreased by \$0.3 million for the three months ended December 31, 2025, primarily due to lower people costs, reflecting lower incentive compensation expense, and a reduction in IT related expenses. During the fourth quarter of 2024, Source implemented a new cloud-computing software system which resulted in incremental expenses incurred during the period. An increase in costs for legal fees partly offset the reductions in general and administrative expense, compared to the same period in 2024.

### Share-based compensation

For the three months ended December 31, 2025, share-based compensation expense decreased by \$4.9 million compared to the same period in 2024, attributed to the movement in Source's share price.

### (Gain) Loss on debt modification and extinguishment

During the three months ended December 31, 2025, Source revalued its long-term debt to reflect changes in expected cash flows and the movement in interest rates, resulting in a gain of \$0.5 million. During the three months ended December 31, 2024, amounts outstanding for the senior secured notes, the Prior ABL facility and the Promissory Notes were repaid, resulting in a loss on debt extinguishment for the fourth quarter last year.

### Unrealized foreign exchange gain

For the three months ended December 31, 2025, Source reported an unrealized foreign exchange gain, primarily attributed to the movement of foreign exchange rates on US dollar denominated debt, partly offset by the impact of exchange rate movement on US denominated cash balances on hand.

## Liquidity and Capital Resources

<b>Free Cash Flow</b> (\$000's)	Three months ended December 31,		Year ended December 31,	
	2025	2024	2025	2024
Adjusted EBITDA <sup>(1)</sup>	23,081	25,757	112,340	123,917
Financing expense paid	(7,059)	(15,861)	(27,075)	(35,903)
Capital expenditures, net of proceeds on disposal of property, plant and equipment and reimbursement of capital costs <sup>(2)</sup>	(7,106)	(5,537)	(40,340)	(19,074)
Payment of lease obligations	(7,490)	(5,941)	(26,917)	(21,375)
Income taxes refunded (paid)	4,690	190	(1,025)	(979)
<b>Free Cash Flow<sup>(1)</sup></b>	<b>6,116</b>	<b>(1,392)</b>	<b>16,983</b>	<b>46,586</b>

### 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.

Source generated Free Cash Flow of \$6.1 million for the fourth quarter of 2025, an increase of \$7.5 million compared to the fourth quarter of 2024. The increase was mainly due to lower financing expenses paid and refunded income taxes. During the fourth quarter of 2024, Source incurred finance expenses associated with the Refinancing Transaction, as defined below. For the fourth quarter of 2025, Free Cash Flow was impacted by higher amounts for capital expenditures of \$1.6 million, primarily due to expansion at the Peace River facility, and higher amounts paid for lease obligations, resulting from additional heavy equipment at Peace River and higher lease rate renewals for Wisconsin mining operations.

On a year-to-date basis, Free Cash Flow decreased by \$29.6 million compared to 2024, largely attributed to higher capital expenditures related to the Peace River facility expansion and sand processing assets purchased, as noted below. Free Cash Flow was also impacted by a slowdown in activity levels during the third quarter of 2025, as Source customers deferred certain projects into late 2025 and early 2026. Additional heavy equipment for mining operations in Canada and higher renewal rates for US operations increased amounts paid for lease obligations compared to 2024.

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.

<b>Capital expenditures</b> (\$000's)	Three months ended December 31,		Year ended December 31,	
	2025	2024	2025	2024
Terminal	21	2,233	1,187	8,982
Well site solutions	272	513	1,082	8,768
Production	4,524	4,212	24,537	6,474
Overburden removal	1,993	1,832	12,406	10,008
Other	413	24	2,793	1,804
Taylor facility	4,721	6,265	17,847	8,969
<b>Capital expenditures</b>	<b>11,944</b>	<b>15,079</b>	<b>59,852</b>	<b>45,005</b>
<i>Proceeds on disposal of property, plant and equipment and reimbursement of capital costs</i>	<i>(117)</i>	<i>(3,277)</i>	<i>(1,665)</i>	<i>(16,962)</i>
<b>Capital expenditures, net of proceeds on disposal of property, plant and equipment and reimbursement of capital costs</b>	<b>11,827</b>	<b>11,802</b>	<b>58,187</b>	<b>28,043</b>
Growth capital <sup>(1)</sup>	4,149	5,428	22,097	18,997
Maintenance and sustaining capital	3,074	3,386	19,908	17,039
Capital expenditures, excluding the Taylor facility	7,223	8,814	42,005	36,036
Taylor facility	4,721	6,265	17,847	8,969
<b>Capital expenditures</b>	<b>11,944</b>	<b>15,079</b>	<b>59,852</b>	<b>45,005</b>

### Note:

(1) 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 \$7.1 million for the three months ended December 31, 2025, an increase of \$1.6 million compared to the fourth quarter last year. Excluding proceeds on disposal and reimbursements and construction for the Taylor facility, growth capital expenditures increased by \$2.1 million, mainly attributed to expansion at the Peace River facility. During the fourth quarter of 2024, a customer reimbursement related to the Peace River facility expansion lowered total expenditures incurred during the quarter, offsetting amounts spent for the Chetwynd terminal expansion and costs to complete Source's eleventh Sahara unit. Maintenance and sustaining capital expenditures decreased by \$0.5 million for the fourth quarter of 2025, compared to the same period last year, driven by lower amounts incurred for facility improvements, partly offset by amounts incurred for Source's trucking operations and various small upgrade projects at the Wisconsin mining facilities.

During the year ended December 31, 2025, capital expenditures, net of proceeds on disposals and reimbursements and excluding expenditures related to the Taylor facility, increased by \$21.3 million compared to 2024. Excluding expenditures for the Taylor facility and proceeds on disposal and reimbursements, growth capital expenditures increased by \$15.7 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 now complete. Expenditures for sustaining capital increased by \$5.5 million for 2025 compared to last year, driven by higher amounts for overburden removal and increased expenditures for Sahara improvements and upgrades, as well as equipment rebuilds for Source's trucking operations.

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 through cash generated by operating activities during the year, while amounts related to construction of the Taylor terminal facility were funded by the Taylor Financing Facility. For 2024, capital spend was funded with amounts available under the credit facilities and cash flows from operations.

<b>Finance expense</b> (\$'000's)	<b>Three months ended December 31,</b>		<b>Year ended December 31,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Interest on Term Loan	<b>4,267</b>	675	<b>17,313</b>	675
Interest on senior secured notes	—	3,667	—	14,945
Interest on ABL facility <sup>(1)</sup>	<b>292</b>	657	<b>531</b>	4,103
Interest on credit facilities	<b>4,559</b>	4,999	<b>17,844</b>	19,723
Interest on Promissory Notes	—	172	—	479
Other interest income	<b>(236)</b>	(106)	<b>(1,259)</b>	(187)
Other interest expense	<b>2,373</b>	66	<b>2,463</b>	216
Interest on leases	<b>1,975</b>	1,525	<b>7,160</b>	5,272
Accretion	<b>957</b>	1,622	<b>3,406</b>	7,301
Other finance expense	<b>167</b>	776	<b>790</b>	1,816
<b>Total finance expense</b>	<b>9,795</b>	<b>9,054</b>	<b>30,404</b>	<b>34,620</b>

**Note:**

(1) 2024 reflects interest expense paid on the Prior ABL facility.

Finance expense for the fourth quarter of 2025 increased by \$0.7 million compared to the same period in 2024. During the fourth quarter management determined that the delayed draw facility, expiring on December 31, 2025, would not be utilized, as noted below. As a result, previously deferred and capitalized costs associated with the facility were recognized during the quarter, resulting in an increase in other interest expense compared to the fourth quarter of 2024. Source also incurred higher interest expense on lease obligations during the period due to the increase in heavy equipment leases for mining operations. These impacts were partially offset by lower accretion expense incurred and higher interest income earned, compared to the fourth quarter of 2024.

For the year ended December 31, 2025, finance expense decreased by \$4.2 million compared to 2024. The decrease was attributable to lower interest expense incurred for Source's credit facilities and incremental interest income earned for cash balances on hand, as well as lower amounts incurred for accretion expense. These reductions were partly offset by higher interest expense for lease obligations and other interest expense, as noted above, compared to 2024.

## Long-term debt

(\$000's)	December 31, 2025	December 31, 2024
Term Loan	153,309	183,547
Taylor Financing Facility	20,967	10,042
Other long-term debt	—	1,378
<b>Total long-term debt</b>	<b>174,276</b>	<b>194,967</b>
Less: current portion	(11,690)	(8,093)
<b>Long-term portion</b>	<b>162,586</b>	<b>186,874</b>
<i>Standby letter of credit facility</i>	<i>US\$13,500</i>	<i>US\$13,500</i>

In December 2024, Source completed a refinancing of its credit facilities (the “Refinancing Transaction”), which resulted in the closing of the Term Loan (as defined below), and a new revolving asset-backed credit facility. Upon closing of the Refinancing Transaction, amounts outstanding under the senior secured notes, the previous asset-based lending facility (the “Prior ABL facility”) and promissory notes, issued upon purchase of sand trucking assets in 2024 (the “Promissory Notes”), were repaid.

Total long-term debt outstanding decreased from the year ended December 31, 2024, driven by repayments made on the Term Loan during 2025, and the movement in foreign exchange rates. Source paid out amounts outstanding under its RSU and PSU plans during the first quarter of 2025, which will be replaced by other long-term incentive compensation, 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 operations.

### 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. As noted above, management determined that funds of US\$25.0 million, available under a delayed draw facility through December 31, 2025, would not be required in the near term. As a result, \$2.1 million of financing fees associated with the delayed draw facility, previously deferred and capitalized, were expensed during the fourth quarter.

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 first three fiscal quarters and 60 days after the fiscal year. 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 repayments on the credit facilities in the applicable fiscal quarter. Source has repaid US\$9.8 million to date in 2025 under this feature and, during the fourth quarter of 2025, Source generated excess cash flows resulting in a repayment of US\$0.9 million, payable on March 1, 2026.

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 total leverage ratio of 2.25:1 for 2025 (2026 - 2.00:1; 2027 and thereafter - 1.75:1), tested each fiscal quarter. At December 31, 2025 Source was in compliance with all covenants.

Subsequent to December 31, 2025, Source completed an amendment to the Term Loan agreement which revises the required total leverage ratio thresholds as follows:

- 2.50:1 for the fiscal quarter ended March 31, 2026;
- 3.00:1 for the fiscal quarter ended June 30, 2026;
- 2.25:1 for the fiscal quarters ended September 30, 2026 and December 31, 2026; and
- 2.00:1 for the fiscal quarter ended March 31, 2027.

The leverage covenant subsequently reverts to 1.75:1 through the remainder of the term. If the leverage ratio exceeds 2.00:1, the applicable margin on interest for the Term Loan will increase by 50 bps.

### 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 December 31, 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 December 31, 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 December 31, 2025 amounts held on deposit totaled \$3.0 million.

#### *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.

### **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 year ended year ended December 31, 2025.

### **Cash and Net Working Capital**

(\$000's)	December 31, 2025	December 31, 2024
Current assets <sup>(1)</sup>	204,719	211,692
Current liabilities	(156,376)	(140,973)
Net working capital	48,343	70,719
Current portion of long-term debt	11,690	8,093
Net working capital, excluding current portion of long-term debt	60,033	78,812

#### **Note:**

(1) Excludes cash on hand related to the timing of advances under the Taylor Financing Facility.

At December 31, 2025, total current assets less total current liabilities (net working capital) reflected a surplus \$48.3 million. Excluding the current portion of long-term debt, net working capital was \$60.0 million, a decrease of \$18.8 million compared to December 31, 2024. The reduction was mainly due to lower cash balances on hand and lower amounts outstanding for accounts receivable, despite stronger activity levels in the fourth quarter, attributed to the timing of customer payments received. At December 31, 2025, amounts outstanding for accrued receivables and accrued liabilities include balances of approximately \$10.6 million, respectively, compared to 2024, reflecting tariff rebates forthcoming from the Canadian government, as noted below, which will in turn be refunded to Source customers. A year-over-year decrease in balances outstanding for contract liabilities was largely offset by higher amounts outstanding for lease obligations. The increase in lease obligations is attributed to additional heavy equipment at the Peace River facility and higher renewal costs at the Wisconsin manufacturing facility, due to the replacement of expiring leases and aging equipment, and increased activity levels at the Peace River mining facility.

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.

#### *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. A refund from the Canadian government is expected by the end of the first quarter in 2026.

#### **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 December 31, 2025, are \$26.7 million (December 31, 2024 - \$25.9 million) and \$24.8 million (December 31, 2024 - \$20.8 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 \$1.9 million respectively, for the three and twelve months ended December 31, 2025 (\$0.6 million and \$1.7 million respectively, for the three and twelve months ended December 31, 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 \$1.6 million at December 31, 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 January 2026 and September 2046, the IT software subscriptions expire between September 2026 and May 2030, and the natural gas contracts expire through December 2027. The financial liabilities presented in Source's consolidated statements of financial position consist of the Term Loan, ABL facility, Taylor Financing Facility and lease liabilities. Source's planned cash outflows relating to lease commitments and financial liabilities are outlined in the table below:

(\$000's)	Total	2026	2027	2028	2029	2030	2031 and beyond
Lease liabilities	121,258	33,686	27,878	18,321	12,213	6,964	22,196
Other commitments	2,871	2,066	644	125	18	18	—
Term Loan <sup>(1)</sup>	216,997	25,530	23,395	22,584	145,488	—	—
Taylor Financing Facility	25,075	4,801	4,801	4,801	10,672	—	—

**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 December 31, 2025, Source had issued and outstanding 13,080,255 common shares (December 31, 2024 - 13,545,055). As at February 26, 2026, Source had 13,080,255 common shares outstanding.

### Normal course issuer bid

On May 13, 2025, the Company commenced a Normal Course Issuer Bid (the "NCIB"), under which the Company was authorized to purchase up to a maximum of 750,000 common shares or \$5.0 million. The NCIB terminates on the earlier of May 12, 2026 and such earlier date as the maximum number of common shares are purchased or the NCIB is completed or terminated at the election of the Company. All common shares purchased under the NCIB are returned to treasury for cancellation. Concurrently, 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.

Source revised the ASPP to reflect an amended NCIB, approved by the TSX in October 2025, which increased the maximum number of shares eligible for repurchase to 1,189,458 common shares, or \$15.6 million. For the year ended December 31, 2025, Source purchased 464,800 shares for cancellation at a weighted average price per share of \$12.67.

### Off-Balance Sheet Arrangements

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

### Transactions between Related Parties

During the year ended December 31, 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.

### Selected Annual Information

<i>(\$000's, except per unit amounts)</i>	<b>2025</b>	<b>2024</b>	<b>2023</b>
Total assets	617,131	598,218	482,830
Term Loan	153,309	183,547	—
Senior secured notes	—	—	143,730
Prior ABL facility	—	—	13,069
Other non-current liabilities	107,024	91,924	66,091
Total revenue	700,305	673,950	569,748
Net income	33,081	9,509	167,345
Earnings per share, basic	2.48	0.70	12.35
Earnings per share, diluted	2.48	0.70	11.88

### 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 December 31, 2025. There were no material weaknesses in the design of the DC&P and the ICFR at December 31, 2025, and no changes in ICFR during the period beginning on January 1, 2025, and ended on December 31, 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.

## **Business Risks**

The following business risks are not a complete list of risks and for additional information regarding the risks that Source is exposed to, refer to the disclosure provided under the heading “Risk Factors” in the Company’s AIF.

***The substantial majority of Source’s frac sand is currently produced from the Sumner Facility, the Blair Facility, and the Preston Facility, and the delivery of that frac sand to Source’s customers is primarily served by one rail line. Any adverse developments at a facility or on the rail line could have a material adverse effect on Source’s business, financial condition and results of operations***

Most of Source’s sand is currently derived from the Sumner Facility, the Blair Facility, and the Preston Facility which are served primarily by a single Class I rail line owned by CN. Any adverse development at the Sumner Facility, the Blair Facility, or the Preston Facility or on the rail line due to catastrophic events or weather, or any other event that would cause Source to curtail, suspend or terminate operations at its facilities, could result in Source being unable to meet its sand deliveries. Although Source operates the Peace River facility, which can mitigate some of the production loss from one of the Wisconsin operations, it currently cannot replace all of any one facility. Source also maintains insurance coverage to cover a portion of these types of risks, there are potential risks associated with Source’s operations not covered by insurance. There also may be certain risks covered by insurance where the policy does not reimburse Source for all of the costs related to a loss. Downtime or other delays or interruptions to Source’s operations that are not covered by insurance could have a material adverse effect on Source’s business, results of operations and financial condition. In addition, since the Sumner Facility, the Blair Facility, and the Preston Facility are all served by a single Class I rail line, any adverse changes to the existing rail rates, rail car leases, or other logistics costs would adversely affect Source’s business operations and financial position.

***Source’s business and financial performance depend on the level of activity in the oil and natural gas industry***

Substantially all of Source’s revenues are derived from the sale of proppant to companies in the oil and natural gas industry in the WCSB. As a result, Source’s operations are dependent on the levels of activity in oil and natural gas exploration, development, and production primarily in the WCSB. More specifically, the demand for the proppants Source produces is closely related to the number of oil and natural gas wells completed in geological formations that Source serves and where sand-based proppants are used in hydraulic fracturing activities. These activity levels are affected by both short and long-term trends in oil and natural gas prices, among other factors. Historically, oil and natural gas prices have been volatile and are subject to fluctuations in response to changes in supply and demand, market uncertainty and a variety of additional factors that are beyond the Company’s control. Oil and natural gas prices fluctuate because of market uncertainties over the supply and the demand of these commodities due to the current state of the world economy, OPEC and other state – controlled crude oil companies’ actions, sanctions imposed on certain oil producing nations by other countries, and the impact of protectionist measures on foreign trade. Source’s operations could also be impacted by economic, environment, regulatory and pipeline egress issues in Canada. Furthermore, the availability of key resources that impact drilling activity has experienced significant fluctuations and could impact demand for the Company’s products. A prolonged reduction in oil and natural gas prices would generally depress the level of oil and natural gas exploration, development, production and well completion activity and would result in a corresponding decline in the demand for the proppants Source produces. Such a decline would have a material adverse effect on Source’s business, results of its operations, and its financial condition. Furthermore, the commercial development of economically viable alternative energy sources (such as wind, solar, geothermal, tidal, fuel cells and biofuels) could have a similar effect. Any future decreases in the rate at which oil and natural gas reserves are discovered or developed, whether due to the passage of legislation, increased governmental regulation leading to limitations, or prohibitions on exploration and drilling activity, including hydraulic fracturing, or other factors, could have a material adverse effect on Source’s business and financial condition, even in a stronger oil and natural gas price environment.

***Source’s business may be adversely affected by changing economic conditions beyond its control, including decreases in oil and natural gas development***

Source’s revenue is closely tied to conditions in the oil and natural gas industry in which its customers operate, and more broadly to general economic conditions. Source’s product and services are used primarily in oil and gas exploration and production in Western Canada and the United States. Consequently, economic downturns and particularly weakness in the oil and natural gas market may lead to a significant decrease in demand for Source’s products and services or depress utilization rates and the prices for the products and services Source sells. During periods of expansion in Source’s respective end markets, Source generally has benefited from increased demand for its products and services. However, during recessionary periods in Source’s end markets, Source may be adversely

affected by reduced demand for its products and services. Weakness in Source's end markets, such as a decline in oil and natural gas exploration and production, may in the future lead to a decrease in the demand for Source's products and services or the price Source can charge for its products and services, which could adversely affect Source's operating results by decreasing revenues and profit margins. Deterioration in the oil and natural gas industry could have a material adverse effect on Source's business, financial position, results of operations and cash flows in the future.

***Source's indebtedness could adversely affect its financial flexibility and its competitive position***

Source's indebtedness under the ABL agreement and the Term Loan agreement could have significant effects on its business. For example, it could:

- increase Source's vulnerability to adverse changes in general economic, industry and competitive conditions;
- require Source to dedicate a substantial portion of its cash flow from operations to make payments on its indebtedness, thereby reducing the availability of its cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit its flexibility in planning for, or reacting to, changes in Source's business and the industry in which Source operates;
- restrict Source from exploiting business opportunities;
- make it more difficult to satisfy its financial obligations, including payments on its indebtedness;
- place Source at a disadvantage compared to its competitors that have less debt; and
- limit Source's ability to borrow additional funds for working capital, capital expenditures, acquisitions, debt service requirements, execution of its business strategy or other general corporate purposes.

***Source relies on a small number of customers for the majority of its revenue***

Source relies on a small number of large customers for most of its revenue, and the loss of one or more such customers may adversely affect Source's results of operations and cash flows. Source's five largest customers accounted for 80% of its revenue for the year ended December 31, 2025. Although a significant percentage of Source's customers are under contract, certain contracts do not provide for guaranteed volumes and can be terminated on short notice and, on occasion, certain customers may demand to renegotiate a contract prior to the end of its term. There can be no assurance that Source's current customers will continue their relationships with Source or that contracts that come up for renewal will be renewed or, if they are renewed, that customers will contract for the same amounts or that they will pay the same prices as they have in the past. The loss of one or more major customers, the failure to renew customer contracts, or any decrease in products or services purchased or prices paid or any other changes to the terms of service under renewed contracts could have a material adverse effect on Source's business, financial position, results of operations and cash flows. A substantial portion of Source's customer contracts, including contract renewals, are subject to competitive tender processes, and there can be no assurance that Source will be successful in acquiring new business or retaining existing business subject to competitive tender. As a result of the limited number of customers that Source currently serves, Source's operations are subject to counterparty risk. The ability or willingness of each of Source's customers to perform its obligations under an agreement with Source will depend on a number of factors that are beyond Source's control and may include, among other things, the overall financial condition of the counterparty, the condition of the Canadian and United States oil and natural gas exploration and production industry, the continuing use of frac sand in hydraulic fracturing operations and general economic conditions. In addition, in depressed market conditions, Source's customers may no longer need the amount of frac sand for which they have indicated or agreed to or may be able to obtain comparable products at a lower price. If Source's customers experience a significant downturn in their business or financial condition, they may attempt to renegotiate Source's agreements. In addition, as agreements expire, depending on market conditions at the time, Source's customers may choose not to extend, or to adjust the terms of, these agreements which could lead to a significant reduction of sales volumes and corresponding revenues cash flows and financial condition if Source is not able to replace these expected sales volumes with new sales volumes. Additionally, even if Source were to replace any lost volumes, under current market conditions, lower prices for its product could materially reduce its revenues, cash flow and financial condition.

***Source's operations are subject to operating risks that are often beyond its control and could adversely affect production levels and costs***

Source's mining, processing and production facilities, its logistics operations and any future properties it develops or may acquire in the future are and will be subject to risks normally encountered in the frac sand industry. These risks include:

- changes in the price and availability of transportation;
- inability to obtain necessary production equipment or replacement parts;

- inclement or hazardous weather conditions, including flooding, and the physical impacts of climate change;
- unanticipated ground, grade or water conditions;
- inability to acquire or maintain necessary permits or mining or water rights;
- late delivery of supplies;
- changes in the price and availability of natural gas or electricity that Source uses as fuel sources for its frac sand plants and equipment;
- technical difficulties or failures;
- cave-ins or similar pit wall failures;
- environmental hazards, such as unauthorized spills, releases and discharges of wastes, tank ruptures and emissions of unpermitted levels of pollutants;
- industrial accidents;
- changes in laws and regulations (or the interpretation thereof) related to the mining and oil and natural gas industries, silica dust exposure or the environment;
- inability of Source's customers or distribution partners to take delivery;
- reduction in the amount of water available for processing;
- fires, explosions or other accidents; and
- facility shutdowns in response to environmental regulatory actions.

The occurrence of any of these events could have a material adverse effect on Source's business, financial position, results of operations and cash flows.

***The Company's information assets and critical infrastructure may be subject to cyber security risks***

The Company is subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, user errors, invasion, virus, computer viruses, cyber-attack, cyber-fraud, hackers or malicious actors, security or data breach, and destruction or interruption of the Company's information technology systems by third parties or insiders.

Despite Source's security measures and controls, which are designed to mitigate these risks, a breach of its security measures and/or a loss of information could occur and result in a loss of material and confidential information and reputation, breach of privacy laws and a disruption to the Company's business activities by limiting its capacity to effectively monitor and control Source's operations and adjust to changing market conditions. Source's failure to appropriately maintain the security of the data Source holds, whether as a result of Source's own error or the malfeasance or errors of others, could harm Source's reputation or give rise to legal liabilities leading to lower revenues, increased costs and other adverse effects on Source's results of operations. Any future cyber security attacks that affect Source's facilities, communications systems, Source's customers, or any of Source's financial data could have a material adverse effect on Source's business. In addition, cyber-attacks on Source's customer and employee data may result in a financial loss and may negatively impact Source's reputation. Third-party systems on which Source relies could also suffer operational system failure. The significance of any such event is difficult to quantify but may in certain circumstances be material to the Company and could have adverse effects on the Company's business, reputation, financial condition, and results of operations.

Although Source maintains specialized insurance for possible liability resulting from a cyber-attack on Source's assets that may shut down all or part of Source's business, there may be certain risks covered by insurance where the policy does not reimburse Source for all of the costs related to a loss. Such events, unauthorized access or other interruptions to Source's operations could result in the loss of confidential information, intellectual property, litigation, remediation costs, damage to our reputation and may negatively impact our ability to service our customers as such this could have a material adverse effect on Source's business, reputation, operations, and financial condition.

***Failure to maintain effective quality control systems at Source's mining, processing and production facilities could have a material adverse effect on Source's business, results of operations and financial condition***

The performance and quality of Source's products are critical to the success of Source's business. These factors depend significantly on the effectiveness of Source's quality control systems, which, in turn, depends on a number of factors, including the design of Source's quality control systems, Source's quality training program and Source's ability to ensure that Source's employees adhere to Source's quality control policies and guidelines. Any significant failure or deterioration of Source's quality control systems could have a material adverse effect on Source's business, results of operations and financial condition.

***Source faces significant competition that may cause it to lose market share***

The proppant industry is highly competitive. The proppant market is characterized by a small number of large, national producers and a large number of small, regional or local producers. Competition in this industry is based on price, consistency and quality of product, site location, distribution capability, customer service, reliability of supply, breadth of product offering and technical support. Some of Source's competitors have greater financial and other

resources than Source does. In addition, Source's larger competitors may develop technology superior to Source's or may have production facilities that offer lower cost transportation to certain customer locations than Source does. When the demand for hydraulic fracturing services decreases or the supply of proppant available in the market increases, prices in the frac sand market can materially decrease. Furthermore, oil and natural gas exploration and production companies and other providers of hydraulic fracturing services have acquired and, in the future, may acquire their own frac sand reserves to fulfill their proppant requirements, and these other market participants may expand their existing frac sand production capacity, all of which would negatively impact demand for Source's frac sand. In addition, increased competition in the proppant industry could have an adverse impact on Source's ability to enter into long term contracts or to enter into contracts on favourable terms.

***Source's proppant sales are subject to fluctuations in market pricing***

A majority of Source's supply agreements involving the sale of frac sand contain market-based pricing mechanisms. Accordingly, in periods with decreasing prices, Source's results of operations may be lower than if Source's agreements had fixed prices. During these periods Source's customers may also elect to reduce their purchases from Source and seek to find alternative, cheaper sources of supply. In periods with increasing prices, these agreements permit Source to increase prices; however, these increases are generally calculated on a quarterly basis and do not increase on a dollar-for-dollar basis with increases in spot market pricing. Furthermore, certain volume-based supply agreements may restrict the ability to fully capture current market pricing. These pricing provisions may result in significant variability in Source's results of operations and cash flows from period to period. Changes in supply and demand dynamics could also impact market pricing for proppants. A number of existing proppant providers and new market entrants have announced reserve acquisitions, processing capacity expansions and greenfield projects. In periods where sources of supply of frac sand exceed market demand, market prices for frac sand may decline and Source's results of operations and cash flows may correspondingly decline, be volatile, or otherwise be adversely affected.

***Restrictions under the terms of the ABL and the Term Loan may limit Source's ability to capitalize on potential acquisition and other business opportunities***

The operating and financial restrictions and covenants in the ABL agreement and the Term Loan agreement and any future financing agreements could restrict Source's ability to finance future operations or capital needs or to expand or pursue its business activities. For example, the ABL agreement and the Term Loan agreement restrict or limit Source's ability to:

- grant liens;
- incur additional indebtedness;
- engage in a merger, consolidation or dissolution;
- sell or otherwise dispose of assets, businesses and operations;
- materially alter the character of Source's business; and
- make acquisitions, investments and capital expenditures.

Furthermore, the ABL agreement and the Term Loan agreement contain certain operating and financial covenants. Source's ability to comply with such covenants and restrictions may be affected by events beyond its control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, Source's ability to comply with these covenants may be impaired. Further, if Source violates any of the restrictions, covenants, ratios or tests in the ABL or Term Loan agreements, a significant portion of Source's indebtedness may become immediately due and payable, and any lenders' commitment to make further loans to Source may terminate. Source might not have, or be able to obtain, sufficient funds to make these accelerated payments. Any subsequent replacement of the ABL or Term Loan agreements or any new indebtedness could have similar or greater restrictions.

***Downturn in business could result in potential impairment of property, plant and equipment***

Decreases in commodity prices have had and may in the future have a negative impact on industry drilling and well completion activity, which affects the demand for frac sand. Should energy industry conditions deteriorate, there is a possibility that property, plant, and equipment may be impaired in a future period. Any resulting non-cash impairment charges to earnings may be material. Specific uncertainties affecting Source's estimated fair value include the impact of competition, the prices of frac sand, future overall activity levels and demand for frac sand, the activity levels of Source's significant customers, and other factors affecting the rate of Source's future growth. These factors will continue to be reviewed and assessed going forward. Adverse developments with regard to these factors could have a further negative impact on Source's fair value.

***Risks related to NCIB Program***

Source may not be able to sustain share purchases under its NCIB program. The purchase of Common Shares under the Company's NCIB program is at the discretion of the Board. The Company's ability to purchase Common Shares

and the actual amount of Common Shares is dependent upon, among other things, the Company's financial performance, debt covenants and obligations under the Company's ABL and Term Loan Agreements in effect at the time, the Company's ability to refinance its debt obligations on similar terms and at similar interest rates, the Company's working capital requirements, the Company's future tax obligations, the Company's future capital requirements, and its compliance with applicable legislation. There is no certainty that Source will purchase the Common Shares available under its NCIB program.

### ***U.S. legislative and regulatory policies***

Possible legislative and regulatory changes announced by the Government of the United States may have an adverse effect on Source and its financial condition. In particular, there is uncertainty regarding U.S. tariffs and support for existing treaty and trade relationships, including with Canada. Implementation by the U.S. government of new legislative or regulatory policies and possible responses by the Government of Canada could impose additional costs on Source, decrease U.S. demand for Source's customers products, or otherwise negatively impact Source, which may have a material adverse effect on Source's business, financial condition and operations. In addition, this uncertainty may adversely impact: (i) the ability of companies to transact business with companies such as Source; (ii) Source's profitability; (iii) regulation affecting the Canadian oil and gas industry; (iv) global stock markets (including the TSX); and (v) general global economic conditions. All of these factors are outside of Source's control, but may nonetheless lead Source to adjust its strategy in order to compete effectively in global markets.

## **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, refer to 'Business Risks' above and 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 December 31, 2025, the fair value of the Term Loan was approximately \$154.1 million and the fair value of the Taylor Financing Facility was approximately \$21.2 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.

**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.

An estimate is made of the recoverable amount of the asset or cash-generating unit (“CGU”) to which the asset belongs. Management has determined that the Company has one CGU which is the lowest levels for which there are largely independent cash inflows.

For the purposes of assessing impairment and impairment reversal, the recoverable amount of an asset or 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 and IFRS 7 to have a material impact on its 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 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 for the current taxation year 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 December 31,		Year ended December 31,	
	2025	2024	2025	2024
Net income (loss)	2,131	(7,224)	33,081	9,509
Add:				
Income taxes	(3,716)	963	5,375	8,344
Interest expense	8,671	6,655	26,208	25,503
Cost of sales – depreciation	10,731	8,630	42,682	35,292
Depreciation	5,748	3,832	22,364	17,084
(Gain) loss on debt modification and extinguishment	(499)	2,917	(1,193)	3,081
Finance expense (excluding interest expense)	1,124	2,399	4,196	9,117
Share-based compensation expense (recovery)	528	5,412	(3,029)	14,737
Loss (gain) on asset disposal	—	628	983	(2,212)
Loss on sublease	—	—	13	638
Unrealized foreign exchange gain	(1,782)	—	(6,448)	—
Other expense (recovery) <sup>(1)</sup>	145	1,545	(11,892)	2,824
<b>Adjusted EBITDA</b>	<b>23,081</b>	<b>25,757</b>	<b>112,340</b>	<b>123,917</b>
Financing expense paid	(7,059)	(15,861)	(27,075)	(35,903)
Capital expenditures, net of proceeds on disposal of property, plant and equipment and reimbursement of capital costs <sup>(2)</sup>	(7,106)	(5,537)	(40,340)	(19,074)
Payment of lease obligations	(7,490)	(5,941)	(26,917)	(21,375)
Income taxes refunded (paid)	4,690	190	(1,025)	(979)
<b>Free Cash Flow</b>	<b>6,116</b>	<b>(1,392)</b>	<b>16,983</b>	<b>46,586</b>

### 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 'Annual Results Review' 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 December 31,		Year ended December 31,	
	2025	2024	2025	2024
Gross margin	23,423	25,389	116,579	127,337
Cost of sales – depreciation	10,731	8,630	42,682	35,292
<b>Adjusted Gross Margin</b>	<b>34,154</b>	<b>34,019</b>	<b>159,261</b>	<b>162,629</b>

## 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 "advance", "approach", "anticipates", "ensure", "expects", "project", "strategy", "future", "intends", "improve", "believes", "continues", "impact", "estimate", "focus", "could", "should", "trend", "would", 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 customers will adopt a more defensive budget approach for 2026; expectation that Western

Canadian LNG projects will drive incremental demand for proppant in the WCSB; the belief that 2026 customer activity levels are to be broadly consistent with 2025 activity levels; robust proppant demand in 2026; 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 increase 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; expectations regarding the continuing expansion of the Peace River mining 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; 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; Source's ability to maintain their information assets and critical infrastructure and cyber security; impacts of U.S. legislation and regulatory policies; 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.