

2025

Annual Information Form



DATED: FEBRUARY 26, 2026

TSX: SHLE

Table of Contents

REFERENCES AND GLOSSARY	3
DATE OF INFORMATION	9
FORWARD-LOOKING STATEMENTS AND INFORMATION	10
CORPORATE STRUCTURE	12
DESCRIPTION OF THE BUSINESS	14
GENERAL DEVELOPMENT OF SOURCE'S BUSINESS	21
CAPITAL STRUCTURE	23
MARKET FOR SECURITIES	24
DIVIDENDS AND DISTRIBUTIONS	24
ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER	25
CREDIT RATINGS	25
DIRECTORS AND OFFICERS	25
CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS	28
AUDIT COMMITTEE INFORMATION	29
RISK FACTORS	30
LEGAL PROCEEDINGS AND REGULATORY ACTIONS	53
INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	53
MATERIAL CONTRACTS	54
TRANSFER AGENT AND REGISTRAR	54
EXPERTS	54
ADDITIONAL INFORMATION	54
APPENDIX "A": AUDIT COMMITTEE MANDATE	55
APPENDIX "B": MINERAL PROJECTS	60

REFERENCES AND GLOSSARY

Throughout this Annual Information Form (“AIF”), the terms “we”, “us”, “our”, “Source” or the “Company” refer to Source Energy Services Ltd., either alone or together with its subsidiaries, as applicable in the context. All references to “dollars” or “\$” in this AIF are to Canadian dollars, unless otherwise noted. Words importing the singular number include the plural and vice versa, and words importing any gender include all genders.

Except as otherwise specified herein, the financial information in this AIF has been presented in accordance with IFRS.

Capitalized terms represent frequently used concepts that have been specifically defined herein for ease of use in reading this AIF. Non-capitalized terms represent commonly used industry terms and measurements used throughout the document.

In this AIF, unless otherwise indicated or the context otherwise requires, the following terms shall have the meaning set forth below.

100 mesh means an accepted industry term for frac sand that passes through a sieve with 50 holes per linear inch and is retained by a sieve with 140 holes per linear inch, or **frac** sand that passes through a sieve with 70 holes per linear inch and is retained by a sieve with 140 holes per linear inch, as the case may be.

20/40 means an accepted industry term for frac sand that passes through a sieve with 20 holes per linear inch and is retained by a sieve with 40 holes per linear inch.

30/50 means an accepted industry term for frac sand that passes through a sieve with 30 holes per linear inch and is retained by a sieve with 50 holes per linear inch.

30/70 means an accepted industry term for frac sand that passes through a sieve with 30 holes per linear inch and is retained by a sieve with 70 holes per linear inch.

40/70 means an accepted industry term for frac sand that passes through a sieve with 40 holes per linear inch and is retained by a sieve with 70 holes per linear inch.

50/100 means an accepted industry term for frac sand that passes through a sieve with 50 holes per linear inch and is retained by a sieve with 100 holes per linear inch.

50/140 means an accepted industry term for frac sand that passes through a sieve with 50 holes per linear inch and is retained by a sieve with 140 holes per linear inch.

50/200 means an accepted industry term for frac sand that passes through a sieve with 50 holes per linear inch and is retained by a sieve with 200 holes per linear inch.

70/140 means an accepted industry term for frac sand that passes through a sieve with 70 holes per linear inch and is retained by a sieve with 140 holes per linear inch.

ABCA means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder.

ABL Agent means Canadian Imperial Bank of Commerce acting as agent on behalf of the Lenders under the ABL Agreement.

ABL Agreement means the \$40.0 million revolving secured asset-backed credit facility entered into with the ABL Agent as of December 20, 2024, which matures on December 20, 2027. The credit facility can be drawn in Canadian or United States dollars and bears interest at either prime rates, base rates, CORRA

or SOFR plus an applicable margin. The facility is secured by a first charge on cash, accounts receivable and inventory and a second lien charge on all other assets of the business excluding the Taylor Assets.

AMEC has means AMEC Earth & Environmental Ltd.

American means American Engineering Testing Inc.

amsl has the meaning ascribed to it under “*Mineral Projects – Sumner Facility*”.

APEX means Apex Geoscience Ltd.

APEX Reports means, collectively, the Blair APEX Report, the Preston APEX Report and the Sumner APEX Report.

API means the American Petroleum Institute.

ASTM means ASTM International, an international standards organization that develops and publishes voluntary consensus technical standards.

Audit Committee means the audit committee of the Board.

Barr means Barr Engineering Company.

Blair APEX Report means the technical report in respect of the Blair Facility prepared by APEX titled “Technical Report, 2025 Indicated and Inferred Resource Estimates Update Due to Conventional Annual Mining: Source Energy Services Ltd.’s Blair Silica Sand Mine and Property in Wisconsin, United States” dated effective December 31, 2025.

Blair Facility has the meaning ascribed to it under “*General Development of Source’s Business – Recent Activity*”.

Board or **Board of Directors** means the board of directors of the Company.

Boyd means John T. Boyd Company.

Camsizer has the meaning ascribed to it under “*Mineral Projects – Sumner Facility*”.

CBCA means the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, and the regulations thereto, as now in effect and as it may be amended from time to time.

CEO means the Chief Executive Officer of the Company.

CFO means the Chief Financial Officer of the Company.

Chetwynd Terminal means Source’s unit train capable terminal located in Chetwynd, British Columbia.

CIM means Canadian Institute of Mining Metallurgy and Petroleum.

CIM Definition Standards means the CIM “Definition Standards for Mineral Resources and Mineral Reserves” amended and adopted May 20, 2014.

CIM Guidelines means the CIM “CIMVal Standards and Guidelines for Valuation of Mineral Properties” adopted November 29, 2019.

Circular means the management information circular of Source dated February 26, 2026.

Class B Shares means the class B shares in the capital of the Company.

CN or **CN Railway** means Canadian National Railway Company.

Common Shares means the Common Shares in the capital of the Company, as applicable.

Company means Source Energy Services Ltd., either alone or together with its subsidiaries, as applicable in the context.

Compensation and Corporate Governance Committee means the compensation and corporate governance committee of the Board.

Consent and Support Agreement means an agreement dated October 7, 2020 between the Company and holders of approximately 74% of the principal amount of the Senior Secured Notes, supporting the terms of the agreed recapitalization transaction that closed on December 30, 2020.

CORRA means the Canadian Overnight Repo Rate Average.

CSP means CSP Property Holdings LLC, a subsidiary of Source Energy Services US LP.

Deep Basin means the region of the WCSB, generally extending northwest from west Central Alberta, from where oil and natural gas can be produced from deep and multiple zones using unconventional well designs and completions.

Distribution has the meaning set out under “*Capital Structure*”.

Distribution Rights Agreement means the distribution rights agreement dated April 13, 2017 among the Company, Triwest IV, Jim McMahon, Brad Thomson, Derren Newell, Scott Melbourne, and Joe Jackson.

dry processing plant means an industrial site where washed sand product is fed through a dryer and screening system to be dried and screened into varying gradations. The finished product that emerges from the dry plant is then stored before being transported to customers.

Duvernay means the Duvernay formation, a region in the WCSB predominately defined by the existence of a prolific production from a stratigraphic zone with the same name.

E&P means exploration and production.

EPA means the United States Environmental Protection Agency.

ESA means environmental site assessment.

Facilities means, collectively, the Blair Facility, the Preston Facility, the Sumner Facility, the Weyerhaeuser Facility, and the Peace River Facility.

forward-looking statements has the meaning ascribed to it under “*Forward-Looking Statements and Information*”.

Foth means Foth Infrastructure & Environment, LLC.

Fox Creek Terminal means Source’s unit train capable terminal located in Fox Creek, Alberta.

frac sand means naturally occurring sand utilized as proppant in the process of fracturing oil and natural formations as part of the well completion process.

FracTAL means FracTAL LLC.

GHG means greenhouse gases.

Health, Safety, and Environment Committee means the health, safety, and environment committee of the Board.

hydraulic fracturing means the process of pumping fluids, mixed with proppants, into a geological formation at pressures sufficient to create fractures in the hydrocarbon-bearing rock.

IFRS means International Financial Reporting Standards as issued by the International Accounting Standards Board and implemented in Canada through the Accounting Recommendations in the Chartered Professional Accountants of Canada Handbook.

Indicated Mineral Resource means that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors (as defined herein) as described below in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Mineral Reserve.

Inferred Mineral Resource means that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

ISO means the International Organization for Standardization, a developer and publisher of international standards.

LiDar means light detection and ranging remote-sensing technology.

LNG means liquefied natural gas.

Measured Mineral Resource means that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proven Mineral Reserve or to a Probable Mineral Reserve.

metric tonne means one metric tonne or 1,000 kilograms (equivalent to approximately 1.102 short tons or approximately 2,205 pounds).

Mineral Reserve means the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which Mineral Reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported. The public disclosure of a Mineral Reserve must be demonstrated by a pre-feasibility study or feasibility study.

Mineral Resource means a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated, or interpreted from specific geological evidence and knowledge, including sampling.

Modifying Factors means considerations used to convert Mineral Resources to Mineral Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.

Montney means the Montney formation, a region in the WCSB predominantly defined by the existence of a prolific production from a stratigraphic zone with the same name.

MPa means megapascal, a unit of pressure representing one million pascals.

MSHA means the United States Mining Safety and Health Administration.

NI 43-101 means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

NI 51-102 means National Instrument 51-102 – *Continuous Disclosure Obligations*.

NI 52-110 means National Instrument 52-110 – *Audit Committees*.

OPEC means Organization of the Petroleum Exporting Countries.

Peace River Facility has the meaning ascribed to it under “*General Development of Source’s Business – Recent Activity*”.

Preferred Acquisition means Source’s acquisition of certain assets and operations of Preferred Proppants LLC, predominantly consisting of the Preston Facility, which closed on November 7, 2017.

Preferred Sands means Preferred Sands of Wisconsin LLC.

Preston APEX Report means the technical report in respect of the Preston Facility prepared by APEX titled “Technical Report, 2025 Indicated and Inferred Resource Estimates Update Due to Conventional Annual Mining: Source Energy Services Ltd.’s Preston Silica Sand Mine and Property in Wisconsin, United States” dated effective December 31, 2025.

Preston Facility has the meaning ascribed to it under “*Description of the Business – Company Overview*”.

Prior FGI Credit Facility means the US\$55.0 million asset-backed loan facility entered into with FGI Worldwide LLC as the agent on behalf of the lenders that matured on December 20, 2024.

Probable Mineral Reserve means the economically mineable part of an Indicated Mineral Resource, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Mineral Reserve is lower than that applying to a Proven Mineral Reserve.

proppant means a sized particle mixed with fracturing fluid to hold fractures open after a hydraulic fracturing treatment.

PropTester means PropTester Inc.

Proven Mineral Reserve means the economically mineable part of a Measured Mineral Resource. A Proven Mineral Reserve implies a high degree of confidence in the Modifying Factors.

QP means Qualified Person within the meaning of NI 43-101.

Sahara means Source’s proprietary mobile well site proppant storage and handling system.

Sand Products means Sand Products Wisconsin, LLC.

SASB means Sustainability Accounting Standards Board.

SEH means Short Elliot Hendrickson Inc.

Senior Secured Notes means the senior secured notes due 2025 issued by the Senior Secured Notes Issuers on December 30, 2020 pursuant to the Senior Secured Notes Indenture, with (i) a maturity date of March 15, 2025, (ii) quarterly interest payments on February 15, May 15, August 15 and November 15 at an annual interest rate of 10.5% for cash interest payments and 12.5% for interest paid-in-kind; (iii) the option for the Senior Secured Notes Issuers to pay interest in kind through the issuance of Senior Secured Notes in respect of any quarterly interest payment due on or before February 15, 2022, (iv) provisions providing for the repayment of the Senior Secured Notes from excess cash flow, (v) a first-ranking security interest in all assets other than accounts receivable and inventory and a second ranking security interest in accounts receivable and inventory.

Senior Secured Notes Indenture means the trust indenture dated December 30, 2020, between the Senior Secured Note Issuers and Computershare Trust Company of Canada, as trustee and collateral agent.

Senior Secured Notes Issuers means Source LP and Source Holdings.

Shareholder Consent Agreement means an agreement dated October 7, 2020 between the Company and Shareholders, representing approximately 43% of Source's Common Shares, supporting the terms of the agreed recapitalization transaction that closed on December 30, 2020.

Shareholders means collectively, the holders of Common Shares from time to time.

SOFR means the Secured Overnight Financing Rate.

Source ES Partnership LP means a limited partnership governed by the laws of the Province of Alberta.

Source Holdings means Source Energy Services Canada Holdings Ltd., a corporation governed by the CBCA, that as part of the Source Legal Reorganization was continued to be governed by the ABCA and amalgamated with Source Energy Services Ltd.

Source Legal Reorganization means the legal reorganization of Source's subsidiaries that was completed on December 20, 2024 to better align its legal structure with how it operates its business. As part of this reorganization, Source Energy Services Canada Holding Ltd. was amalgamated with Source.

Source LP means Source Energy Services Canada LP, a limited partnership governed by the laws of the Province of Alberta, that as part of the Source Legal Reorganization was dissolved and its assets and liabilities were effectively transferred to Source ES Partnership LP.

sphericity means a measure of how well an object is formed in a shape where all points are equidistant from the center. The more spherical a proppant, the less likely it will be to restrict the flow of hydrocarbons.

Stim-Lab means Stim-Lab Inc.

Summit means Summit Envirosolutions Inc.

Sumner APEX Report means the technical report in respect of the Sumner Facility prepared by APEX titled "Technical Report, 2025 Indicated and Inferred Resource Estimates Update Due to Conventional Annual Mining: Source Energy Services Ltd.'s Sumner Silica Sand Mine and Property in Wisconsin, United States" dated effective December 31, 2025.

Sumner Facility has the meaning ascribed to it under "*General Development of Source's Business*".

Taylor Assets means the terminal and related assets being constructed in the District of Taylor, British Columbia, that are being financed by the Taylor Financing Facility.

Taylor Financing Facility means a project finance facility that is being funded by Trican Well Service Ltd. to build the Taylor Assets. The facility is capped at an amount of \$23.5 million, Trican Well Service Ltd. receives a fee on each advance drawn which is added to the outstanding obligation. The facility is repayable through the provision of transload services and optional cash payments over a three-year term that can be extended for one year, commencing upon the completion of the first phase of the project. The facility is secured by a first lien charge on all the Taylor Assets.

Taylor Terminal means Source's unit train capable terminal located in the district of Taylor, British Columbia.

Term Loan Agent means Silver Point Finance LLC.

Term Loan Agreement means the secured five-year US\$135.0 million term loan agreement entered into as of December 20, 2024 between Source and the Term Loan Agent. The facility bears interest at SOFR plus an applicable margin and is secured by a first charge on all assets of the business except the Taylor Assets and has a second lien charge on cash, accounts receivable and inventory. It also had a delayed draw feature for US\$25.0 million which expired on December 31, 2025.

TriWest Capital means TriWest Capital Partners IV (2011) Inc.

TriWest IV means, collectively, TriWest IV Canada Fund LP, TriWest IV US Fund LP, SES Canada LP, SES Canada 2 LP and SES Canada 3 LP.

TriWest Nomination Agreement means the nomination agreement dated April 13, 2017 between the Company and TriWest IV.

TSX means the Toronto Stock Exchange.

unit train means a train in which all cars are carrying the same commodity and are shipped from the same origin to the same destination.

U.S. or United States means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

US\$ means United States dollars.

WCSB means the Western Canadian Sedimentary Basin.

Wembley Terminal means Source's unit train capable terminal located in Wembley, Alberta.

Weyerhaeuser Facility has the meaning ascribed to it under "*General Development of Source's Business*".

WIP means work in progress.

DATE OF INFORMATION

The information in this AIF is presented as of December 31, 2025, unless otherwise indicated. Information contained in this AIF is a presentation of the consolidated results of the businesses of the operating subsidiaries of Source as of December 31, 2025, being Source ES Partnership LP, Source Energy Services US LP, and Source Energy Services Taylor Transload Holdings LP, their respective general partners and each of their respective subsidiaries.

FORWARD-LOOKING STATEMENTS AND INFORMATION

Certain statements contained in this AIF and the information incorporated herein by reference constitute “forward-looking statements” or “forward-looking information” (collectively, “**forward-looking statements**”) within the meaning of applicable Canadian and United States securities laws relating to, without limitation, expectations, estimates, projections, assumptions, intentions, plans and beliefs, including information as to the future events, results of operations and Source’s future performance and condition (both operational and financial) and business prospects. In certain cases, forward-looking statements can be identified by the use of words such as “believe”, “expect”, “anticipate”, “estimate”, “intend”, “may”, “will”, “would”, “could”, “ensure”, “capture”, “might”, “potential”, “seek”, “increase”, “continue”, “budget”, “positioned”, “project”, “strategy”, “strive” “goal”, “aim” or variations of such words and phrases and similar expressions and the negative and grammatical variations of such expressions are intended to identify forward-looking statements. 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, except as required by applicable securities laws. 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 AIF 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 oil and gas well completion materials that are not produced by Source; beliefs regarding Source’s intangible properties; the belief of increased demand for WCSB natural gas driven by LNG, power generation expansion and increased natural gas export pipeline capacity; Source’s belief regarding being ideally positioned to serve the increase in demand for frac sand and logistics services; other factors which will impact Source’s activities from quarter-to-quarter including seasonality, commodity pricing and completion activity levels of E&P companies and risks related to business, environment, mining, regulation, climate, structure, organization and ownership of securities that may affect the Company; the belief that Source’s terminal network provides a competitive advantage over its competitors by providing industry leading coverage, significant reach for supply to all key plays, and rapid load out facilities; Source’s management team has a proven track record of bringing together key components of a successful production, supply and distribution company and will effectively identify, evaluate and execute on value-add initiatives; the belief that Source’s integrated supply chain and terminal network provides its customers with reliable services and timely access to products; the belief that Source’s integrated logistics capabilities have become important differentiating factor for frac sand customers; the belief that Source has one of the most efficient and lowest cost rail fleets in the industry; expectations that Source’s WCSB terminals are well positioned to capture growing demand for frac sand in Montney, Duvernay and Deep Basin; Source’s goals regarding strengthening and creating customer relationships; beliefs regarding health, safety and environment excellence; the aim to make employees feel engaged and passionate about making a difference; that there will be no material changes to Source’s business in 2026; customer’s focus on strengthening their balance sheets; resource estimates and operating conditions; Source’s expectations regarding its 2026 capital expenditure budget; Source’s anticipated total proppant storage and throughput capacity; Sahara solution is well-suited to service the increased pad-focused development activity in the WCSB; Source’s optimism about longer-term industry prospects; E&P companies driving efficiencies; Source’s focus on improving logistics and the expectation that new terminal services will be a meaningful part of its business; intention that Source uses its future earnings and other cash resources for the operation and development of the business; Source’s position that it will be at the sole discretion of the Board of Directors to pay any dividends on the Common Shares; that no pending proceeding or threatened actions will have a material adverse effect on Source; impact of compliance with environmental regulations; industry conditions pertaining to the frac sand industry; the need for third-party sand purchases; strategies and competitive strengths.

Statements relating to Mineral Resources are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the Mineral Resources described exist in the quantities predicted or estimated and that the mineral resources described might be able to be profitably produced in the future.

By their nature, forward-looking statements involve numerous 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. In addition, this AIF may contain forward-looking statements attributed to third-party industry sources.

With respect to the forward-looking statements contained in this AIF, assumptions have been made regarding, among other things, the ability of Source to execute on its growth strategy; proppant market prices; future oil, natural gas and natural gas liquids prices; future global economic and financial conditions; 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 increased demand for WCSB natural gas driven by LNG; Source's ability to continue diversification of its business; the continued availability of timely and safe transportation for Source's products, including without limitation, rail accessibility; the continued support from the major Shareholders of Source's business plan and senior management team; the maintenance of Source's key customers and the financial strength of its key customers; the maintenance of Source's significant contracts or their replacement with new contracts on substantially similar terms and that contractual counterparties will comply with current contractual terms; operating costs; that the regulatory environment in which Source operates will be maintained in the manner currently anticipated by Source; future exchange and interest rates; geological and engineering estimates in respect of Source's resources; the recoverability of Source's resources; the accuracy and veracity of information and projections sourced from third parties respecting, among other things, future industry conditions and product demand; demand for horizontal drilling and hydraulic fracturing and the maintenance of current techniques and procedures, particularly with respect to the use of proppants; Source's ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the regulatory framework governing royalties, taxes and environmental matters in the jurisdictions in which Source conducts its business and any other jurisdictions in which Source may conduct its business in the future; future capital expenditures to be made by Source; Source's ability to fund capital expenditures from cash flows from operating activities; 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, including those risks set forth in the *"Risk Factors"* section of this AIF, and uncertainties could cause results to differ materially from those anticipated and described herein including 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; 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 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 ability of Source to retain and attract qualified management and staff in the markets in which Source operates; labour 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; risks associated with its

NCIB; uncertainties inherent in estimating quantities of mineral resources; sand processing problems; risks associated with cyber security breaches; physical and transitional risks associated with climate change and the use and suitability of Source's accounting estimates and judgments.

Although Source has attempted to identify important factors that could cause actual actions, events, or results to differ materially from those described in its 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 AIF 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 AIF. 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 because of new information, future events or otherwise.

CORPORATE STRUCTURE

Source Energy Services Ltd. was formed on February 7, 2017, by articles of incorporation under the ABCA. On December 30, 2020, the Company amended its articles of incorporation to consolidate all of the issued and outstanding Common Shares into a lesser number of Common Shares on a twelve-to-one basis. On December 20, 2024, Source was amalgamated with its subsidiary Source Holdings as part of the Source Legal Reorganization.

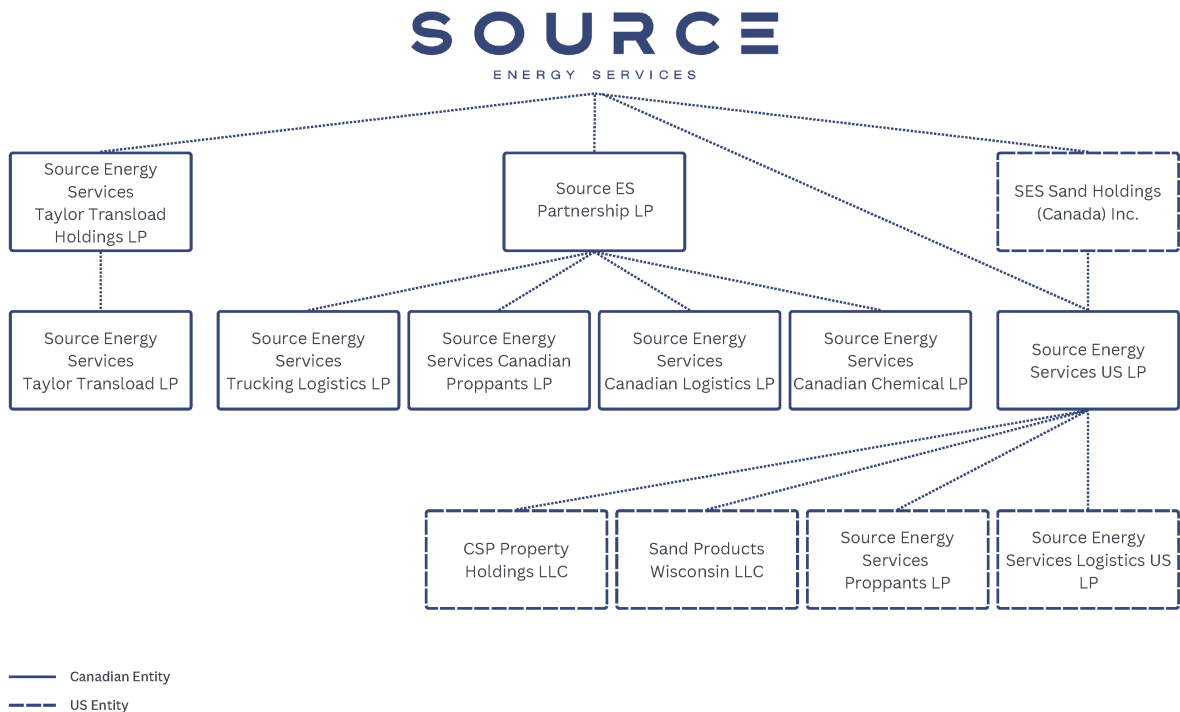
The head office of the Company is located at 500, 438 - 11th Avenue SE, Calgary, Alberta T2G 0Y4, telephone (403) 262-1312 and the registered and records office of the Company is located at Suite 3700, 400 - 3rd Avenue SW, Calgary, Alberta T2P 4H2.

INTERCORPORATE RELATIONSHIPS

The following table provides the name, the percentage of voting securities owned, directly or indirectly, by Source and the jurisdiction of incorporation, continuance, or formation of Source's subsidiaries as of February 26, 2026. For simplification purposes, this table omits certain wholly owned subsidiaries that are not material. All of Source's subsidiaries are 100% owned.

NAME OF ENTITY	PERCENTAGE OF VOTING SECURITIES BENEFICIALLY OWNED (DIRECTLY OR INDIRECTLY)	NATURE OF ENTITY	JURISDICTION OF INCORPORATION, CONTINUANCE OR FORMATION (AS APPLICABLE)
CSP Property Holdings LLC	100%	Limited Liability Corporation	Wisconsin
Sand Products Wisconsin, LLC	100%	Limited Liability Corporation	Michigan
SES Sand Holdings (Canada) Inc.	100%	Corporation	Delaware
Source Energy Services Canadian Chemical LP	100%	Limited Partnership	Alberta
Source Energy Services Canadian Logistics LP	100%	Limited Partnership	Alberta
Source Energy Services Canadian Proppants LP	100%	Limited Partnership	Alberta
Source Energy Services Logistics US LP	100%	Limited Partnership	Delaware
Source Energy Services Proppants LP	100%	Limited Partnership	Delaware
Source Energy Services Taylor Transload LP	100%	Limited Partnership	Alberta
Source Energy Services Taylor Transload Holdings LP	100%	Limited Partnership	Alberta
Source Energy Services Trucking Logistics LP	100%	Limited Partnership	Alberta
Source Energy Services US LP	100%	Limited Partnership	Alberta
Source ES Partnership LP	100%	Limited Partnership	Alberta

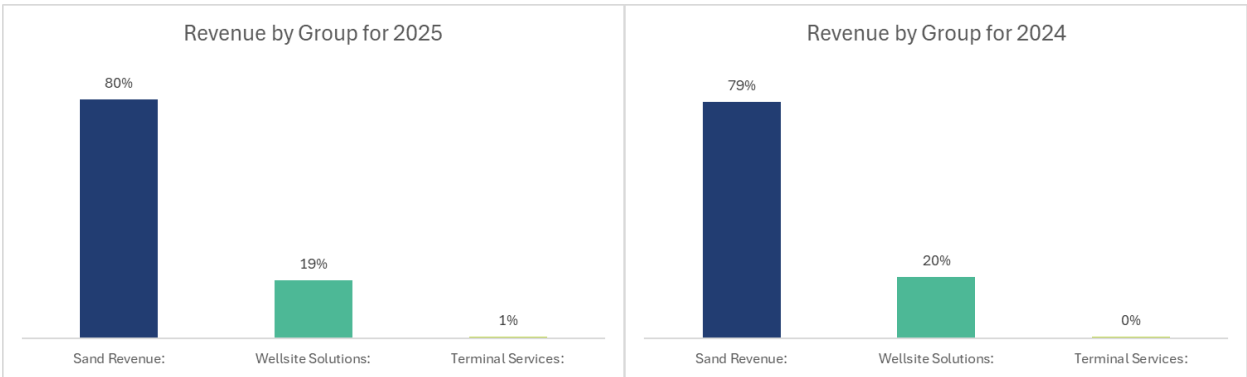
The following diagram illustrates the organizational structure of Source as of the date of this AIF, on a simplified basis:



DESCRIPTION OF THE BUSINESS

COMPANY OVERVIEW

Source is a company focused on the integrated production and distribution of frac sand as well as the distribution of other bulk oil and gas well completion materials that are not produced by Source. Source provides its customers with a full end-to-end solution supported by its Wisconsin and Peace River mines and processing facilities, its Western Canadian terminal network, and its “last mile” logistics division. In addition to its industry leading frac sand transload terminal network and in-basin frac sand storage capabilities, Source has also developed Sahara, a proprietary mobile well site sand storage and handling system. Source categorizes its revenue into three groups: Sand, Well Site Solutions, and Terminal Services. Source’s revenue for the year ended December 31, 2025, was \$700.3 million compared to \$674.0 million for the year ended December 31, 2024.



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

Frac sand is a proppant used to enhance hydrocarbon recovery in the hydraulic fracturing of oil and natural gas wells. Source sells frac sand, primarily to customers operating in the WCSB, through its strategically located terminal network, which Source believes is the largest of its kind in the WCSB. Source currently has the capability to produce approximately 4.8 million metric tonnes per annum of Northern White frac sand from its Weyerhaeuser, Blair, and Preston Facilities and approximately 1.0 million metric tonnes per annum of frac sand from the Peace River Facility. Source owns and operates a Northern White frac sand mine and related closed-loop wet processing plant located in east-central Barron County near the town of Sumner, Wisconsin, a dry processing plant, storage, and unit train capable load out facility located in Weyerhaeuser, Wisconsin, and two Northern White frac sand mines and related closed-loop wet processing plants, dry processing plants, and load out facilities (one with unit train capabilities), located near Blair, Wisconsin (the "**Blair Facility**" and the "**Preston Facility**"). Source also operates but does not own the Peace River Facility, located near Peace River, Alberta, which has a mine, and wet and dry processing facilities. Sand from the Peace River Facility is purchased from the owner and then is either trucked directly to the customer well site or to one of Source's terminals where later it can be sold to the customer. Source's fully integrated logistics platform enables it to transport high volumes of frac sand from its facilities in Wisconsin to its customers in the WCSB and during 2025, Source sold substantially all of its product into the WCSB with over 80% of its product delivered directly to customers' well sites. Source believes that its terminal network, along with its focus on logistics and ability to efficiently deliver sand directly to well sites, attractively positions Source as a leading player in the WCSB with the ability to reliably deliver high volumes of frac sand to its customers, in a cost-effective manner.

Source employs individuals with a range of professional skills and knowledge in the course of pursuing its business plan. These professional skills include, but are not limited to, logistics, sand handling, mine excavation, mechanics, professional drivers, safety, people management, finance, law, marketing, and business development. In addition, Source has available to it various specialized consultants to assist in areas where it does not need full-time employees. Source also deploys consultants in areas in which consultants are deemed to be more effective. Drawing on significant experience in the oil and natural gas business, Source believes its management team has a demonstrated track record of bringing together all of the key components of a successful production, supply and distribution company: strong technical skills; expertise in planning and financial controls; ability to execute on business development opportunities; capital markets expertise; a culture encouraging technical innovation and differentiation; and an entrepreneurial spirit that allows Source to effectively identify, evaluate, and execute on value-added initiatives. As of December 31, 2025, Source, inclusive of all its subsidiaries, had approximately 556 employees: 344 employees in Canada, and 212 employees in the U.S.

PRODUCTION AND SERVICES

Source has developed an integrated supply chain for the delivery of frac sand into the WCSB. This supply chain provides its customers with the highest levels of reliable services and access to products. Source's integrated supply chain is made up of the following components: sand resources; mining and processing; rail load out; rail fleet; terminal network; truck power units and trailers and Sahara well site solutions.

Source owns and / or operates the frac sand processing Facilities in Wisconsin and Peace River which have a combined total annual production capacity of approximately 5.8 million metric tonnes. The Weyerhaeuser, Blair, and Preston Facilities have on-site rail infrastructure providing direct access to the CN rail network. This enables Source to efficiently process and deliver frac sand to customers through its integrated network of CN rail connected receiving terminals. The Weyerhaeuser and Blair Facilities are also capable of loading and shipping unit trains, allowing for significantly more efficient transportation of frac sand to Source's terminals in the WCSB. The Peace River Facility is supported by truck loadouts to deliver directly to customer well sites or to Source's terminal network.

Source owns and operates seven strategically located transload terminals in the WCSB with total storage capacity of over 210,000 metric tonnes in flat/silo storage facilities which have an annual throughput capacity of over 6.0 million metric tonnes. In 2025, Source completed constructing a unit train, capable transload terminal in the District of Taylor, British Columbia. All of Source's terminals are serviced by CN Railway, the only Class I railway that effectively services the Montney, Duvernay, and Deep Basin which are three of the most active oil and natural gas development regions in the WCSB. Source believes that its terminal network allows it to rapidly respond to customer demand and helps to ensure reliable and timely delivery of product.

Source owns or leases 35 truck power units and 98 trailers, which it uses in combination with owner operators and third-party carriers to haul sand from the transload terminals to the well site, where it is often unloaded into the Sahara units.

In addition to its transload terminal network, Source has developed Sahara, a proprietary mobile well site sand storage and handling system. Sahara offers significant competitive advantages over traditional well site storage systems, such as decreased unloading times for trucks delivering proppant to well sites, reduced physical footprint, reduced occupational hazards associated with silica dust, reduced proppant damage and increased ability to store multiple types of proppants. See "*Sahara - Source's Frac Sand Handling and Well Site Storage Solution*".

Source sells its products primarily to oil and natural gas exploration and production companies and oilfield service companies, under contracts with a variety of terms, and spot sales in the open market. Source believes its integrated logistics capabilities enhance the certainty of frac sand supply for its customers and have become an important differentiating factor for frac sand customers that increasingly seek reliable in-basin or at-the-well site proppant delivery.

Sand Resources

Source owns and operates frac sand mining operations at the Sumner, Blair, and Preston Facilities. The following table summarizes the Company's inferred and indicated resources, according to APEX Reports, dated effective December 31, 2025, prepared for each of Source's facilities (see "*Mineral Projects – Current Technical Reports*"):

FACILITY	ACRES	INFERRED MINERAL RESOURCES (mm tonnes)	INDICATED MINERAL RESOURCES (mm tonnes)
Sumner Facility	1,109	39.97	39.04
Blair Facility	1,138	14.57	33.47
Preston Facility	790	31.99	6.61

Mining and Processing

The sand resources at the Sumner, Blair, and Preston Facilities are mined by digging, ripping, or blasting. The sandstone is then crushed on-site into unwashed sand for further processing. Unwashed sand is then fed into Source's washing and sorting plants which remove any remaining impurities and sorts the washed sand by particle size.

The Sumner Facility washing and sorting plant is enclosed, making it capable of year-round operations. This is different than most other frac sand producers that often do not wash sand during the colder seasons. Winter operations at the Sumner Facility are an important facet of Source's business, as the WCSB is seasonally busiest in the winter months. Following the washing and sorting process, frac sand is stored on-site before being transported by truck to Source's nearby Weyerhaeuser Facility, where it is dried and sorted into its final mesh sizes.

The current capacity of the Blair and Preston Facilities wet processing plants exceed the capacity of each of their associated dry processing plants to allow for enough washed inventory to be created during the

warmer months in Wisconsin such that the dry processing plants can be operated at their maximum capacities year-round. Following this washing and sorting process, frac sand is stored near the dryer until the sand is ultimately dried and sorted into its final mesh sizes. The fully processed frac sand is then stored at the dry processing plant prior to being loaded into rail cars for transportation to Source's in-basin terminal network.

The following summarizes the capacities of Source's processing Facilities:

FACILITY	ANNUAL PRODUCTION CAPACITY (mm tonnes)	STORAGE ON- SITE (tonnes)	KILOMETRES OF TRACK (km)
Sumner Facility/Weyerhaeuser Facility	2.6	36,000	8.00
Blair Facility	1.2	9,000	8.00
Preston Facility	1.0	13,600	4.25

The Weyerhaeuser, Blair, and Preston Facilities' rail load outs are directly connected to the CN Railway. The Weyerhaeuser and Blair Facilities can each load a unit train in less than 24 hours.

Capital and Operating Costs

Capital Costs

The Sumner, Blair, and Preston Facilities are fully developed and require no near-term major capital investment to maintain full commercial production.

Source has prepared a capital expenditure budget for 2026 of near-term capital expenditures, which are expected to remain at low level. The actual amount of capital expenditures may vary based on, among other things, market conditions, successful financing activity, and oil and gas activity in the WCSB. As a result, actual capital expenditures may differ materially from those budgeted amounts.

Estimated 2026 Capital Costs for the Sumner, Blair, and Preston Facilities are as follows:

FACILITY	2026 ESTIMATED CAPITAL COSTS⁽¹⁾
Sumner Facility	\$5,686,000
Blair Facility	\$2,098,000
Preston Facility	\$3,036,000

Note:

(1) Actual capital expenditures may differ materially from budgeted amount.

Operating Costs

Source considers projected operating costs for the Sumner Facility, the Blair Facility, the Preston Facility, and the Peace River Facility to be confidential and commercially sensitive.

Source's Rail Fleet

Source operates a fleet of approximately 2,900 two-pocket covered hopper rail cars that it uses to transport its product from Wisconsin to its network of terminals in the WCSB. All of Source's rail cars are leased from third parties for varying terms. Source believes that it has one of the most efficient and lowest cost fleets in the frac sand industry.

Source's Terminal Network

Source owns and operates seven terminals strategically located throughout the WCSB. Source believes that its WCSB terminals are well positioned to capture growing demand for frac sand in the Montney, Duvernay, and Deep Basin. All of Source's existing terminals have on-site storage that enables the

Company to manage in-basin inventory and respond to customer demand. Source's terminals are serviced by the CN network.

The Wembley Terminal, near Grande Prairie, Alberta, is Source's highest volume terminal, with an estimated throughput capacity of 2.0 million metric tonnes per annum and over 75,000 metric tonnes of storage capacity to service high levels of activity in the Montney. Source believes that this capacity allows it to meet peak demand through the combination of inventory and rapid material handling. The Wembley Terminal is capable of unloading a dedicated unit train in under 24 hours.

The Taylor Terminal in the District of Taylor, British Columbia has a capability of receiving unit trains and has approximately 55,000 metric tonnes of storage capacity with a daily throughput greater than 12,000 metric tonnes. This terminal will also help Source service the Montney.

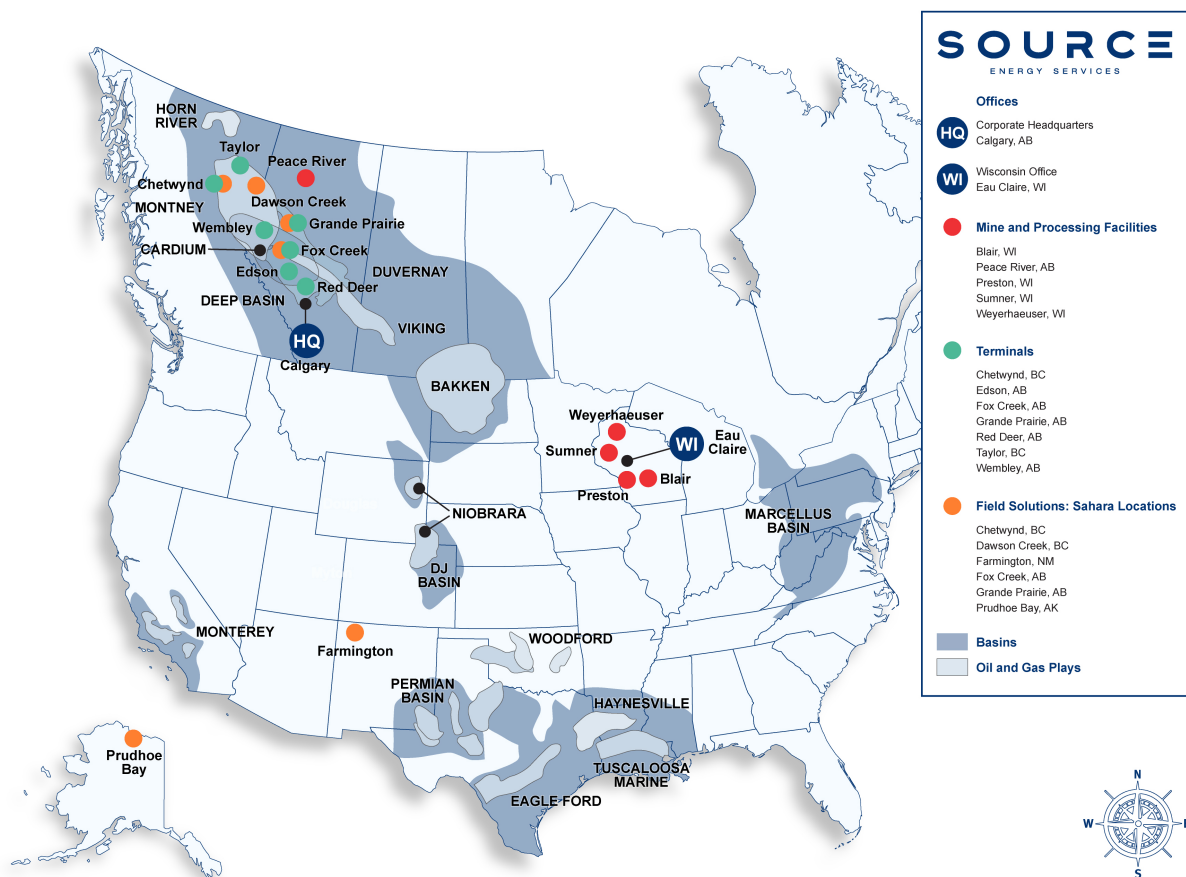
The Chetwynd Terminal in Chetwynd, British Columbia has a capability of receiving unit trains and has an estimated throughput capacity of 600,000 metric tonnes per annum and over 24,000 metric tonnes of storage capacity. This terminal helps Source service the Montney.

The Fox Creek Terminal, near Fox Creek, Alberta, is a terminal, with an estimated throughput capacity of 1.0 million metric tonnes per annum and over 35,000 metric tonnes of storage capacity. This unit train facility is in the heart of the Duvernay, which is home to some of the largest fracs in the WCSB.

Together, Source's seven terminals have over 210,000 metric tonnes of in-basin storage capacity. Source believes that its terminal network provides a competitive advantage over its competitors by providing industry leading coverage, significant reach for supply to all key plays, and rapid load out facilities.

Logistics Services

Source's logistics team operates its own trucking fleet and works with owner operators and third-party trucking companies to efficiently coordinate deliveries of frac sand from Source's terminals to customer well sites. Source's logistics service and active dispatch monitoring links Source's terminals to customer well sites, increasing efficiency through the proppant supply chain, and allows Source to capture additional value.



Sahara - Source's Frac Sand Handling and Well Site Storage Solution

Source has developed a proprietary mobile well site sand storage and handling system called Sahara, which is used to facilitate frac sand storage and handling at well sites. To date, Source has manufactured eleven complete Sahara units with eight of these units deployed in the WCSB, and the remainder operating in the United States.

Two of the units in the United States are operating in Alaska. While the customers for these units fully reimbursed the costs to build these Saharas, Source owns the units and leases them to the customers over a three-year term. The customers have the option to renew the lease or acquire the units at the end of the lease term.

The Sahara units have a small physical footprint but have storage capacity of approximately 1,800 metric tonnes. Additionally, Sahara can unload trucks delivering frac sand to the well site significantly faster than traditional pneumatic systems. Sahara features a gravity-assisted handling system that eliminates frac sand damage typically caused by pneumatic handling systems used by Source's competitors. Sahara's 12 separate storage bins allow it to store up to 12 different sizes and types of proppant simultaneously. Sahara is recognized for its ability to reduce silica dust (a significant health concern), reduce noise, and reduce truck traffic at well sites (a significant safety concern). Source has obtained patents in respect of Sahara in Canada, the United States, and Australia. The Sahara solution is well-suited to service the increase in pad-focused development activity in the WCSB which requires large volumes of sand on-site in order to efficiently execute completion programs.

Other Services

Source also provides other services at a select number of terminals to generate additional revenue from its terminal network. Currently Source provides transloading services for hydrochloric acid at Source's Chetwynd, Grande Prairie, and Red Deer terminals. As a pathway to diversifying our business, Source is advancing opportunities in our own operations as well as at the well site and at our terminals, increasing its involvement of 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.

COMPETITIVE CONDITIONS

The frac sand industry is highly competitive with numerous participants. Source competes directly with producers of both Northern White frac sand and Canadian domestic frac sand. These competitors provide varying levels of service in the WCSB and provide product types that may vary from that supplied by Source. Source maintains a distinct competitive advantage over its competitors by providing a fully integrated logistics service. Source does not currently compete with sand produced in the Eagle Ford Shale or the Permian Basin as it is uneconomic to transport such sand to Canada for use in the WCSB. See *"Risk Factors - Source faces significant competition that may cause it to lose market share"*.

INTANGIBLE PROPERTIES

In the course of providing services and products to customers, Source deploys and protects its various unique intellectual property, such as patents, trademarks, copyrights, design drawings, trade secrets, and know-how.

The Company's success has, in part, been facilitated by its ability to provide proprietary mobile well site sand storage and handling together with the Company's technical expertise and innovative equipment, resulting in customers' wells being more productive.

Source has been granted a 20-year patent in the U.S. (2017), and Australia (2018), and Canada (2020) in respect of Sahara, its proprietary mobile well site sand storage and handling system and holds a ten-year U.S. and Canadian trademark for "Source Energy Services" (renewable every 10 years).

CYCLES

The level of activity in the oil and natural gas industry in the WCSB is influenced by seasonal weather patterns. In the spring, frost comes out of the ground, making the ground unstable and less capable of supporting heavy weight. Consequently, municipalities and transportation departments enforce road bans that restrict the movement of heavy equipment. This may reduce drilling and well servicing activity levels. Normally this 'spring breakup' begins in late March and restricts activity through May. The length of spring breakup will depend on the moisture received in March through May. See *"Risk Factors - Seasonality and climate change may have an adverse effect on Source's results and business"*.

ECONOMIC DEPENDENCE

Source's customers include exploration and production companies as well as pressure pumping customers operating in the WCSB. These pressure pumping customers in turn serve a number of exploration and production companies, including those with operations in the Montney, Duvernay, and Deep Basin, providing Source with direct or indirect exposure to many of the key exploration and production companies operating in those plays. Source's goal is to create long-term, partnership-oriented relationships with its customers. Accordingly, Source strives to solve its customers' frac sand supply, logistics, transportation and handling problems, a strategy which Source believes has strengthened its customer relationships.

Source's structured contracts with customers outline price commitments. Some of 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 2025, two contracts were renewed on similar commercial terms and two new customer contracts were executed.

Source relies on a small number of customers for the majority 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. See *"Risk Factors - Source relies on a small number of customers for the majority of its revenue"*.

HEALTH, SAFETY AND ENVIRONMENTAL POLICIES

Source believes that health, safety, and environmental excellence is achieved by maintaining a culture that promotes health, safety, and sound environmental programs. These programs include health and safety management systems and detailed emergency response plans, to ensure not only compliance with health, safety, and environmental laws but also to strive for continual improvement.

The Company employs a team of experts that monitor Company activities and that provide advice on health, safety, environmental and regulatory compliance, and loss prevention. This team monitors current and future industry trends, issues, and best practices to ensure that effective compliance and loss prevention controls measures are implemented. In addition, the Board of Directors established the Health, Safety and Environment Committee to oversee the Company's policies and management systems and assess the Company's performance regarding the protection of the health and safety of all persons associated with the Company's operations, the protection of the environment, the Company's relationship with communities that are impacted by the Company's operations, as well as engagement with the Company's stakeholders.

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. Compliance with such legislation may require significant expenditures or result in operational restrictions. Breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, and the imposition of material fines and penalties, all of which could have a significant impact on earnings and overall competitiveness of the Company. Source is committed to meeting its responsibilities to protect the environment.

For a description of the financial and operational effects of environmental protection requirements on the capital expenditures, earnings, and competitive position of Source, see *"Risk Factors – Source is subject to numerous environmental laws and regulations that may result in Source incurring unanticipated liabilities, which could have an adverse effect on Source's operating performance"*.

ESG REPORTING

We are committed to environmental responsibility in our operations, supporting employees in their social responsibility efforts, and fostering vibrant and resilient communities for all our stakeholders. Source aims to make employees feel engaged and passionate about making a difference.

Source follows the SASB framework, enhancing the depth of our reporting. Looking ahead to 2026, we remain steadfast in our commitment to continuous improvement.

GENERAL DEVELOPMENT OF SOURCE'S BUSINESS

Source began operations in 1998 as a proppant transloading business and from 1998 to 2007 developed its geographic footprint by building proppant terminals in key oil and gas basins in Canada and the United States. In 2007, Source began developing Northern White frac sand mining and sand processing facilities in Chippewa Falls, Wisconsin, which, before their completion, were sold to EOG Resources, Inc. In 2010, Source began developing its Northern White frac sand mine and related closed-loop wet processing plant located in east-central Barron County, Wisconsin near the town of Sumner (the **"Sumner Facility"**) and a dry processing plant, storage and load out facility located in Weyerhaeuser (the **"Weyerhaeuser Facility"**). Source commenced material frac sand sales after completion of the Weyerhaeuser Facility in June 2014.

RECENT ACTIVITY

The following describes how Source's business has developed over the last three completed financial years. Apart from any acquisitions and dispositions of businesses and assets in the normal course of business, Source does not anticipate any material changes to its business during the balance of 2026.

Source's activity levels in 2025 were supported by the strength of commodity prices. Source's customers continue to be focused on strengthening their balance sheets and improving returns to Shareholders.

Source continues to remain optimistic about the longer-term industry prospects, including increased demand for WCSB natural gas driven by LNG, power generation expansion and increased natural gas export pipeline capacity. In addition, the expansion of oil pipeline egress capacity continues to support the Company's expectation that activity levels should steadily increase in the coming years.

Source continues to see E&P companies drive additional efficiencies in their completion programs by completing fracs over much shorter periods of time, requiring larger volumes of frac sand. Source's terminal network and logistics capabilities have become a key component in the success of these accelerated frac programs in the Montney and the Duvernay, and Source's success in capturing a large portion of this market is further enhanced by the delivery capability of the Sahara units. Source is ideally positioned to serve the increase in demand for frac sand and logistics services.

Source continues to focus on improving logistics for other items needed at the well site, in response to customer requests to expand its service offerings and continues to develop opportunities to further utilize its existing Western Canadian terminals to provide additional diversification of its business.

2025

On May 9, 2025, Source announced that, Mrs. Carrie Lonardelli resigned from Source's Board of Directors and as Chair of Audit Committee. Mr. Jeff Belford was appointed as Chair of the Audit Committee.

On May 9, 2025, Source announced its intention to implement a Normal Course Issuer Bid ("NCIB") on May 13, 2025. Source was planning to acquire the lesser of \$5.0 million worth of its Common Shares or 750,000 Common Shares for cancellation under the rules of the TSX. The program will expire on May 12, 2026.

On October 6, 2025, Source announced that the TSX had approved an amendment to its NCIB program to purchase for cancellation up to \$15.6 million of its Common Shares or 1,189,458 Common Shares including the 392,900 Common Shares already purchased under the program.

2024

On March 6, 2024, Source announced that it had executed a contract to build and operate Source's eleventh Sahara unit to be located in the state of Alaska, the cost of which was fully reimbursed by the customer through progress payments received during construction.

On March 13, 2024, Source announced that it acquired the sand trucking assets of RWR Trucking Inc. ("RWR") for an aggregate purchase price of \$8.1 million which was comprised of a combination of cash, promissory note and assumption of lease obligations. With this transaction, Source acquired 27 tractors and 52 trailers, that account for approximately 10% of its "last mile" trucking requirements. Key members of the RWR team, including drivers, dispatchers and support personnel also joined Source with this transaction.

On August 19, 2024 Source announced that it acquired the sand trucking assets of PVT Group Ltd. ("PVT") for an aggregate purchase price of \$2.2 million. The purchase price was comprised of \$0.4 million paid in cash upon the closing and a promissory note payable over a nine-month term.

On July 25, 2024, Source announced that it entered a partnership with Trican Well Service Ltd. to construct a new terminal in the District of Taylor, British Columbia. The terminal will be unit train capable and will feature approximately 55,000 metric tonnes of storage and greater than 12,000 metric tonnes of daily throughput capacity making it one of the largest facilities in British Columbia.

On December 20, 2024, Source announced that it completed a comprehensive refinancing of its credit facilities by entering a new five-year US\$135.0 million term loan with Silver Point Finance, LLC and a new \$40.0 million revolving asset-backed loan with the Canadian Imperial Bank of Commerce. The proceeds from the term loan were used to redeem the outstanding Senior Secured Notes due March 15, 2025 and repay the outstanding amounts drawn on the Company's Prior FGI Credit Facility and promissory notes issued in connection with the acquisition of the sand trucking assets from RWR and PVT.

2023

On August 2, 2023, Source announced that it had executed a contract to build and operate Source's tenth Sahara unit to be located in the state of Alaska, the cost of which was fully reimbursed by the customer through progress payments received during construction.

SIGNIFICANT ACQUISITIONS

The Company did not complete any significant acquisitions during the year ended December 31, 2025, for which disclosure is required under Part 8 of NI 51-102.

CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of Common Shares, an unlimited number of Class B Shares, and an unlimited number of preferred shares, issuable in series. The following is a description of the rights, privileges, restrictions, and conditions attaching to Source's share capital.

Common Shares

The Common Shares have the following rights, privileges, restrictions, and conditions:

Voting Rights: Holders of Common Shares are entitled to receive notice of, to attend and to vote at all meetings of Shareholders and are entitled to one vote per Common Share held at such meetings, except meetings of holders of another class or one or more series of another class of shares who are entitled to vote separately as a class at such meeting.

Dividends: Holders of Common Shares are entitled to receive dividends if, as and when declared by the Board, such dividends or other distributions as may be declared thereon by the Board from time to time.

Ranking: In the event of any voluntary or involuntary liquidation, dissolution or winding-up of Source or any other distribution of Source's assets among its Shareholders for the purpose of winding-up its affairs (a "**Distribution**"), holders of Common Shares, subject to the preferences accorded to holders of preferred shares and any other shares of the Company ranking senior to the Common Shares from time to time with respect to payment on a Distribution, to share equally, share for share, in the remaining property of the Company.

Class B Shares

The Class B Shares have the following rights, privileges, restrictions, and conditions:

- **Voting Rights:** Holders of Class B Shares are entitled to receive notice of, to attend and to vote at all meetings of Shareholders and are entitled to one vote per Class B Shares held at such meetings, except meetings of holders of another class or one or more series of another class of shares who are entitled to vote separately as a class at such meeting.
- **Dividends:** Holders of Class B Shares are not entitled to dividends.

- Ranking: In the event of a Distribution, holders of each series of Class B Shares are not entitled to share in the remaining property of the Company.
- Subdivision, Consolidation, etc.: If the Common Shares are at any time subdivided, consolidated, converted, or exchanged for a greater or lesser number of shares of the same or another class, appropriate adjustment will be made in the rights and conditions attached to the Class B Shares so as to maintain and preserve the relative rights of the holders of the Class B Shares.

Preferred Shares

The preferred shares may at any time and from time to time be issued in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board. Subject to the provisions of the ABCA, the Board shall fix, before issuance, the designation, rights, privileges, restrictions, and conditions attaching to each series of preferred shares including, without limitation, participation rights in respect of a Distribution (if any) and dividend rights (if any). The preferred shares of each series will rank on parity with every other series of preferred shares of the Company and shall have priority over the Common Shares and any other shares of the Company ranking junior to the preferred shares with respect to redemption, the payment of dividends and any Distribution. Holders of preferred shares will not be entitled to received notice of, attend or vote at any meetings of Shareholders.

MARKET FOR SECURITIES

TRADING PRICE AND VOLUME

Common Shares

The Company's Common Shares are listed on the TSX under the trading symbol "SHLE". The Common Shares were listed and posted for trading on the TSX on April 13, 2017. The following table sets forth certain trading information for the Common Shares on the TSX during 2025.

PERIOD	HIGH (\$)	LOW (\$)	AGGREGATE VOLUME
January	16.75	13.45	386,143
February	13.58	11.33	642,564
March	11.70	8.61	743,681
April	10.93	6.79	542,862
May	13.00	8.94	773,067
June	13.70	11.14	1,280,484
July	16.24	13.00	852,447
August	14.83	12.38	669,637
September	14.70	13.49	453,268
October	14.29	11.04	596,346
November	12.71	10.34	460,882
December	15.95	11.90	856,540

No Class B Shares or preferred shares were issued during the 12 months preceding the date hereof.

DIVIDENDS AND DISTRIBUTIONS

The Company has not declared or paid any dividends on Common Shares and does not currently anticipate paying any dividends on the Common Shares. The Company currently intends to use its future earnings, if any, and other cash resources for the operation and development of its business but may declare and pay dividends in the future as circumstances permit. Any future determinations to pay dividends on the Common Shares will be at the sole discretion of the Board of Directors after considering

a variety of factors and conditions existing from time to time, including income and cash flow generated by Source through its subsidiaries, financial requirements for Source's operations and the execution of its growth strategy, current and future commodity prices, production levels, capital investment requirements, debt service requirements, royalty burdens, foreign exchange rates, and the satisfaction of solvency tests imposed by the ABCA for the declaration and payment of dividends. Further, Source's ability to pay dividends to holders of Common Shares will be subject to applicable laws and to any prior right to dividend, interest, or other distribution payments in favor of any other security holders.

Source's Term Loan Agreement and the ABL Agreement include covenants respecting limitations on when dividends may be paid.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To the knowledge of the Company, there are currently no securities of Source in escrow or subject to contractual restriction on transfer.

CREDIT RATINGS

There is no credit rating outstanding at February 26, 2026.

DIRECTORS AND OFFICERS

The following table sets forth information with respect to the current directors and executive officers of the Company:

NAME & PROVINCE OR MUNICIPALITY OF RESIDENCE	POSITION HELD	PRINCIPAL OF OCCUPATION FOR THE LAST FIVE YEARS ⁽¹⁾	DIRECTORSHIP APPOINTMENT
Scott Melbourn Alberta, Canada	President, Chief Executive Officer, and Director	Chief Operating Officer of Source Energy Services	March 31, 2022
Derren Newell Alberta, Canada	Vice-President and Chief Financial Officer	Vice-President and Chief Financial Officer of Source Energy Services	N/A
Chris Johnson ⁽²⁾ Toronto, Canada	Director (Chair of the Board)	President and CEO of Crown Capital Partners Inc.	December 30, 2020
Jeff Belford ⁽³⁾ Alberta, Canada	Director	Senior Managing Director of TriWest Capital	February 7, 2017
Steven Sharpe ⁽⁴⁾ Toronto, Canada	Director	Managing Director, The EmBeSa Corporation	December 30, 2020

Notes:

- (1) Please see information under the heading "Background of Directors and Executive Officers" below, for principal occupations within the five preceding years of each director and executive officer.
- (2) Mr. Johnson is a member of the Audit Committee, Compensation and Corporate Governance Committee, and the Health, Safety, and Environment Committee.
- (3) Mr. Belford is a member of the Audit Committee, Compensation and Corporate Governance Committee, and the Health, Safety, and Environment Committee.
- (4) Mr. Sharpe is a member of the Audit Committee, Compensation and Corporate Governance Committee, and the Health, Safety, and Environment Committee.

All of the Company's directors' terms of office will expire at the earliest of their resignation, the next annual Shareholder meeting called for the election of directors, or on such other date as they may be removed according to the provisions of the ABCA. Each director will devote the amount of time as is required to fulfill their obligations to the Company. The Company's officers are appointed by and serve at the discretion of the Board.

BACKGROUND OF DIRECTORS AND EXECUTIVE OFFICERS:

SCOTT MELBOURN	PRESIDENT, CHIEF EXECUTIVE OFFICER, AND DIRECTOR
-----------------------	---

Mr. Scott Melbourn's key responsibilities include the establishment and execution of the purpose, the values and the long-term objectives and vision of Source as well as the development and implementation of Source's strategic plan and corporate objectives. In consultation with Management, he establishes appropriate annual and longer-term financial objectives and is responsible for meeting these objectives. Mr. Melbourn also works with the Compensation and Corporate Governance Committee to ensure the Company has a robust succession plan in place for the executive team. Mr. Melbourn ensures close communication with the Board and its committees and keeps the directors informed of the important aspects of the status and development of Source and facilitates the Board's governance, composition, and committee structure. Mr. Melbourn holds the Chartered Financial Analyst designation, has a Bachelor of Commerce in Finance from the University of Calgary, and is a member of the Calgary Society of Chartered Financial Analysts. Mr. Melbourn joined Source in 2011 and has over 20 years of operations, financial and business development experience, primarily in the oilfield services industry.

DERREN NEWELL	EXECUTIVE VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER
----------------------	---

Mr. Derren Newell's key areas of responsibility are the execution of all aspects of Source's Finance, Information Technology, and Human Resources operations. Mr. Newell provides financial and business leadership and perspective to senior management and the Board of Directors. He promotes strong governance and financial control and oversees the adoption of appropriate policies and procedures to ensure completeness and accuracy of financial statements, management discussion and analysis, and other financial disclosures. Mr. Newell evaluates and optimizes the Company's capital position and sources of funding within the Company's framework to maintain the Company's financial strength. Mr. Newell also actively participates in the development of guidelines and practices relating to the Human Resources of the Company, as well as the development and implementation of best practices with regard to cyber security measures and controls designed to mitigate risks such as cyber-attack, cyber-fraud, security breach and destruction or interruption of the Company's information technology systems by third parties. Mr. Newell has a Chartered Professional Accountant designation and has a Bachelor of Commerce Degree from the University of Alberta. Mr. Newell joined Source in 2013 and has over 20 years of finance and administration experience in Western Canadian energy and oilfield services businesses.

CHRIS JOHNSON	DIRECTOR AND CHAIR OF THE BOARD
----------------------	--

Mr. Chris Johnson is President and CEO at Crown Capital Partners Inc. ("**Crown Capital**"), a specialty finance company operating in alternative asset classes, which he co-founded in 2000. Prior to starting Crown Capital, Mr. Johnson was an investment manager for Crown Life Insurance Company, responsible for the investment management of Crown Life's equity and fixed income investments, asset liability management, and derivative management. Mr. Johnson has a Bachelor of Commerce (Honours) from the University of Guelph and holds the CFA charter holder's designation.

JEFF BELFORD**DIRECTOR**

Mr. Jeff Belford is a Senior Managing Director of TriWest Capital Partners, a private equity firm that invests in companies in a broad range of industries, including the service, manufacturing, and distribution sectors. Mr. Belford joined at the inception of TriWest Capital Fund II in 2003 from Swiss Water Decaffeinated Coffee Company Inc., a former TriWest fund portfolio company. Mr. Belford contributes both financial and operations experience to the TriWest team. Mr. Belford gained significant financial and operating experience before joining TriWest. He was Chief Financial Officer of Swiss Water from 2000 to 2003. Swiss Water was subsequently listed on the TSX as an Income Trust. From 1996 to 2000, Mr. Belford was Director of Finance and Operations for Descente North America, an international sportswear company. Prior to that, Mr. Belford held a variety of financial roles at Kraft Foods Canada. Mr. Belford holds a Bachelor of Commerce degree from the University of Toronto and is a member of the Canadian Institute of Chartered Professional Accountants.

STEVEN SHARPE**DIRECTOR**

Mr. Steven Sharpe is the Managing Director of The EmBeSa Corporation, a private consultancy dealing with corporate restructuring, business strategy and crisis management and he is the Chairman of The Privacy Co. LLC. Prior thereto, Mr. Sharpe was with Madalena Energy Inc. (2014 to 2017) in roles including the Chairman of the Board and Interim CEO and was the Chairman of the Board of Corporate Risk Holdings, LLC (2015 to 2017), the parent company of Kroll Inc., Kroll Ontrack and HireRight Inc. Previously, Mr. Sharpe was Chairman and Interim CEO of Longview Oil Corp. (TSX) until June 2014. As well, he was Chairman of Advantage Oil & Gas Ltd., (TSX, NYSE), and a director and Chair of the Special Committee of Renegade Petroleum Ltd. (TSX-V). Mr. Sharpe was Chief Executive Officer and a director of C.A. Bancorp Inc. (TSX) until March 2013. Earlier, Mr. Sharpe was Senior Advisor to Blair Franklin Capital Partners Inc., the Toronto-based investment bank that he and Gordon Cheesbrough founded in 2002. From 2002 to 2007 Mr. Sharpe was co-Managing Partner of Blair Franklin. As well, he was Chairman and CEO of Prime Restaurants Royalty Income Fund (subsequently, Chairman of Prime Restaurants Inc.). In 1998, Mr. Sharpe joined The Kroll-O'Gara Company in New York as Executive Vice President. Mr. Sharpe returned to Toronto in 2001, to undertake the operational and financial restructuring and ultimate auction of Security Technologies Group and then he undertook a similar role as Chief Restructuring Officer of a private holding company in Toronto. A lawyer by training, Mr. Sharpe graduated from Osgoode Hall Law School in 1977, and was called to the Ontario bar in 1979. He spent his legal career at the Torys firm from 1979 to 1986, and Davies, Ward & Beck from 1986 to 1998. Mr. Sharpe has been on a number of boards and currently sits on the Advisory Board of the Pine River Institute and is a past director of Crown Capital Partners Inc. (TSX).

Please see page 17 of our Circular, for disclosure regarding the diverse skill set requirements of the Board and the specific experience and expertise that is possessed by each individual director nominee. The Circular is available under Source's SEDAR+ profile at [SEDAR+ \(sedarplus.ca\)](https://www.sedarplus.ca) and on our website at <https://www.sourceenergyservices.com/>.

Ownership by Directors and Executive Officers

As of December 31, 2025, the directors, and executive officers of the Company, as a group, beneficially owned, controlled, or directed, directly or indirectly, 225,909 Common Shares, representing approximately 1.7% of the issued and outstanding Common Shares.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Cease Trade Orders and Bankruptcies

To the knowledge of the Company, no director or executive officer of the Company is, as of the date of this AIF, or was within ten years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that: (a) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an “**Order**”), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as described below, to the knowledge of the Company, no director or executive officer of the Company (nor any personal holding company of any of such persons), or Shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (a) is, as of the date of this AIF, or has been within the ten years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or Shareholder.

Mr. Jeff Belford, a director of the Company, was a director of Prostar Manufacturing Inc. from October 9, 2015, until an interim receiver in bankruptcy was appointed over its and certain of its affiliates' assets on June 30, 2020, pursuant to the *Bankruptcy and Insolvency Act* (“**BIA**”). On June 30, 2020, Prostar Manufacturing Inc. was adjudged bankrupt and a trustee in bankruptcy was appointed.

From 2014 to 2021, Mr. Jeff Belford was a director of International Fitness Holdings Inc. (“**IFH**”). IFH operated a number of fitness locations under the GYMVMT and Her GYMVMT brand. In April 2021, IFH executed an Asset Purchase Agreement with Ayrfit West Inc. (“**Ayrfit**”) in tandem with filing a Notice of Intent seeking approval to Make a Proposal under the Bankruptcy and Insolvency Act (“**NOI**”). This NOI enabled IFH to continue operating while ultimately transferring control to Ayrfit on closing in June 2021, at which time Jeff Belford resigned as director.

Mr. Chris Johnson was appointed by Crown Capital as a director of MCS Energy 21 Inc. (“**MCS**”) from June 2018 to June 2019. On behalf of Crown Capital, an interim receiver was appointed over the undertakings, properties, and assets of MCS on June 7, 2019.

Mr. Chris Johnson was a director of WireIE Holdings International Inc. (“**WireIEI**”) and WireIE Canada Inc. (“**WireIEC**”) from June 2019 until Fall of 2020. In mid-2020, under the BIA WireIEC transferred all their assets and subsequently filed for bankruptcy, concurrently a third-party creditor petitioned WireIEI into bankruptcy, at which time Mr. Johnson resigned as director of both entities.

Mr. Chris Johnson was a director of Rbee Aggregate Consulting Ltd. (“**Rbee**”) from September 2017 to March 2022. On behalf of Crown Capital, a receiver was appointed over the undertakings, properties, and assets of Rbee on March 11, 2022, at which time Mr. Johnson resigned as a director. Rbee filed for bankruptcy on May 18, 2022.

Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company (nor any personal holding company of any of such persons), or Shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain officers and directors of the Company are also officers and/or directors of other companies engaged in the mining and the oil and natural gas businesses generally. As a result, situations may arise where the interest of such directors and officers' conflict with their interests as directors and officers of other companies. The resolution of such conflicts is governed by applicable corporate laws, which require that directors act honestly, in good faith and with a view to the best interests of the Company. Conflicts, if any, will be handled in a manner consistent with the procedures set forth in the ABCA. The ABCA provides that in the event that a director has an interest in a material contract or material transaction, whether made or proposed, the director shall disclose his or her interest in such contract or transaction to the Company and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

AUDIT COMMITTEE INFORMATION

AUDIT COMMITTEE MANDATE

The Company's Audit Committee mandate sets out the committee's purpose, organization, duties, and responsibilities. A copy of the mandate has been reproduced in Appendix "A" of this AIF.

COMPOSITION OF AUDIT COMMITTEE

The Audit Committee consists of Mr. Belford (chair), Mr. Johnson, and Mr. Sharpe. Each of the members of the Audit Committee is considered "financially literate" and "independent" within the meaning of NI 52-110.

Relevant Education and Experience

The Company believes that each of the members of the Audit Committee possesses: (a) an understanding of the accounting principles used by the Company to prepare its financial statements; (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions; (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and (d) an understanding of internal controls and procedures for financial reporting.

For a summary of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee, see *"Background of Directors and Executive Officers"*.

Pre-Approval Policies and Procedures

The Company's Audit Committee mandate requires the Audit Committee to pre-approve all non-audit services to be provided to the Company or any of its subsidiary entities by the Company's external auditor or the external auditor of the Company's subsidiary entities, provided that the Audit Committee may

satisfy the pre-approval requirement by either delegating to one or more members of the Audit Committee the authority to pre-approve non-audit services or adopting specific policies and procedures for the engagement of non-audit services.

External Audit Service Fees by Category

The following table summarizes the fees billed to the Company by its external auditors, Ernst & Young LLP, for external audit and other services during the years ended December 31, 2025, and December 31, 2024. The amounts disclosed exclude administrative charges.

FEES	2025	2024
Audit Fees ⁽¹⁾	\$481,000	\$569,000
Audit-Related Fees	\$—	\$—
Tax Fees ⁽²⁾	\$—	\$163,950
All Other Fees	\$—	\$—
Total	\$481,000	\$732,950

Notes:

- (1) Represents the aggregate fees for services related to the audit of annual financial statements, the review of quarterly (interim) financial statements and statutory audits.
- (2) Represents the aggregate fees billed for tax compliance, tax advice and tax planning.

RISK FACTORS

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 those listed below.

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.

RISKS RELATED TO SOURCE'S BUSINESS

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 in the ABL Agreement and the Term Loan Agreement 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 Agreement or Term Loan Agreement, 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 Agreement 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.

Certain of Source's long-term contracts may preclude Source from taking advantage of increasing prices for frac sand or mitigating the effect of increased operational costs during the term of its long-term contracts

Certain long-term supply contracts Source may negatively impact Source's results of operations. Source's long-term contracts require its customers to pay a specified price for the volume of frac sand they use. As a result, in periods with increasing prices, Source's sales will not keep pace with market prices. Additionally, if Source's operational costs increase during the terms of its long-term supply contracts, Source may not be able to pass any of those increased costs to its customers. If Source is unable to otherwise mitigate these increased operational costs, its net income and available cash for distributions could decline.

A majority of Source's contracts are cancelable at the option of Source's customers and are not a guarantee of continued revenues

A majority of the contracts Source enters into with Source's customers do not guarantee Source any volumes or revenues and are generally cancelable by Source's customers without cause. Source's contracts generally provide the terms under which Source will provide proppant, but do not obligate Source's customers to purchase any specific amount of proppant, nor do the contracts prohibit Source's customers from purchasing a competitor's proppant. As a result, if Source's customers elect to delay or forego completions programs, or choose to purchase frac sand from a competitor, Source's product will not be needed.

Source is exposed to the credit risk of its customers, and any material non-payment or non-performance by Source's customers could adversely affect its business, results of operations and financial condition

Source is subject to the risk of loss resulting from non-payment or non-performance by Source's customers. Source's credit procedures and policies may not be adequate to fully eliminate customer credit risk. If Source fails to adequately assess the creditworthiness of existing or future customers or unanticipated deterioration in their creditworthiness, any resulting increase in non-payment or non-performance by them and Source's inability to re-market or otherwise use the production could have a material adverse effect on its business, results of operations and financial condition. The volatility in natural gas and crude oil prices can negatively impact the financial condition of Source's customers and declines, sustained lower prices, or continued volatility could impact their ability to meet their financial obligations to Source. Further, Source's counterparties may not perform or adhere to Source's existing or future arrangements, contractual or otherwise. To the extent one or more of Source's contract counterparties is in financial distress or commences bankruptcy proceedings, agreements with these counterparties may be subject to renegotiation or rejection under applicable provisions of applicable bankruptcy and/or creditor protection laws of Canada or the United States. Any material non-payment or non-performance by Source's counterparties due to Source's inability or unwillingness to perform or adhere to arrangements, contractual or otherwise, could adversely affect its business and results of operations.

Seasonality and climate change may have an adverse effect on Source's results and business

The level of activity in the oil and gas industry is influenced by seasonal weather patterns. The spring breakup makes the ground unstable and less capable of supporting heavy weights. Consequently, municipalities and transportation departments enforce road bans that restrict the movement of heavy equipment, which can reduce drilling and well completion activity levels. Source could therefore be adversely affected by a spring breakup that is longer in duration than usual. In addition, in any geography in which Source operates, during excessively rainy periods, equipment moves may be delayed, thereby adversely affecting revenues. There is greater demand for certain of Source's services in the winter season when freezing permits the movement and operation of heavy equipment. Activity in Source's business tends to increase in the fall and peak in the winter months of November through March. However, if an unseasonably warm winter prevents sufficient freezing, Source may not be able to access

certain customer sites and Source's operating results and financial condition may therefore be adversely affected. Seasonal volatility can therefore create unpredictability in activity, which could have a material adverse effect on Source's business, financial position, results of operations, and cash flows.

Climate change, including the impacts of global warming, may be associated with extreme weather conditions such as more intense hurricanes, droughts, forest fires, thunderstorms, tornados, floods and snow or ice storms, as well as rising sea levels. Another possible consequence of climate change is increased volatility in seasonal temperatures. Some studies indicate that climate change could cause some areas to experience temperatures substantially colder or warmer than their historical averages. Extreme weather conditions can interfere with the Company's business, or the businesses of its customers and increase the Company's costs, and damage resulting from extreme weather may not be insured. Government action or inaction to address climate change could also affect the Company. While the Company is continually focused on efficiency improvements and reducing its carbon footprint, cap and trade systems, carbon taxes, or other controls on emissions of greenhouse gases imposed by various government bodies could increase the Company's capital and operating costs. The Company may not be able to offset such impacts. Climate change legislation and regulation could also negatively affect the Source's customers; and incur legal costs related to defending and resolving legal claims and other litigation related to climate change. At this time, the Company is unable to determine the extent to which climate change may lead to increased storm or weather hazards or other impacts affecting its operations, or the operations of its customers.

Fluctuations in exchange rates may adversely affect Source's financial position, results of operations, cash flows or Source's ability to make payments on its indebtedness

A significant portion of Source's financial activities are currently, and are expected to continue to be, transacted or denominated in or referenced to both Canadian and U.S. dollars. Source generates revenues and incur expenses and capital expenditures in Source's operations in both Canadian and U.S. dollars. Fluctuations in exchange rates between the U.S. and Canadian dollar could have a material adverse effect on Source's financial position, results of operations, cash flows or Source's ability to make payments on Source's indebtedness. Source's combined financial statements are presented in Canadian dollars, any change in the value of the Canadian dollar relative to the U.S. dollar during a given financial reporting period would result in a foreign currency loss or gain on the translation of Source's U.S. dollar assets into Canadian dollars. Consequently, Source's reported earnings could fluctuate materially as a result of foreign exchange translation gains or losses. In addition, as world oil prices and many other resource prices are quoted in U.S. dollars, fluctuations in the Canada/U.S. dollar exchange rate could also have an impact on Source's customers, which could affect the demand for Source's services and have a material adverse impact on Source.

Source may be adversely affected by decreased demand for frac sand due to the development of effective alternative proppants or new processes to replace hydraulic fracturing

Frac sand is a proppant used in the completion and recompletion of oil and natural gas wells to stimulate and maintain oil and natural gas production through the process of hydraulic fracturing. Frac sand is the most commonly used proppant and is less expensive than other proppants, such as resin coated sand and manufactured ceramics. A significant shift in demand from frac sand to other proppants, or the development of new processes to make hydraulic fracturing more efficient could cause a decline in the demand for the frac sand Source produces, or could eliminate the need for frac sand altogether, and result in a material adverse effect on Source's business, results of operations and financial condition. An increase in the supply of frac sand, including in basin sand, having similar characteristics as the frac sand Source produces could make it more difficult for Source to renew or replace its existing contracts on favourable terms, or at all. If significant new reserves of frac sand, including in basin sand, are discovered and developed, and those frac sands have similar characteristics to the frac sand Source produces, Source may be unable to renew or replace its existing contracts on favourable terms, or at all. Specifically, if in basin frac sand becomes more readily available, Source's customers may demand lower

prices, which could have a material adverse effect on Source's business, results of operations, and financial condition.

Source is and may continue to be subject to various litigation and other proceedings

In the normal course of Source's business, Source may become involved in, be named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to personal injuries, property damage, property tax, the environment and contract disputes. Litigation in general can be expensive, lengthy, and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. Responding to lawsuits brought against Source, or legal actions that Source may initiate, can often be expensive and time-consuming. Unfavourable outcomes from these claims and/or lawsuits could adversely affect Source's business, results of operations or financial condition, and Source could incur substantial monetary liability and/or be required to change Source's business practices. In addition, Source's business exposes it to claims for personal injury, death or property damage and other employee related matters. The outcome of outstanding, pending, or future proceedings cannot be predicted with certainty and may be determined adversely to Source and, as a result, could have a material adverse effect on Source's business, financial position, results of operations, and cash flows.

Source is subject to numerous environmental laws and regulations that may result in Source incurring unanticipated liabilities, which could have an adverse effect on Source's operating performance

Federal, provincial, state and local authorities subject Source's facilities and operations to requirements relating to environmental protection. These requirements can be expected to change and expand in the future and may impose significant capital and operating costs on Source's business. Environmental laws and regulations govern, among other things, the discharge of substances into the air, water and land, impact on wetlands and wildlife, the handling, storage, use and disposal of hazardous materials and wastes and the cleanup of properties affected by pollutants. If Source violates environmental laws or regulations, Source may be required to implement corrective actions and could be subject to civil or criminal fines or penalties. There can be no assurance that Source will not have to make significant capital expenditures in the future in order to remain in compliance with applicable laws and regulations or that Source will comply with applicable environmental laws at all times. Such violations or liability could have an adverse effect on Source's business, financial condition, and results of operations. Source holds numerous environmental and other governmental permits and approvals authorizing operations at each of Source's facilities. A decision by a government agency to deny or delay issuing a new or renewed regulatory material permit or approval, or to revoke or substantially modify an existing permit or approval, or a determination that Source has violated a law or permit as a result of a governmental inspection of its facilities could have a material adverse effect on Source's ability to continue operations at its facilities and on Source's business, financial condition, results of operations and cash flows. Environmental laws also impose obligations and liability for the investigation and cleanup of properties affected by hazardous substance spills or releases. Source can be subject to liability for the disposal of substances which Source generates and for substances disposed of on property which Source owns or operates, even if such disposal occurred before Source's ownership or occupancy. Accordingly, Source may become liable, either contractually or by operation of law, for investigation, remediation, and monitoring costs even if the contaminated property is not presently owned or operated by us, or if the contamination was caused by third parties during or prior to Source's ownership or operation of the property. In addition, because environmental laws frequently impose joint and several liability on all responsible parties, Source may be held liable for more than Source's proportionate share of environmental investigation and cleanup costs. Contamination and exposure to hazardous substances can also result in claims for damages, including personal injury, property damage, and natural resources damage claims. Future events, such as changes in existing laws or policies or their enforcement, or the discovery of currently unknown contamination, may give rise to remediation liabilities or other claims that may be material. Environmental requirements may become stricter or be interpreted and applied more strictly in the future. In addition, Source may be required to indemnify other parties for adverse environmental conditions that are now unknown to Source.

These future changes or interpretations, or the indemnification for such adverse environmental conditions, could result in environmental compliance or remediation costs Source has not anticipated, which could have a material adverse effect on Source's business, financial position, results of operations and cash flows. Climate change legislation or regulations restricting emissions of greenhouse gases could result in increased operating costs on Source and its customers and reduced demand for the oil, natural gas, and natural gas liquids that Source's customers produce, which ultimately may cause an adverse effect on Source's business, financial position, results of operations, and cash flows.

Source's business requires the ability to efficiently deliver its products to customers who operate in different geographical locations

Source faces distribution and logistical challenges in its business. Transportation and logistical operating expenses comprise a significant portion of the costs incurred by Source to deliver frac sand to its customers' well sites, which could favour suppliers located in close proximity to such customers. As oil and natural gas prices fluctuate, Source's customers may shift their focus to different resource plays, some of which may be located in geographic areas that do not have well developed transportation and distribution infrastructure systems. Serving Source's customers in these less developed areas presents distribution and other operational challenges that may affect Source's sales and negatively impact Source's operating costs. Any delays Source experiences in optimizing Source's logistics infrastructure or developing additional origination and destination points may adversely affect Source's ability to renew existing contracts with customers seeking additional delivery and pricing alternatives. Disruptions in transportation services, including shortages of rail cars, lack of developed infrastructure, weather-related problems, flooding, drought, accidents, mechanical difficulties, strikes, lockouts, political protests, blockades, bottlenecks, or other events could affect Source's ability to timely and cost effectively deliver to Source's customers and could temporarily impair Source's ability to deliver proppant to Source's customers. Additionally, increases in the price of transportation costs, including freight charges, fuel surcharges, transloading fees, terminal switch fees and demurrage costs, could negatively impact operating costs if Source is unable to pass those increased costs along to Source's customers. Source is also dependent on rail infrastructure, and if there are disruptions of the rail transportation services utilized by Source or its customers, and Source is unable to find alternative transportation providers to transport Source's products, Source's business, and results of operations could be adversely affected.

Disruptions in Source's information technology systems could adversely affect Source's operating results by limiting its capacity to effectively monitor and control Source's operations

Source's information technology systems facilitate its ability to monitor and control Source's operations and adjust to changing market conditions. Any disruptions in these systems or the failure of these systems to operate as expected could, depending on the magnitude of the problem, adversely affect Source's operating results by limiting its capacity to effectively monitor and control Source's operations and adjust to changing market conditions.

Source is dependent upon key personnel, the loss of whom may adversely impact its business and Source's results of operations

Source depends on the expertise, experience, and continued services of Source's senior management employees, especially Mr. Scott Melbourn, Source's President and CEO, and Mr. Derren Newell, Source's CFO, as well as senior management employees of Source's operating subsidiaries. Mr. Melbourn has acquired specialized knowledge and skills with respect to Source's and its subsidiaries' operations and most decisions concerning Source's business are made or significantly influenced by him. The loss of any of the foregoing individuals or other senior management employees, without a proper succession plan, or an inability to attract or retain other key individuals, could materially adversely affect Source. Source seeks to compensate and incentivize Source's key executives, as well as other employees, through competitive salaries and bonus plans, but there can be no assurance that these programs will allow Source to retain key employees or hire new key employees. As a result, if Messrs. Melbourn or Newell or other senior executives of Source's operating subsidiaries were to leave, Source could face substantial difficulty in hiring qualified successors and could experience a loss in productivity while any such

successors obtain the necessary training and experience. Source does not carry any “key man” insurance.

Source’s future success depends on its ability to attract and retain qualified employees

Source’s future success and financial performance depends on its ability to attract and retain qualified and experienced employees, including mine excavation employees, professional truck drivers, mechanics, safety personnel and field supervisors. There is demand for such highly skilled personnel in Source’s main markets and Source may be unable to obtain and retain appropriate levels of skilled labor. In the event of a labor shortage, Source could experience difficulty delivering Source’s services in a high-quality or timely manner and could be forced to increase wages in order to attract and retain employees, which would result in higher operating costs and adversely affect Source’s business, financial position, results of operations, and cash flows.

If Source is unable to obtain additional capital as required, Source may be unable to fund the capital outlays required for the success of Source’s business, including those relating to purchasing and establishing new locations

Source’s ability to compete, sustain Source’s growth and expand Source’s logistics network largely depends on access to capital. If the cash Source generates from Source’s operations, together with cash on hand and cash that Source may borrow, is not sufficient to implement Source’s growth strategy and meet Source’s capital needs, Source will require additional financing. However, Source may not succeed in obtaining additional financing on terms that are satisfactory to Source or at all. In addition, Source’s ability to obtain additional financing collateralized by Source’s assets and Source’s ability to obtain additional financing on a secured or unsecured basis will be restricted by the Term Loan Agreement and the ABL Agreement. If Source is unable to obtain sufficient additional capital in the future, Source may be unable to fund the capital outlays required for the success of Source’s business, including those relating to construction of new terminal locations. Furthermore, any additional indebtedness that Source does incur may make Source more vulnerable to economic downturns and may limit Source’s ability to withstand competitive pressures.

Growing Source’s business by constructing new terminals and facilities subjects Source to construction risks as well as market risks relating to insufficient demand for the services of such terminals and facilities upon completion thereof

One of the ways Source may grow Source’s business is through the construction of new terminal locations. The construction of such terminal locations requires the expenditure of significant amounts of capital, which may exceed Source’s resources, and involves numerous regulatory, environmental, political, and legal uncertainties. If Source undertakes these projects, it may not be able to complete them on schedule, at the budgeted cost, or at all. Moreover, Source’s revenues may not increase upon the expenditure of funds on a particular project. For instance, if Source builds a new terminal location or facility, the construction will occur over an extended period of time, and Source will not receive any material increases in revenues until at least after completion of the project, if at all. Moreover, Source may construct new terminal locations or facilities to capture anticipated future demand in a region in which anticipated market conditions do not materialize or for which Source is unable to acquire new customers. As a result, new terminal locations or facilities may not be able to attract enough demand to achieve Source’s expected investment return, which could materially and adversely affect Source’s results of operations and financial condition.

If Source is unable to make acquisitions on economically acceptable terms, or integrate acquired businesses, Source’s future growth would be limited

A portion of Source’s strategy to grow Source’s business is dependent on its ability to make acquisitions. If Source is unable to make acquisitions from third parties because Source is unable to identify attractive acquisition candidates or negotiate acceptable purchase contracts, Source is unable to obtain financing

for these acquisitions on economically acceptable terms or Source is outbid by competitors, Source's future growth may be limited.

If Source completes any future acquisitions, Source's capitalization and results of operations may change significantly, and Shareholders will not have the opportunity to evaluate the economic, financial, and other relevant information that Source will consider in determining the application of these funds and other resources.

Business acquisitions involve numerous risks and the failure to realize anticipated benefits of acquisitions and dispositions could negatively affect the Company's results of operations

The Company considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Any acquisition that the Company completes could have unforeseen and potentially material adverse effects on the Company's financial position and operating results. Some of the risks involved with acquisitions include: unanticipated costs and liabilities; difficulty integrating the operations and assets of the acquired business; inability to properly access and maintain an effective internal control environment over an acquired company; potential loss of key employees and customers of the acquired company; and increased expenses and working capital requirements.

The Company may incur substantial indebtedness to finance acquisitions and may also issue equity securities in connection with any such acquisitions. Debt service requirements could represent a significant burden on the Company's results of operations and financial condition and the issuance of additional equity could be dilutive to the Company's Shareholders.

Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Company. The integration of an acquired business may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. The inability of the Company to realize the anticipated benefits of acquisitions and dispositions could have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows.

Source may not be able to complete greenfield development or expansion projects or, if Source does, it may not realize the expected benefits

Any greenfield development or expansion project may require Source to raise substantial capital and obtain numerous federal, provincial, state and/or local permits. A decision by any governmental agency not to issue a required permit or substantial delays in the permitting process could prevent Source from pursuing the development or expansion project. In addition, if the demand for Source's products declines during a period in which Source experiences delays in raising capital or completing the permitting process, Source may not realize the expected benefits from Source's greenfield facility or expansion project. Furthermore, Source's new or modified facilities may not operate at designed capacity or may cost more to operate than Source expects. The inability to complete greenfield development or expansion projects, or to complete them on a timely basis and in turn grow Source's business, could adversely affect its business and results of operations.

Federal, provincial, state and local legislative and regulatory initiatives relating to hydraulic fracturing and the potential for related litigation could result in increased costs or additional operating restrictions or delays for Source's customers, which could cause a decline in the demand for Source's frac sand and negatively impact its business, results of operations and financial condition

Although Source does not directly engage in hydraulic fracturing activities, Source's customers purchase its frac sand for use in their hydraulic fracturing activities. In Canada, hydraulic fracturing is regulated by provincial oil and natural gas commissions and similar agencies. Some provinces have adopted, and other provinces are considering adopting, regulations that could impose new or more stringent permitting,

disclosure or well construction requirements on hydraulic fracturing operations. Aside from provincial laws, state prohibitions or moratoria and local land use restrictions may restrict drilling in general or hydraulic fracturing in particular. Municipalities may adopt local ordinances attempting to prohibit hydraulic fracturing altogether or, at a minimum, allow such fracturing processes within their jurisdictions to proceed but regulating the time, place, and manner of those processes. In addition, United States federal agencies have started to assert regulatory authority over the process and various studies have been conducted or are currently underway by the EPA and other federal agencies concerning the potential environmental impacts of hydraulic fracturing activities. At the same time, certain environmental groups have suggested that additional laws may be needed and, in some instances, have pursued voter ballot initiatives to more closely and uniformly limit or otherwise regulate the hydraulic fracturing process, and legislation has been proposed by some members of Congress to provide for such regulation. The adoption of new laws or regulations at the federal, provincial, state, or local levels imposing reporting obligations on, or otherwise limiting or delaying, the hydraulic fracturing process could make it more difficult to complete natural gas wells, increase Source's customers' costs of compliance and doing business, and otherwise adversely affect the hydraulic fracturing activities they undertake, which could negatively impact demand for Source's frac sand. In addition, heightened political, regulatory, and public scrutiny of hydraulic fracturing practices could expose Source or its customers to increased legal and regulatory proceedings, which could be time consuming, costly, or result in substantial legal liability or significant reputational harm. The Company could be directly affected by adverse litigation involving Source, or indirectly affected if the cost of compliance limits the ability of Source's customers to operate. Such costs and scrutiny could directly or indirectly, through reduced demand for Source's frac sand, have a material adverse effect on its business, financial condition, and results of operations.

Source is subject to numerous occupational health and safety laws and regulations that may result in Source incurring unanticipated liabilities, which could have an adverse effect on our operating performance

Source's operations are subject to federal, provincial, state, and local laws and regulations pertaining to occupational health and safety. Source is subject to various regulations that primarily deal with maintaining a safe workplace environment. Such regulations require Source, among other things, to maintain documentation of work-related injuries, illnesses, and fatalities and files for recordable events, complete workers' compensation loss reports, and review the status of outstanding workers' compensation claims, and complete certain annual filings and postings. Source may be involved from time to time in administrative and judicial proceedings and investigations with these governmental agencies, including inspections and audits by the applicable agencies related to Source's compliance with these requirements. Any failure to comply with these and other applicable requirements could result in fines and penalties and require Source to undertake certain remedial actions or be subject to a suspension of business, which could materially adversely affect its business or results of operations. Moreover, involvement in any audits and investigations or other proceedings could result in substantial financial cost to Source and divert management's attention. Additionally, future events, such as changes in existing laws and regulations, new laws or regulations, or the discovery of conditions not currently known to Source, may give rise to additional compliance or remedial costs that could be material. Safety requirements may become stricter or be interpreted and applied more strictly in the future. These future changes or interpretations could have a material adverse effect on Source's business, financial position, results of operations, and cash flows.

Source's operations are subject to operational hazards and unforeseen interruptions for which Source may not be adequately insured

Source's operations are exposed to extreme weather conditions or natural or other disasters, including blizzards, tornadoes, storms, floods, other adverse weather conditions, earthquakes, forest fires, epidemics or pandemics, and similar events, which may cause postponements in the initiation and/or completion of the Company's activities and may hinder the ability of its employees to perform their duties, which may result in delays or loss of revenues that otherwise would be recognized while certain costs continue to be incurred. If any of these events were to occur, Source could incur substantial losses

because of personal injury or loss of life, severe damage to and destruction of property and equipment, and pollution or other environmental damage resulting in curtailment or suspension of Source's operations. The risks to the Company of public health crises including epidemics, pandemics, or outbreaks of new infectious disease or viruses, and related events, include risks to employee health and safety. The Company's business could also experience a slowdown or temporary suspension in operations in geographic locations impacted by an outbreak in the short term. Any prolonged restrictive measures put in place in order to contain an outbreak of a contagious disease or other adverse public health development, in any jurisdictions where the Company operates or holds any assets, may have a material and adverse effect on the Company's financial and/or operating performance. Any delay in the completion of the Company's services may require the Company to incur additional non-compensable costs, including overtime work, that are necessary to meet clients' schedules. Due to various factors, a delay in the commencement or completion of a project may also result in penalties or sanctions under contracts or even the cancellation of contracts. Source is not fully insured against all risks incident to its business, including the risk of Source's operations being interrupted due to severe weather or natural or other disasters. Furthermore, Source may be unable to maintain or obtain insurance of the type and amount Source desires at reasonable rates. As a result of market conditions, premiums, and deductibles for certain of Source's insurance policies have increased and could escalate further. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage. If Source were to incur a significant liability for which Source is not fully insured, it could have a material adverse effect on its business, results of operations, and financial condition.

A terrorist attack or armed conflict could harm Source's business

Terrorist activities, anti-terrorist efforts, and other armed conflicts involving the United States and Canada could adversely affect the U.S., Canadian and global economies and could prevent Source from meeting financial and other obligations. Source could experience loss of business, delays, or defaults in payments from payors or disruptions of fuel supplies and markets if pipelines, production facilities, processing plants, refineries, or transportation facilities are direct targets or indirect casualties of an act of terror or war. Such activities could reduce the overall demand for oil and natural gas, which, in turn, could also reduce the demand for Source's frac sand. Terrorist activities and the threat of potential terrorist activities and any resulting economic downturn could adversely affect Source's results of operations, impair its ability to raise capital, or otherwise adversely impact Source's ability to realize certain business strategies.

Source's customers in the oil and natural gas industries are subject to complex federal, provincial, state, local and other laws and regulations that could adversely affect the cost, manner or feasibility of conducting their operations

Source's customers in the oil and natural gas industry are subject to complex and stringent laws and regulations governing the acquisition, development, operation, production and marketing of oil and natural gas, taxation, import or export costs, safety matters and the discharge of materials into the environment. In order to conduct their operations in compliance with these laws and regulations, Source's oil and natural gas customers must obtain and maintain numerous permits, approvals and certificates from various federal, provincial, state and local governmental authorities. Failure or delay in obtaining and maintaining regulatory approvals or drilling permits could have a material adverse effect on Source's oil and natural gas customers' ability to develop their properties, and receipt of drilling or other environmental permits with onerous conditions could increase their compliance costs. In addition, regulations regarding resource conservation practices and the protection of correlative rights affect their operations by limiting the quantity of oil, natural gas, and natural gas liquids they may produce and sell. Source's oil and natural gas customers are subject to federal, provincial, state, and local laws and regulations as interpreted and enforced by governmental authorities possessing jurisdiction over various aspects of the exploration, production and transportation of oil, natural gas and natural gas liquids. There are legislative and regulatory uncertainties, including changes to climate change legislation and regulation of hydraulic fracturing. New laws, regulations or enforcement policies may be more stringent and significantly increase Source's oil and natural gas customers' compliance costs. If Source's oil and natural gas customers are not able to recover increased costs resulting from laws, regulations, and related permit requirements, they

could be adversely affected and, in turn, Source's business, financial position, results of operations and cash flows could be adversely affected due to Source's dependence on these customers. In addition, any failure to obtain or maintain required permits may result in project delays which could adversely affect Source's business.

Source's oil and natural gas customers rely on third party infrastructure, equipment and technology

Source's oil and natural gas customers rely on certain infrastructure owned and operated by third parties, including, without limitation, the following:

- pipelines for the transportation of feedstocks to refineries and certain diluents to purchasers;
- pipelines for the transportation of natural gas;
- railways and trucking for the transportation of refinery products and by-products;
- electricity transmission systems; and
- terminal operation for truck and rail car loading.

A disruption in the provision of any of these services or the supply of these services will negatively affect the operations of Source's oil and natural gas customers and, in turn, Source's business, financial position, results of operations and cash flows could be adversely affected due to Source's dependence on these customers.

Public opposition to infrastructure development projects related to the oil and natural gas industries (including pipelines) could lead to delays in the commencement or completion, or cancellation, of such projects

Public opposition to infrastructure development projects related to the oil and natural gas industries (including pipelines) could lead to delays in the commencement or completion, or cancellation, of such projects. Such a delay or cancellation could have a material adverse effect on Source's customers in the oil and natural gas industries and, in turn, Source's business, financial position, results of operations and cash flows could be adversely affected due to Source's dependence on these customers.

Source operates on worksites managed and maintained by Source's customers, and its ability to complete Source's work may be adversely affected by actions and events beyond Source's control

Source operates on worksites managed and maintained by Source's customers. As such, Source's ability to operate its business may be adversely affected by actions and events outside of Source's control. Work on a given site may be suspended or halted because of the actions of persons not under Source's employment. Because Source may not control the site on which Source is operating, the decision to suspend or halt work may be made without consulting Source and without notice. In the event work on a site is suspended or halted, Source may incur costs if Source's employees and equipment are forced to sit idle. Source may not be adequately insured to protect against such risk. Furthermore, Source's contracts with its customers may not provide for compensation in the event that Source is forced to suspend operations because of an event outside of Source's control.

Source's business is subject to inflationary pressures

Improving economic conditions and competition for available personnel may result in significant increases in Source's cost structure, and Source may not be able to pass such cost increases on to its customers. In addition, inflation in the oil and natural gas industry could lead to higher resource development costs and generally hinder development. As a result, Source's gross margins and profitability could be adversely affected.

Inaccuracies in estimates of volumes and qualities of Source's sand resources could result in lower-than-expected sales and higher than expected production costs

APEX, Source's independent professional geologists, prepared the Sumner APEX Report, the Blair APEX Report, and the Preston APEX Report, which are each based on engineering, economic and geological data assembled and analyzed by Source. However, frac sand resources estimates are by nature imprecise and depend to some extent on statistical inferences drawn from available data, which may prove to be unreliable. There are numerous uncertainties inherent in estimating quantities and qualities of resources and costs to mine recoverable resources, including many factors beyond Source's control. Estimates of economically recoverable frac sand resources necessarily depend on a number of factors and assumptions, all of which may vary considerably from actual results, such as:

- geological and mining conditions and/or effects from prior mining that may not be fully identified by available data or that may differ from experience;
- assumptions concerning future prices of frac sand, operating costs, mining technology improvements, development costs and reclamation costs; and
- assumptions concerning future effects of regulation, including the issuance of required permits and the assessment of taxes by governmental agencies.

Any inaccuracy in the Sumner APEX Report, the Blair APEX Report, or the Preston APEX Report related to Source's frac sand resources could result in lower-than-expected sales or higher than expected costs. For example, APEX's estimates of the Sumner Facility's, the Blair Facility's, and the Preston Facility's resources assume that Source's revenue and cost structure will remain relatively constant over the life of Source's resources. If these assumptions prove to be inaccurate, some or all of Source's resources may not be economically mineable, which could have a material adverse effect on Source's results of operations and cash flows. In addition, Source's current customer contracts require Source to deliver frac sand that meets certain API and ISO specifications. If APEX's estimates of the quality of the resources, including the volumes of the various specifications of those resources, prove to be inaccurate, Source may incur significantly higher excavation costs without corresponding increases in revenues, Source may not be able to meet its contractual obligations, or Source's facilities may have a shorter than expected resource life, any of which could have a material adverse effect on Source's results of operations and cash flows.

The Sumner Facility, the Blair Facility, and the Preston Facility do not have an interest in any Mineral Reserves

Currently, there are no Mineral Reserves on the Sumner Facility, the Blair Facility, or the Preston Facility. Only those mineral deposits that Source can economically and legally extract or produce, based on a comprehensive evaluation of cost, grade, recovery, and other factors, are considered Mineral Reserves. The Mineral Resources estimates contained in the Sumner APEX Report, the Blair APEX Report, and the Preston APEX Report, as the case may be, are Indicated Mineral Resource and Inferred Mineral Resource estimates only and no assurance can be given that any particular level of recovery of frac sand minerals from mineralized material will in fact be realized or that an identified mineralized deposit will ever qualify as a commercially mineable (or viable) Mineral Reserve. In particular, Inferred Mineral Resources have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. Substantial additional work, including mine design and mining schedules, flow sheets and process plant designs, would be required in order to determine if any economic deposits exist on the Sumner Facility and the Blair Facility. Substantial expenditures would be required to establish Mineral Reserves through drilling and other testing techniques. The costs, timing, and complexities of upgrading the mineralized material to Proven Mineral Reserves and Probable Mineral Reserves may be greater than the value of Source's Mineral Reserves on a mineral property and may require Source to write-off the costs capitalized for that property in its financial statements. Source cannot provide any assurance that future feasibility studies will establish Mineral Reserves at the Sumner Facility, the Blair Facility, or the Preston Facility, as the case may be. The failure to establish Mineral Reserves could restrict the Company's ability to successfully implement its strategies for long-term growth.

Source's production process consumes large amounts of natural gas and electricity. An increase in the price or a significant interruption in the supply of these or any other energy sources could have a material adverse effect on Source's business, results of operations and financial condition

Energy costs, primarily natural gas and electricity represented approximately 1.86% of Source's total cost of sales for the year ended December 31, 2025. Natural gas is currently the primary fuel source used for drying in Source's frac sand production process. As a result, Source's profitability will be impacted by the price and availability of natural gas Source purchases from third parties. Because Source has not completely contracted for the provision of natural gas on a fixed price basis, Source's costs and profitability will be impacted by fluctuations in prices for natural gas. The price and supply of natural gas is unpredictable and can fluctuate significantly based on international, political, and economic circumstances, as well as other events outside Source's control, such as changes in supply and demand due to weather conditions, actions by OPEC and other oil and natural gas producers, regional production patterns, security threats and environmental concerns. In addition, potential climate change regulations or carbon or emissions taxes could result in higher production costs for energy, which may be passed on to Source in whole or in part. In order to manage this risk, Source has hedged natural gas prices through the use of physical contracts for a portion of its natural gas needs. However, these measures carry risk (including non-performance by counterparties) and do not in any event entirely eliminate the risk of decreased margins as a result of propane or natural gas price increases. Source further attempts to mitigate these risks by including in Source's sales contracts fuel surcharges based on natural gas prices exceeding certain benchmarks. A significant increase in the price of energy that is not recovered through an increase in the price of Source's products or covered through Source's hedging arrangements, or an extended interruption in the supply of natural gas or electricity to Source's production facilities could have a material adverse effect on its business, results of operations and financial condition.

Increases in the price of diesel fuel may adversely affect Source's results of operations

Diesel fuel costs generally fluctuate with increasing and decreasing world crude oil prices, and accordingly are subject to political, economic, regulatory and market factors that are outside of Source's control. Source's operations are dependent on earthmoving equipment, rail cars and tractor trailers, and diesel fuel costs are a significant component of the operating expense of these vehicles. Source uses earthmoving equipment in Source's mining operations, and Source ships the vast majority of its products by either rail car or tractor trailer. To the extent that Source performs these services with equipment that it owns, it is responsible for buying and supplying the diesel fuel needed to operate these vehicles. To the extent that these services are provided by independent contractors, Source may be subject to fuel surcharges that attempt to recoup increased diesel fuel expenses. To the extent Source is unable to pass along increased diesel fuel costs to its customers, Source's results of operations could be adversely affected.

Source relies upon trade secrets, contractual restrictions, and patents to protect Source's proprietary rights. Failure to protect Source's intellectual property rights may undermine its competitive position, and protecting Source's rights or defending against third-party allegations of infringement may be costly

Source's commercial success depends on its proprietary information and technologies, know-how and other intellectual property. Because of the technical nature of its business, Source relies on patents, trade secrets, trademarks, and contractual restrictions to protect Source's intellectual property rights, particularly with respect to Sahara. The measures Source takes to protect its trade secrets and other intellectual property rights may be insufficient. Failure to protect, monitor and control the use of Source's existing intellectual property rights could cause Source to lose its competitive advantage and result in significant expenses. It is possible that Source's competitors or others could independently develop the same or similar technologies or otherwise obtain access to Source's unpatented technologies. In such case, Source's trade secrets would not prevent third parties from competing with it. As a result, Source's results of operations may be adversely affected. Furthermore, third parties or Source's employees may infringe or misappropriate Source's proprietary technologies or other intellectual property rights, which

could also harm Source's business and results of operations. Policing unauthorized use of intellectual property rights can be difficult and expensive, and adequate remedies may not be available. In addition, third parties may claim that Source's products infringe or otherwise violate their patents or other proprietary rights and seek corresponding damages or injunctive relief. Defending Source against such claims, with or without merit, could be time-consuming and result in costly litigation. An adverse outcome in any such litigation could subject Source to significant liability to third parties (potentially including treble damages) or temporary or permanent injunctions prohibiting the manufacture or sale of Source's products, the use of Source's technologies or the conduct of Source's business. Any adverse outcome could also require Source to seek licenses from third parties (which may not be available on acceptable terms, or at all) or to make substantial one-time or ongoing royalty payments. Protracted litigation could also result in Source's customers or potential customers deferring or limiting their purchase or use of Source's products until resolution of such litigation. In addition, Source may not have insurance coverage in connection with such litigation and may have to bear all costs arising from any such litigation to the extent Source is unable to recover them from other parties. Any of these outcomes could have a material adverse effect on Source's business, financial condition, and results of operations.

RISKS RELATED TO ENVIRONMENTAL, MINING AND OTHER REGULATION

A facility closure entails substantial costs, and if Source closes its facilities sooner than anticipated, Source's results of operations may be adversely affected

Source bases its assumptions regarding the life of its facilities on detailed studies that Source performs from time to time; however, Source's studies and assumptions may not prove to be accurate. If Source closes the Sumner Facility, the Blair Facility, or the Preston Facility sooner than expected, sales will decline unless Source is able to acquire and develop additional facilities, which may not be possible. The closure of the Sumner Facility, the Blair Facility, or the Preston Facility would involve significant fixed closure costs, including accelerated employment legacy costs, severance related obligations, reclamation, and other environmental costs and the costs of terminating long term obligations, including energy contracts and equipment leases. Source accrues for the costs of reclaiming open pits, stockpiles, non-saleable sand, ponds, roads and other mining support areas over the estimated mining life of Source's property. If Source were to reduce the estimated life of the Sumner Facility, the Blair Facility, or the Preston Facility, the fixed facility closure costs would be applied to shorter period of production, which would increase production costs per metric tonne produced and could materially and adversely affect Source's business, results of operations and financial condition. Applicable statutes and regulations require that mining property be reclaimed following a mine closure in accordance with specified standards and an approved reclamation plan. The plan addresses matters such as removal of facilities and equipment, regrading, prevention of erosion and other forms of water pollution, revegetation and postmining land use. The establishment of the final mine closure reclamation liability is based on permit requirements and requires various estimates and assumptions, principally associated with reclamation costs and production levels. If Source's accruals for expected reclamation and other costs associated with facility closures for which Source will be responsible were later determined to be insufficient, Source's business, results of operations, and financial condition may be adversely affected.

Source's inability to acquire, maintain or renew financial assurances related to the reclamation and restoration of mining property could have a material adverse effect on Source's business, financial condition, and results of operations

Source is generally obligated to restore property in accordance with regulatory standards and Source's approved reclamation plan after it has been mined. Source is required under federal, state and local laws to maintain financial assurances, such as letters of credit or surety bonds, to secure such obligations. The inability to acquire, maintain or renew such assurances, as required by federal, state and local laws, could subject Source to fines and penalties as well as the revocation of Source's operating permits. Such inability could result from a variety of factors, including:

- the lack of availability, higher expense, or unreasonable terms of such financial assurances;

- the ability of current and future financial assurance counterparties to increase required collateral; and
- the exercise by financial assurance counterparties of any rights to refuse to renew the financial assurance instruments.

Source's inability to acquire, maintain or renew necessary financial assurances related to the reclamation and restoration of mining property could have a material adverse effect on Source's business, financial condition, and results of operations.

Negative public perception of oil and natural gas development and hydraulic fracturing, may harm the Company's profitability and corporate reputation

Development of the Alberta oil and natural gas development and hydraulic fracturing have figured prominently in recent political, media and activist commentary on the subject of climate change, GHG emissions, water usage, and environmental damage. Concerns over heightened GHG emissions and water and land use practices may directly or indirectly reduce the profitability of Source's current projects and/or the viability of all future projects by reducing the demand and pricing of the Company's product. The Company's corporate reputation may be adversely affected by negative public perception and protests against oil and natural gas development and hydraulic fracturing.

Source and its customers are subject to other extensive regulations, including licensing, plant and wildlife protection and reclamation regulation, which impose, and will continue to impose, significant costs and liabilities. In addition, future regulations, or more stringent enforcement of existing regulations, could increase those costs and liabilities, which could adversely affect Source's results of operations

In addition to the regulatory matters described above, Source and its customers are subject to extensive governmental regulation on matters such as permitting and licensing requirements, plant and wildlife protection, wetlands protection, reclamation, and restoration activities at mining properties after mining is completed, the discharge of materials into the environment, and the effects that mining and hydraulic fracturing have on groundwater quality and availability. Source's future success depends, among other things, on the quantity and quality of Source's frac sand deposits, its ability to extract these deposits profitably, and its customers being able to operate their businesses as they currently do. In order to obtain permits and renewals of permits in the future, Source may be required to prepare and present data to governmental authorities pertaining to the potential adverse impact that any proposed excavation or production activities, individually or in the aggregate, may have on the environment. Certain approval procedures may require preparation of archaeological surveys, endangered species studies, and other studies to assess the environmental impact of new sites or the expansion of existing sites. Compliance with these regulatory requirements is expensive and significantly lengthens the time needed to develop a site. Finally, obtaining or renewing required permits is sometimes delayed or prevented due to community opposition and other factors beyond Source's control. The denial of a permit essential to Source's operations or the imposition of conditions with which it is not practicable or feasible to comply could impair or prevent Source's ability to develop or expand a site. Significant opposition to a permit by neighboring property owners, members of the public, or other third parties, or delay in the environmental review and permitting process also could delay or impair Source's ability to develop or expand a site. New legal requirements, including those related to the protection of the environment, could be adopted that could materially adversely affect Source's mining operations (including its ability to extract or the pace of extraction of mineral deposits), Source's cost structure, or its customers' ability to use Source's frac sand. Such current or future regulations could have a material adverse effect on Source's business, and it may not be able to obtain or renew permits in the future.

Silica-related legislation, health issues and litigation could have a material adverse effect on Source's business, reputation or results of operations

Source is subject to laws and regulations relating to human exposure to crystalline silica. Several federal and state regulatory authorities, including the MSHA may continue to propose changes in their regulations

regarding workplace exposure to crystalline silica, such as permissible exposure limits and required controls and personal protective equipment. Source may not be able to comply with any new or amended laws and regulations that are adopted, and any new or amended laws and regulations could have a material adverse effect on Source's operating results by requiring Source to modify or cease its operations. In addition, the inhalation of respirable crystalline silica is associated with the lung disease silicosis. There is evidence of an association between crystalline silica exposure or silicosis and lung cancer and a possible association with other diseases, including immune system disorders such as scleroderma. These health risks have been, and may continue to be, a significant issue confronting the proppant industry. Concerns over silicosis and other potential adverse health effects, as well as concerns regarding potential liability from the use of frac sand, may have the effect of discouraging Source's customers' use of Source's frac sand. The actual or perceived health risks of mining, processing, and handling proppants could materially and adversely affect proppant producers, including us, through reduced use of frac sand, the threat of product liability or employee lawsuits, increased scrutiny by federal, state, provincial and local regulatory authorities of Source and its customers or reduced financing sources available to the frac sand industry.

Source's operations are dependent on Source's rights and ability to mine Source's properties and on Source having renewed or received the required permits and approvals from governmental authorities and other third parties

The Company holds numerous federal, state, and local environmental, mining, and other permits, as well as water rights and other approvals authorizing operations at Source's Sumner Facility, Blair Facility, and Preston Facility. For Source's extraction and processing in Wisconsin, the permitting process is subject to federal, state, and local authority. A decision by a governmental agency or other third party to deny or delay issuing a new or renewed permit or approval, or to revoke or substantially modify an existing permit or approval, could impair, or prevent Source's ability to develop or expand Source's operations, and have a material adverse effect on Source's business, results of operations and financial condition. Title to, and the area of, mineral properties and water rights may also be disputed. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that Source lacks appropriate mineral and water rights on one or more of its properties could cause Source to lose any rights to explore, develop and extract minerals, without compensation for Source's prior expenditures relating to such property. Source's business may suffer a material adverse effect in the event it has title deficiencies. In some instances, Source has received access rights or easements from third parties, which allow for a more efficient operation than would exist without the access or easement. A third party could take action to suspend the access or easement, and any such action could be materially adverse to Source's results of operations or financial condition.

Source is subject to the United States Federal Mine Safety and Health Act of 1977, which imposes stringent health and safety standards on numerous aspects of Source's operations

Source's operations are subject to the *United States Federal Mine Safety and Health Act* of 1977, as amended by the *United States Mine Improvement and New Emergency Response Act* of 2006, which imposes stringent health and safety standards on numerous aspects of mineral extraction and processing operations, including the training of personnel, operating procedures, operating equipment, and other matters. Source's failure to comply with such standards, or changes in such standards or the interpretation or enforcement thereof, could have a material adverse effect on Source's business and financial condition or otherwise impose significant restrictions on its ability to conduct mineral extraction and processing operations.

Diminished access to water may adversely affect Source's operations or the operations of its customers

The mining and processing activities at the Sumner Facility, the Blair Facility, and the Preston Facility requires significant amounts of water. Additionally, the development of oil and natural gas properties through fracture stimulation likewise requires significant water use. Source has obtained water rights that it currently uses to service the activities at the Sumner Facility, the Blair Facility, and the Preston Facility.

However, the amount of water that Source and its customers are entitled to use pursuant to Source's water rights must be determined by the appropriate regulatory authorities in the jurisdictions in which Source and its customers operate. Such regulatory authorities may amend the regulations regarding such water rights, increase the cost of maintaining such water rights or eliminate Source's current water rights, and Source and its customers may be unable to retain all or a portion of such water rights. These new regulations, which could also affect local municipalities and other industrial operations, could have a material adverse effect on Source's operating costs and effectiveness if implemented. Such changes in laws, regulations or government policy and related interpretations pertaining to water rights may alter the environment in which Source and its customers do business, which may negatively affect Source's financial condition and results of operations.

Climate change, climate change legislation and regulatory initiatives may adversely affect the Company's business, operations and financial results, including demand for the Company's products and the Company's reputation and share price

Climate change related risks are commonly grouped into two categories: transitional risks and physical risks. Transitional risks are broader and generally describe those risks related to the consequences of a global transition to reduce carbon.

The [Task Force on Climate-related Financial Disclosures](#) ("TCFD") lists 4 primary transitional risk categories: Policy and Legal Risks, Reputational Risks, Market Risks and Technology Risks. Physical risks are those that a change in climate could have on the Company's business (as a result of a fire or flooding, for example).

In October 2023 the TCFD was fully incorporated into the [IFRS International Sustainability Standards Board](#) ("ISSB") and subsequently disbanded. Source will continue to comply with the TCFD framework under the newly published ISSB standards.

Transitional Risks – Policy and Regulatory Risks

Canada is a signatory to the United Nations Framework Convention on Climate Change ("UNFCCC") and to the Paris Agreement, both of which are aimed at fostering climate resilience and lower GHG development by setting broad goals to, among other things, limit global climate change to not more than two degrees Celsius (or less), preparing, maintaining and publishing national greenhouse gas reduction targets and creating a "carbon-neutral" world by 2050.

Although it is not possible at this time to predict how new laws or regulations in the U.S. and Canada would impact the Company's business, any such laws, regulations or legal requirements imposing reporting or permitting obligations on, or limiting emissions of GHGs from, Source's equipment and operations could require Source to incur costs to reduce emissions of GHGs associated with Source's operations as well as cause delays or restrictions in Source's ability to permit GHG emissions from new or modified sources affecting the Company's business, or the businesses of its customers and could also increase the cost of consumption, and thereby reduce demand for the oil, natural gas liquids and natural gas which could negatively impact demand for Source's frac sand. Given the evolving nature of the discourse related to climate change and the control of GHGs and resulting regulatory requirements, it is not possible to calculate with certainty the resulting impact on the Company and its operations and financial condition. Furthermore, the direct or indirect costs of compliance with these various GHG regulations, existing and proposed, may have a material adverse effect on the business, financial condition, results of operations, and prospects of the Company.

Transitional Risks – Legal Risks

Globally, there have been cases of climate-related litigation alleging that contributions to climate change violate an organization's duty of care and human rights obligations or constitute a public nuisance, alleging that advertising campaigns are misleading in the way they present a company's low-carbon energy activities, and alleging that publicly disclosed projected climate change costs were misleading to investors. While it is primarily governments who are facing climate-related claims, the Company could

face claims from individuals, governments or other organizations alleging personal injury, property damage, or other potential liabilities and the Company could incur increased costs to defend itself against climate-related litigation. Any litigation brought against the Company or an unfavorable ruling in any such litigation could adversely affect the demand for and price of the Company's Common Shares, impact its operations, and have an adverse impact on its financial condition.

Transitional Risks – Reputational Risks

There are perceived long-term risks associated with regulatory changes or other market developments related to climate change. In recent years, there have been efforts by the investment community, including investment advisors, sovereign wealth funds, public pension funds, universities, and other institutional investors, to engage with companies in their portfolios on climate change action (including exercising their voting rights on matters relating to climate change), increased disclosure on GHG emissions and reduction targets, as well as to increase capital allocation to investments in low-carbon assets and businesses while decreasing the carbon intensity of their portfolios through, among other measures, divestments. Insurance providers, and commercial and investment banks also face pressure to reduce or stop financing and providing insurance coverage to oil and gas and related infrastructure businesses and projects. Changing consumer and societal perceptions of a company's contribution to, or detraction from, the transition to a lower-carbon economy and its willingness to address the issue of climate change and industries that are perceived as contributing negatively to climate change, or not doing enough to proactively address the climate change could negatively impact the reputation of the Company. The Company's management may be required to intensify engagement efforts with our stakeholders and continued stigmatization of the oil and gas industry could result in decreased demand for the Company's products, delayed approvals, and supply chain interruptions, and negative implications for the Company's cost of capital and access to capital.

RISKS RELATED TO CLIMATE

Climate-related risks have the potential to impact Source's operations

Climate-related risks have the potential to impact Source's operations, the delivery of our services, and future financial condition. Significant changes, such as more frequent, severe weather in the markets Source serves, or the areas where our assets are located, could cause increased expenses and impact to our operations and the operations of our customers. As a service provider to our customers in the oil and gas industry, Source is unable to predict how a change in the environmental or regulatory regime might affect our customers and consequently our business model. The costs associated with interrupted operations will depend on the duration and severity of any physical event, the impact on our customers and the damage to be repaired and remedial work to be carried out. Financial implications could include business interruption, damage or loss of production and uptime. While Source does not currently have a formal risk management process in place to identify and assess the potential size, scope and prioritization of climate-related risks, Source's business operations are, located, designed, and operated to accommodate a range of climate conditions. Given the evolving nature of the environmental and regulatory regime surrounding climate change, it is not currently possible to predict the impact it may have on our future financial conditions, operations, and customers.

RISKS RELATED TO SOURCE'S STRUCTURE AND ORGANIZATION

Source's directors who are nominees of TriWest IV may have conflicts of interest with respect to matters involving Source

Certain of Source's directors are affiliated with TriWest Capital have fiduciary duties to Source and, in addition, have duties to TriWest Capital. As a result, such circumstances may entail real or apparent conflicts of interest with respect to matters affecting Source, and TriWest Capital, whose interests, in some circumstances, may be averse to those of Source. In addition, as a result of TriWest Capital's ownership interests, conflicts of interest could arise with respect to transactions involving business dealings between Source and TriWest Capital (or TriWest IV) or their respective affiliates, including potential business transactions, potential acquisitions of businesses or properties, the issuance of

additional securities, the payment of dividends by Source and other matters. TriWest Capital is in the business of making investments in companies and may in the future acquire interests in businesses that directly or indirectly compete with certain portions of the Company's business or are suppliers or clients of the Company.

The Company is a holding company

The Company is a holding company, and a substantial portion of its assets are the shares or partnership units of its subsidiaries. As a holding company, the Company will conduct substantially all of its business through its subsidiaries, which will generate substantially all of its revenues. Consequently, the Company's cash flows and ability to execute on current or desirable future business opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Company. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and minimum capital standards requirements be maintained by such companies and, to the extent applicable, contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation, or reorganization of any of the Company's subsidiaries, holders of indebtedness, and other creditors will generally be entitled to payment of their claims from the assets of such subsidiaries before any assets are made available for distribution to the Company.

RISKS RELATED TO OWNERSHIP OF SOURCE SECURITIES

Public markets and share prices

The market price of the Common Shares could be subject to significant fluctuations in response to variations in Source's operating results or other factors. In addition, fluctuations in the stock market may adversely affect the market price of the Common Shares regardless of the operating performance of Source. Securities markets have also experienced significant price and volume fluctuations from time to time. In some instances, these fluctuations have been unrelated or disproportionate to the operating performance of issuers. Market fluctuations may adversely impact the market price of the Common Shares. There can be no assurance of the price at which the Common Shares will trade.

Return not certain

There is no assurance that an investment in the Common Shares will earn a specified rate of return or any return over the life of the investment. An investment in Common Shares may be more volatile and riskier than some other forms of investment. All prospective investors should consider an investment in Source within the overall context of their investment policies and objectives.

The Common Shares may be subject to further dilution

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company which may be dilutive. No prediction can be made as to the effect, if any, such future sales of Common Shares will have on the market price of the Common Shares prevailing from time to time. The sale of a substantial number of the Common Shares in the public market, or the perception that such sales may occur, could adversely affect the prevailing market price of the Common Shares, and negatively impact the Company's ability to raise equity capital in the future.

Changes in tax legislation

Tax laws may be amended (their interpretation may change), retroactively or prospectively, resulting in tax consequences that materially differ from those contemplated by the Company in the jurisdictions in which the Company has operations or sales, which may create a risk of non-compliance and re-assessment. While the Company believes that its tax filing positions are appropriate and supportable, it is possible that tax authorities may amend tax legislation (or its interpretation may change), or successfully challenge the Company's interpretation of tax legislation which may affect the Company's estimate of current and future income taxes and, have an adverse effect on the financial condition and ability of the Company to finance its working capital and its capital expenditures.

The Company has no plans to pay dividends

The Company currently intends to use its future earnings, if any, and other cash resources for the operation and development of its business and does not currently anticipate paying any dividends on the Common Shares. Any future determinations to pay dividends on the Common Shares will be at the sole discretion of the Board of Directors after considering a variety of factors and conditions existing from time to time, including income and cash flow generated by Source through its subsidiaries, financial requirements for Source's operations and the execution of its growth strategy, current and future commodity prices, production levels, capital investment requirements, debt service requirements, royalty burdens, foreign exchange rates, and the satisfaction of solvency tests imposed by the ABCA for the declaration and payment of dividends. Further, Source's ability to pay dividends to holders of Common Shares will be subject to applicable laws and to any prior right to dividend, interest, or other distribution payments in favour of any other securityholders, including the holders of preferred shares.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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 proceeding or threatened actions will not have a material adverse effect on the business or on the financial condition of Source.

Source is not aware of any penalties or sanctions imposed against it by a court relating to securities legislation or by a securities regulatory authority during Source's financial year ended December 31, 2025, or any other penalties or sanctions imposed by a court or regulatory body against Source that would likely be considered important to a reasonable investor in making an investment decision, and Source has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority during its financial year ended December 31, 2025.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as otherwise set out herein, there is no material interest, direct or indirect, of any: (a) director or executive officer of Source; (b) person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of Source's voting securities; or (c) associate or affiliate of any of the persons or companies referred to in (a) or (b) above in any transaction within three years before the date of this AIF that has materially affected or is reasonably expected to materially affect Source.

NAME	NUMBER OF COMMON SHARES ⁽¹⁾	PERCENTAGE OF COMMON SHARES
TriWest IV	1,389,776	10.62

Note:

- (1) Source has solely relied upon reports filed on the System for Electronic Disclosure by Insiders ("**SEDI**"), at www.sedi.ca, in order to ascertain whether any person other than TriWest IV beneficially owns, or controls or directs, directly or indirectly, Shares carrying more than 10% of the voting rights attached to the voting securities of Source.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts that the Company has entered into prior to the date of this AIF, which can reasonably be regarded as presently material, are the following:

1. ABL Agreement;
2. Term Loan Agreement;
3. Consent and Support Agreement;
4. Shareholder Consent Agreement;
5. Distribution Rights Agreement; and
6. TriWest Nomination Agreement.

All the above-mentioned material contracts are available on SEDAR+ at [SEDAR+ \(sedarplus.ca\)](https://www.sedarplus.ca).

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Company's Common Shares is Odyssey Trust Company of Canada at its principal offices in Calgary, Alberta, and Toronto, Ontario.

EXPERTS

Ernst & Young LLP has prepared the auditor's report on the consolidated financial statements of the Company for the year ended December 31, 2025. Ernst & Young LLP has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

Mineral Resources estimates contained in this AIF and in certain of the documents (or part thereof) incorporated by reference are based upon reports prepared by APEX, as independent consultants, with respect to Mineral Resources of the Company associated with the Sumner Facility, the Blair Facility, and the Preston Facility. As at the date hereof, the designated professionals of APEX, as a group, own, directly, or indirectly, less than 1% of the outstanding Common Shares.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issue under equity compensation plans, will be contained in the Company's management information circular for the annual meeting of Shareholders currently scheduled for May 8, 2026. Additional financial information is provided in the Company's audited consolidated financial statements and management's discussion and analysis for the year ended December 31, 2025.

Additional information relating to the Company may be found on SEDAR+ at [SEDAR+ \(sedarplus.ca\)](https://www.sedarplus.ca). Any document referred to in this AIF and described as being accessible on SEDAR+ may be obtained free of charge from the Company at 500, 438 – 11th Avenue SE, Calgary, Alberta T2G 0Y4.

APPENDIX “A”: AUDIT COMMITTEE MANDATE

Section 1 Purpose

The Audit Committee (the “Committee”) is a committee of the board of directors (the “Board”) of Source Energy Services Ltd. (the “Company”). The primary function of the Committee is to assist the Board by:

- (a) working with the Chief Executive Officer of the Company (the “CEO”) to recruit persons to hold key positions in the financial management of the Company including the Chief Financial Officer of the Company (the “CFO”), the Controller of the Company and any other persons hired to be the primary interface between the Company and its financial agents, lenders or shareholders;
- (b) recommending to the Board for consideration and further recommendation to the shareholders the appointment and compensation of the external auditor;
- (c) overseeing the work of the external auditor, including gaining an understanding of disagreements between the external auditor and management;
- (d) overseeing the assignment of non-audit services to the external auditor, including but not restricted to pre-approving all non-audit services (or delegating such pre-approval, if and to the extent permitted by law) to be provided to the Company or its subsidiary entities (“subsidiaries”) by the external auditor;
- (e) reviewing and approving any proposed hiring of any current or former partner or employee of the current or former external auditor of the Company or its subsidiaries;
- (f) establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters, and for anything that may be required beyond the Company’s Whistleblower Policy for the confidential, anonymous submission by employees of the Company or its subsidiaries of concerns regarding questionable accounting or auditing matters;
- (g) reviewing and approving the quarterly financial statements, the related Management Discussion and Analysis (“MD&A”), and similar financial information provided by the Company to any governmental body, the shareholders of the Company or the public, including by way of press release;
- (h) reviewing and recommending that the Board approve annual financial statements, the related MD&A, and similar financial information provided by the Company to any governmental body, the shareholders of the Company or the public, including by way of press release; and
- (i) satisfying itself that adequate procedures are in place for the compilation, calculation and review of the Company’s disclosure of financial information, other than as described in (g) and (h) above, extracted or derived from its financial statements, including periodically assessing the adequacy of such procedures.

The Committee should primarily fulfill these roles by carrying out the activities enumerated in this Mandate.

Section 2 Composition and Meetings

- (a) The Committee must be comprised of a minimum of three directors, as appointed by the Board, each of whom shall be independent within the meaning of National Instrument 52-110 – Audit Committees (“NI 52-110”) of the Canadian Securities Administrators unless the Board determines that an exemption contained in NI 52-110 is available and determines to rely thereon, and free of any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.
- (b) All of the members of the Committee must be financially literate within the meaning of NI 52-110 unless the Board has determined to rely on an exemption in NI 52-110. Being “financially literate” means members have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth

and complexity of issues that can reasonably be expected to be raised by the Company's financial statements.

- (c) The members of the Committee and its chair (the "Chair") shall be elected by the Board on an annual basis, or until they are removed or their successors are duly appointed.
- (d) The members of the Committee may be removed or replaced by the Board at any time. The Chair of the Committee may be removed by the Board at any time. Any member shall automatically cease to be a member of the Committee on ceasing to be a director. The Board may fill vacancies on the Committee. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all of the powers of the Committee, so long as a quorum remains.
- (e) The Committee shall meet at least four times annually, or more frequently as circumstances require. The Committee should meet within 42 days following the end of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related MD&A, and should meet within 85 days following the end of the fiscal year end to review and discuss the audited financial results for the preceding quarter and year and the related MD&A.
- (f) The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Committee shall have full access to all corporate information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of the Company with senior employees, officers and the external auditor, and others as they consider appropriate. For greater certainty, corporate information includes information relating to the Company's affiliates, subsidiaries and their respective operations.
- (g) In order to foster open communication, the Committee or the Chair should meet at least annually with management and the external auditor in separate sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately. In addition, the Committee or the Chair should meet with management quarterly in connection with the Company's interim financial statements and the Committee should meet not less than quarterly with the auditors, independent of the presence of management.
- (h) At all meetings of the Committee every question shall be decided by a majority of the votes cast. In case of an equality of votes, the Chair of the meeting shall not be entitled to a second or casting vote and in such cases the undecided matter should be referred to the Board as a whole.
- (i) A quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee or such greater number as the Committee shall by resolution determine.
- (j) Meetings of the Committee shall be held from time to time and at such place as any member of the Committee shall determine upon 48 hours notice to each of its members. The notice period may be waived by all members of the Committee. Each of the Chair of the Board, the external auditor, the CEO, the CFO or the Corporate Secretary of the Company shall also be entitled to call a meeting.
- (k) Agendas shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings. Minutes of each meeting will be recorded and reviewed for errors or omissions and then filed with the Corporate Secretary and made available to any director at any time. The Committee should report on its activities at each quarterly meeting of the Board or more frequently as material issues are addressed by the Committee. It will be the responsibility of the Chair to report to the Board or delegate such reporting.
- (l) Any issue arising from these meetings that bear on the relationship between the Board and management should be communicated to the Board by a member of the Committee, the Committee being responsible to designate the member responsible for such report.

Section 3 Role

In addition to the matters described in Section 1, and any other duties and authorities delegated to it by the Board from time to time, the role of the Committee is to:

(1) General

- (a) Annually review this Mandate and recommend to the Board changes hereto, as considered appropriate from time to time.
- (b) Review any and all disclosure regarding the Committee as contemplated by NI 52-110.
- (c) Oversee by direct involvement or by delegation to the Disclosure Committee of management the administration of the Company's Disclosure, Trading and Confidentiality Policy (the "Disclosure Policy"), including with respect to disclosure of the Company's quarterly and annual financial statements and related filings, and make recommendations to the Board regarding changes to the Disclosure Policy.
- (d) Summarize in the Company's disclosure materials the Committee's composition and activities, as required.

(2) Internal Controls

- (a) Satisfy itself on behalf of the Board with respect to the Company's internal control systems, including in particular but not exclusively:
 - i. matters relating to derivative instruments;
 - ii. management's identification, monitoring and development of strategies to avoid and / or mitigate business risks;
 - iii. the adequacy of the security measures that are in place in respect of the Company's information systems and the information technology that is utilized by the Company; and
 - iv. ensuring compliance with legal and regulatory requirements.

(3) Documents/Reports Review

- (a) (1) Review and recommend to the Board for approval the Company's annual financial statements, and (2) review and approve the Company's quarterly financial statements, including in each case any certification, report, opinion or review rendered by the external auditor, and related MD&A. The process of reviewing annual and quarterly financial statements should include but not be limited to:
 - i. reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years' financial statements;
 - ii. reviewing significant accruals, reserves or other estimates;
 - iii. reviewing accounting treatment of unusual or non-recurring transactions;
 - iv. ascertaining compliance with covenants under loan agreements;
 - v. reviewing financial reporting relating to asset retirement obligations;
 - vi. reviewing disclosure requirements for commitments and contingencies;
 - vii. reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
 - viii. reviewing unresolved differences between management and the external auditors;
 - ix. obtaining explanations of significant variances with comparative reporting periods; and
 - x. determining through inquiry if there are any related party transactions and ensure the nature and extent of such transactions are properly disclosed.
- (b) Review the financial statements, prospectuses, MD&A, annual information forms and all public disclosure containing financial outlooks and future-oriented financial information (each as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*) and financial information that is based upon the financial statements of the Company that has not previously been released, before release and prior to Board approval, if required.
- (c) Seek to ensure that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements and periodically assess the adequacy of those procedures.

(4) External Auditor

- (a) Recommend to the Board the nomination of the external auditor for shareholder approval, considering independence and effectiveness, and review the fees and other compensation to

be paid to the external auditor. Instruct the external auditor that its ultimate client is the shareholders of the Company as a group.

- (b) Advise the external auditor that it is required to report directly to the Committee, and not to management of the Company and, if it has any concerns regarding the conduct of the Committee or any member thereof, it should contact the Chair of the Board or any other director.
- (c) Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and discussing any material differences of opinion between management and the external auditor.
- (d) Review and discuss, on an annual basis, with the external auditor all significant relationships they have with the Company, its management or employees to determine their independence.
- (e) Review and approve requests for any material management consulting or other engagement to be performed by the external auditor and be advised of any other material study undertaken by the external auditor at the request of management that is beyond the scope of the audit engagement letter and related fees.
- (f) Review the performance of the external auditor and any proposed dismissal or non-renewal of the external auditor when circumstances warrant.
- (g) Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has or has not taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.
- (h) Review with external auditors (and internal auditor if one is appointed by the Company) their assessment of the internal controls of the Company, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses.
- (i) Communicate directly with the external auditor, and arrange for the external auditor to report directly to the Committee.
- (j) Communicate directly with the external auditor, and arrange for the external auditor to be available to the Committee and the full Board as needed.

(5) Financial Reporting Processes

- (a) Review the integrity of the financial reporting processes, both internal and external, in consultation with the external auditor as the Committee sees fit.
- (b) Consider the external auditor's judgments about the quality, transparency and appropriateness, not just the acceptability, of the Company's accounting principles and financial disclosure practices, as applied in its financial reporting, including the degree of aggressiveness or conservatism of its accounting principles and underlying estimates, and whether those principles are common practices or are minority practices relative to the Company's peers.
- (c) Review all material balance sheet issues, material contingent obligations (including those associated with material acquisitions or dispositions) and material related party transactions.
- (d) Consider proposed major changes to the Company's accounting principles and practices.

(6) Reporting Process

- (a) If considered appropriate, establish separate systems of reporting to the Committee by each of management and the external auditor.
- (b) Review the scope and plans of the external auditor's audit and reviews. The Committee may authorize the external auditor to perform supplemental reviews or audits as the Committee may deem desirable.
- (c) Review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of the Company and its subsidiaries.
- (d) Periodically consider the need for an internal audit function, if not present.

- (e) Following completion of the annual audit and quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.
- (f) Review any significant disagreements among management and the external auditor in connection with the preparation of the financial statements.
- (g) Where there are significant unsettled issues between management and the external auditors that do not affect the audited financial statements, the Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.
- (h) Review with the external auditor and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.
- (i) Review the system in place to seek to ensure that the financial statements, related MD&A and other financial information disseminated to governmental organizations and the public satisfy applicable requirements.
- (j) When there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change.

(7) Risk Management

- (a) Review program of risk assessment and steps taken to address significant risks or exposures of all types, including insurance coverage and tax compliance.
- (b) Review, not less than quarterly, a mark to market assessment of the Company's hedge positions and counterparty credit risk and exposure.

(8) General

- (a) If considered appropriate, conduct or authorize investigations into any matters within the Committee's scope of activities. The Committee is empowered to retain independent counsel, accountants and other professionals to assist it in the conduct of any such investigation or otherwise as it determines necessary to carry out its duties. The Committee may set and pay (at the expense of the Company) the compensation for any such advisors.
- (b) Perform any other activities as the Committee deems necessary or appropriate.

Section 4 Complaint Procedures

(1) Submitting a Complaint

- (a) Anyone may submit a whistle blower notice or complaint regarding conduct by the Company or its subsidiaries or their respective employees or agents (including its independent auditors) reasonably believed to involve questionable accounting, internal accounting controls or auditing matters. The Chair or in his/her absence or by his/her delegation, any other member of the Committee should oversee the treatment of such complaints.

(2) Procedures

- (a) The Chair is designated to receive and administer or supervise the administration of employee complaints with respect to accounting or financial control matters.
- (b) In order to preserve anonymity when submitting a complaint regarding questionable accounting or auditing matters, the employee may submit a complaint in accordance with the Company's Whistleblower Policy, and such complaint shall be addressed in accordance with that policy.

(3) Records and Report

The Chair should maintain a log of complaints, tracking their receipt, investigation, findings, and resolution, and should prepare a summary report for the Committee.

APPENDIX “B”: MINERAL PROJECTS

CURRENT TECHNICAL REPORTS

Scientific and Technical Information

The scientific and technical information in this AIF and certain documents (or part thereof) incorporated by reference that relate to the Sumner Facility, the Blair Facility and the Preston Facility, is effective as of December 31, 2025, and have been approved by D. Roy Eccles, M.Sc., P.Geol., and Robert J. Farmer, B.Sc., P.Eng., each independent QPs. Mr. Eccles is a full time employee of APEX and Mr. Farmer is a full time employee of the John T. Boyd Company (“**Boyd**”). Reference should be made to the full text of the Sumner APEX Report, the Blair APEX Report and the Preston APEX Report, which are available under the Company's profile on the SEDAR+ website at [SEDAR+ \(sedarplus.ca\)](https://www.sedarplus.ca). Unless otherwise indicated, all Mineral Resource estimates contained in such scientific and technical information have been prepared in accordance with CIM Definition Standards and Best Practice Guidelines and NI 43-101. Without limiting the foregoing, such scientific and technical information uses terms that comply with reporting standards in Canada and certain estimates are made in accordance with NI 43-101. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. The Board of Directors oversees the preparation of reports of scientific or technical information of the Company, including of Mineral Reserves and Mineral Resources or other information within the scope of NI 43-101, and undertaking such other technical tasks or reviews as the Board may from time to time deem necessary.

CIM Definition Standards

The Mineral Resources for the properties discussed in this AIF and certain documents (or part thereof) incorporated by reference (including as used in the Sumner APEX Report, the Blair APEX Report and the Preston APEX Report) have been estimated in accordance with the CIM Guidelines and Definition Standards.

For the purposes of the CIM Definition Standards, “Modifying Factors” are considerations used to convert Mineral Resources to Mineral Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social, and governmental factors.

SUMNER FACILITY

The information in this section of this AIF is related to the Sumner Facility and is based upon the Sumner APEX Report authored by the QPs. The QPs have verified the data disclosed, including sampling, analytical, and test data underlying the information contained in this AIF. Any reference to figures, tables, or citations used below correspond to such items in the Sumner APEX Report. Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Sumner APEX Report, which is available under the Company's profile on the SEDAR+ website at [SEDAR+ \(sedarplus.ca\)](https://www.sedarplus.ca).

See “*Accessibility, Climate, Local Resources, Infrastructure and Physiography*” for information regarding access to the Sumner Facility.

Project Description, Location, and Access

Introduction to the Sumner Facility

The Sumner Facility is in east-central Barron County in the northwestern corner of Wisconsin and consists of 36 separate privately deeded parcels with a total land area of 1,108.8 acres (448.7 hectares). The parcels range in size from 1.6 acres to 41 acres (the majority are quarter-quarter sections or 40 acres).

Property Location

The Sumner Facility is located in east-central Barron County, Wisconsin, directly east of the village of Cameron and near the town of Sumner. The approximate center of the Sumner Facility, in universal transverse mercator (“UTM”) coordinates is: 608550 m Easting, 5028430 m Northing, Zone 15, North American Datum 83. The Sumner Facility is located in the public land survey system at Township 34, Range 10W (Sumner) and encompasses most of section 28 and parts of sections 27, 29, 32 and 34.

The Sumner Facility is located on the south side of U.S. Highway 8 at 2595 State Highway 8, Cameron, Wisconsin, U.S. 54822. The Weyerhaeuser Facility is located 8 miles (12.9 km) east of the Sumner Facility on the north side of U.S. Highway 8 at W14251 Stiles Road, Weyerhaeuser, Wisconsin, U.S. 54895.

Nature and Extent of Land Titles

Most of the land parcels are owned by Source with 3 parcels currently being leased by Source with established royalties. The status of the private lands is presented in Figure 4.2 and Table 4.1, and is summarized as follows:

- 33 of the 36 parcels are 100% owned by Source; and
- 3 parcels are presently being leased from the current landowners by Source with royalties established with the individual owners (Vincent 1, Vincent 2 and Vincent 3).

During 2019, Source formed an agreement with a landowner directly east of Vincent 1; and this area was subsequently mined as discussed in Section 14 of the Sumner APEX Report.

Table 4.1: Permit Descriptions and Status for the Sumner Facility.

PARCEL (#)	SUB-PERMIT NAME	PUBLIC LAND SURVEY SYSTEM	AREA (ACRES)	AREA (HECTARES)	PRIVATE (DEEDED) LAND-OWNER	OWNERSHIP STATUS
46290005000	Bronstad 1	29-34N-10W- NW-NE	18.00	7.28	CSP Property Holdings LLC	Owned by Source
46290005001	Bronstad A	29-34N-10W- NW-NE	1.28	0.52	CSP Property Holdings LLC	Owned by Source
46290008000	Bronstad 2	29-34N-10W	20.00	8.09	CSP Property Holdings LLC	Owned by Source
46290021000	Bronstad 3	29-34N-10W	40.00	16.19	CSP Property Holdings LLC	Owned by Source
46290002000	CSP 1	29-34N-10W- NE-NE/ 29-34N-10W- NW-NE	39.40	15.94	CSP Property Holdings LLC	Owned by Source
46290010000	CSP 2	29-34N-10W- SE-NE	40.00	16.19	CSP Property Holdings LLC	Owned by Source
46290020000	CSP 3	29-34N-10W- NE-SE	40.00	16.19	CSP Property Holdings LLC	Owned by Source
46290023000	CSP 4	29-34N-10W- SE-SE	40.00	16.19	CSP Property Holdings LLC	Owned by Source
46290022000	CSP 5	29-34N-10W- SW-SE	40.00	16.19	CSP Property Holdings LLC	Owned by Source
46280008000	D Johnson	28-34N-10W- NE-NW	19.41	7.85	CSP Property Holdings LLC	Owned by Source
46280014000	Frank	28-34N-10W- SE-NW	39.00	15.78	CSP Property Holdings LLC	Owned by Source
46280020000	Fredrickson	28-34N-10W- NE-SE	32.31	13.08	CSP Property Holdings LLC	Owned by Source
46270010000	Givens	27-34N-10W- NE-SW	40.00	16.19	CSP Property Holdings LLC	Owned by Source
46280003000	Goss 1	28-34N-10W- NW-NE	38.00	15.38	CSP Property Holdings LLC	Owned by Source
46280004000	Goss 2	28-34N-10W- NW-NE	2.00	0.81	CSP Property Holdings LLC	Owned by Source
46320002000	J Johnson	32-34N-10W- NE-NE	40.00	16.19	CSP Property Holdings LLC	Owned by Source
46280021000	Kingsman	PLAT 13-2 E 218 FT OF N 325 FT OF NE-SE	1.62	0.66	CSP Property Holdings LLC	Owned by Source
46270012000	Kirk	27-34N-10W- SW-SW	40.00	16.19	CSP Property Holdings LLC	Owned by Source
46280006000	Klump	28-34N-10W	40.00	16.19	CSP Property Holdings LLC	Owned by Source
46280022010	Kreier 2	28-34N-10W- NW-SE	37.26	15.08	CSP Property Holdings LLC	Owned by Source
46280023000	Kreier 1	28-34N-10W- SW-SE	40.00	16.19	CSP Property Holdings LLC	Owned by Source
46280007000	Nelson 3	28-34N-10W- NE-NW	20.00	8.09	CSP Property Holdings LLC	Owned by Source
46280011000	Nelson 1	28-34N-10W- NW-NW	13.00	5.26	CSP Property Holdings LLC	Owned by Source
46280012000	Nelson 2	28-34N-10W- SW-NW	41.00	16.59	CSP Property Holdings LLC	Owned by Source
46280009000	Ort Lumber	28-34N-10W- NW-NW	14.50	5.87	CSP Property Holdings LLC	Owned by Source
46280024000	Postle	28-34N-10W- SE-SE	20.00	8.09	CSP Property Holdings LLC	Owned by Source
46270008000	Schoenecker	27-34N-10W- SW-NW	40.00	16.19	CSP Property Holdings LLC	Owned by Source

PARCEL (#)	SUB-PERMIT NAME	PUBLIC LAND SURVEY SYSTEM	AREA (ACRES)	AREA (HECTARES)	PRIVATE (DEEDED) LAND-OWNER	OWNERSHIP STATUS
46270013000	Scoville 1	27-34N-10W- SE-SW	40.00	16.19	CSP Property Holdings LLC	Owned by Source
46340006000	Scoville 2	34-34N-10W- NE-NW	40.00	16.19	CSP Property Holdings LLC	Owned by Source
46270011000	Smith	27-34N-10W- NW-SW	20.00	8.09	CSP Property Holdings LLC	Owned by Source
46280005000	St. Louis	28-34N-10W- SW-NE	40.00	16.19	CSP Property Holdings LLC	Owned by Source
46280016000	Vincent 1	28-34N-10W- NW-SW	40.00	16.19	Vincent Family Trust	Leased to Source
46280017000	Vincent 2	28-34N-10W- SW-SW	39.48	15.98	Vincent Family Trust	Leased to Source
46280019000	Vincent 3	28-34N-10W- SE-SW	40.00	16.19	Vincent Family Trust	Leased to Source
46280002000	Waggoner	28-34N-10W- NE-NE	40.00	16.19	CSP Property Holdings LLC	Owned by Source
46280010000	Wiesner	28-34N-10W	12.50	5.06	CSP Property Holdings LLC	Owned by Source
TOTAL			1,108.8	448.7		

Figure 4.1: Sumner Facility Land Package is Comprised of 36 Separate Parcels (to accompany Table 4.1).

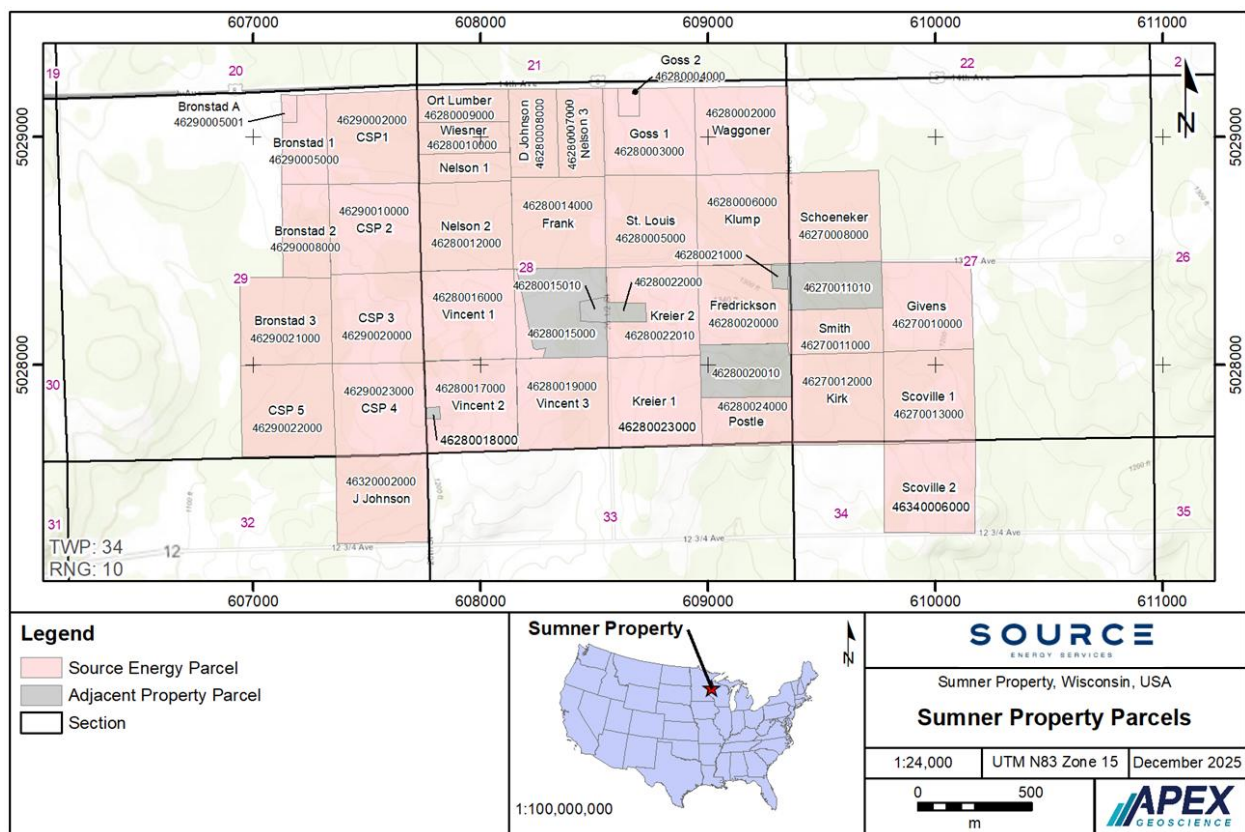
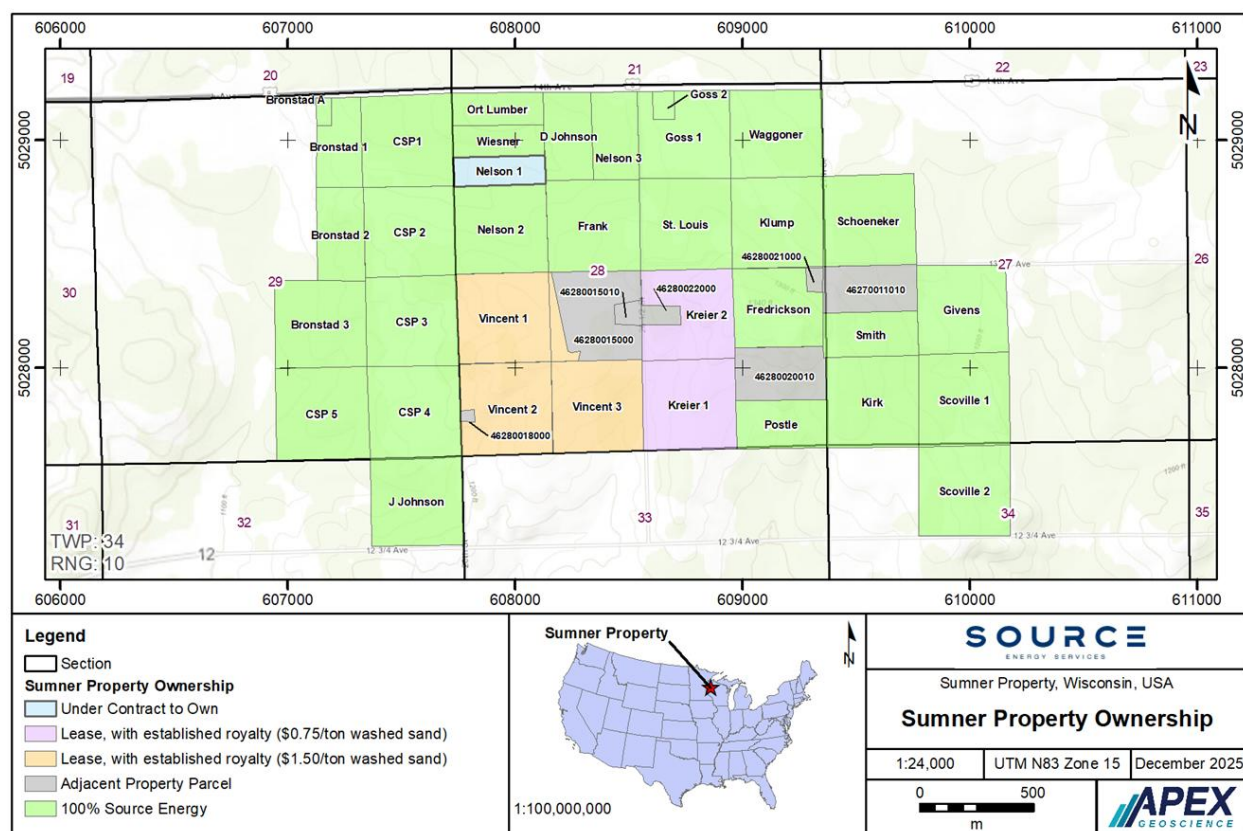


Figure 4.2: Summary of Land Titles (to accompany Table 4.1).



With respect to the leased parcels (Vincent 1, Vincent 2 and Vincent 3), the landowners agreed to royalty agreements allowing Source the right to mine their properties in exchange for a royalty, which is outlined in Table 4.1 and Figure 4.2.

In the purchase and leased/royalty agreements, there is no designation between mineral and surface rights. The purchase agreements are for 100% of the land title including surface and mineral rights. The two royalty agreements do not define mineral rights and the property owner grants to Source a lease to excavate, remove, and process any and all marketable non-metallic minerals including silica (frac) sand.

Permitting and Environmental Approvals

The Sumner Facility was rezoned from 'agriculture' to 'mineral reservation'. Source has the following local, Barron County, and Wisconsin State permits:

- Conditional Use Permit, which stipulates that Source mining operations shall maintain a minimum of 5 feet (1.5 m) separation from groundwater table (Barron County Zoning Committee);
- Non-metallic Mining Reclamation Permit, which includes a reclamation plan (Barron County);
- Air Pollution Control Permit (Wisconsin Department of Natural Resources);
- Non-metallic Mining Operations General Permit (storm water; Wisconsin Department of Natural Resources); and
- High Capacity Well Permit (Wisconsin Department of Natural Resources).

There are no federal permits required. With respect to environmental work conducted to meet the criteria of the permitting, an endangered resource review was conducted prior to the issuance of new or revised permits by the Wisconsin Department of Natural Resources.

There are no other significant factors or risks that may affect the access, land title, or the right or ability to perform work on the Sumner Facility.

History

Source initiated exploration at the Sumner Facility in 2011 when their land position consisted of 5 parcels (CSP-1, CSP-2, CSP-3, CSP-4 and CSP-5) totaling 239.4 acres (96.9 hectares). In 2013, Source expanded the Sumner Facility to its current land package, which consists of 37 separate parcels with a total land area of 1,148.8 acres (464.9 hectares), opening its Sumner Facility open pit mine and wet processing plant, followed by the opening of its dry processing plant and trans-loading Weyerhaeuser Facility in 2014.

Source has successfully completed numerous exploration programs on the Sumner Facility. These auger drill programs took place between 2011 and 2018. The primary method of testing the Wonewoc Formation for its stratigraphic position and silica sand potential has been through auger drill testing.

The drilling, logging, sampling and test work processes employed during the 2011-2018 auger test drilling and sampling programs was conducted by independent, recognized and established third-party consultants, including: SEH (2011-2013); Summit (2014, 2015); Foth (2015); Source (2016, 2017), Barr (2016-2019); and FracTAL (2018). A detailed summary of auger holes that have been drilled to test the stratigraphy and the grain size distribution of the Wonewoc Formation silica sand is presented in “*Drilling*”.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Sumner Facility, which encompasses an open pit mine and wet processing plant, is located in east-central Barron County in the northwestern corner of Wisconsin. The Sumner Facility is adjacent to U.S. Highway 8, which runs primarily east-west for 280 miles (451 km), mostly within the State of Wisconsin. U.S. Highway 8 connects to State Highway 53 at Cameron, Wisconsin and to State Highway 35 (I-35) at Forest Lake, Minnesota. Except for a short freeway segment near Forest Lake, and sections near the St. Croix River Bridge and Rhinelander, Wisconsin, U.S. Highway 8 is mostly undivided surface road. As a state highway running through three states, U.S. Highway 8 is maintained by the Minnesota, Wisconsin and Michigan departments of transportation.

The Sumner Facility can be accessed by driving north from Eau Claire, Wisconsin to Cameron, Wisconsin, which is approximately 50 miles (80 km) on paved double lane State Highway 53. The mine site is then located another 8 miles (12.9 km) east of Cameron on the south side of single lane, paved U.S. Highway 8. The Weyerhaeuser Facility is located at Weyerhaeuser, Wisconsin, which is an additional 8 miles (12.9 km) east of the Sumner Facility on U.S. Highway 8 and is situated on the north side of the highway. The Weyerhaeuser Facility is located away from the Sumner Facility to allow for direct access to the Wisconsin Central Railroad, a subsidiary of CN.

The annual weather patterns in Cameron, Wisconsin are seasonal. The annual average temperature is 42.5°F (5.8°C), and the hottest and coolest months are typically July (80°F; 27°C) and January (21°F; -6°C), respectively. The average annual rainfall is 31 inches (79 mm), and average annual snowfall is 54 inches (137 cm). Accordingly, the Sumner Facility open pit mine is typically operational from March to November (cold freezing weather pending). The Sumner Facility wash facility and Weyerhaeuser Facility dry processing facility and rail loading facility are not subject to seasonal conditions and operate year-round, 24 hours a day, seven days a week.

With respect to infrastructure and resources, it is important to note that Wisconsin accounts for nearly one-half of all the frac sand capacity in the United States (Benson and White, 2015). Accordingly, the State of Wisconsin has a significant infrastructure, and a knowledgeable and vibrant workforce for the development, and continuation of, silica sand mining.

Regarding physiography, the Sumner Facility is landlocked but as pointed out, it is located adjacent to well-maintained, paved U.S. highways.

Geological Setting, Mineralization and Deposit Types

Regional Geology, Local and Property Geology

In the general Sumner Facility area, silica sand units include the Cambrian Mount Simon, Wonewoc and Jordan formations (Mudrey et al., 1987). These silica sand units are divided by the Eau Claire Formation and Tunnel City Group, which can be differentiated from the silica sand by their variable lithologies including: mudstone; intercalated mudstone and sandstone; very fine to fine grained sandstone; and cemented sandstone.

Cambrian Mount Simon Formation

In the northwest quadrant of Wisconsin, the Mount Simon Formation contains three informal quartzose sandstone sub-units (Mudrey et al., 1987), including:

- (a) an uppermost sandstone that is quartzose, feldspar-bearing, white to light gray to pale brown, medium to coarse grained, angular, medium bedded, locally lenticular bedded, and at least 170 feet (52 m) thick;
- (b) a second sandstone horizon that is quartzose, pale yellow orange to pale gray orange, very fine grained, thin to medium bedded, angular, limonite cemented, and 125 feet (38 m) thick. This unit is underlain by a 60 foot (18 m) thick, gray to pale orange, silty shale; and
- (c) a basal sandstone unit that is quartzose, very pale orange, very fine to fine grained, subangular to sub-rounded, and at least 115 feet (35 m) thick; this sub-unit is known only in the northwestern Wisconsin subsurface.

The unit is overlain by very fine to fine grained sandstone and shale of the Eau Claire Formation.

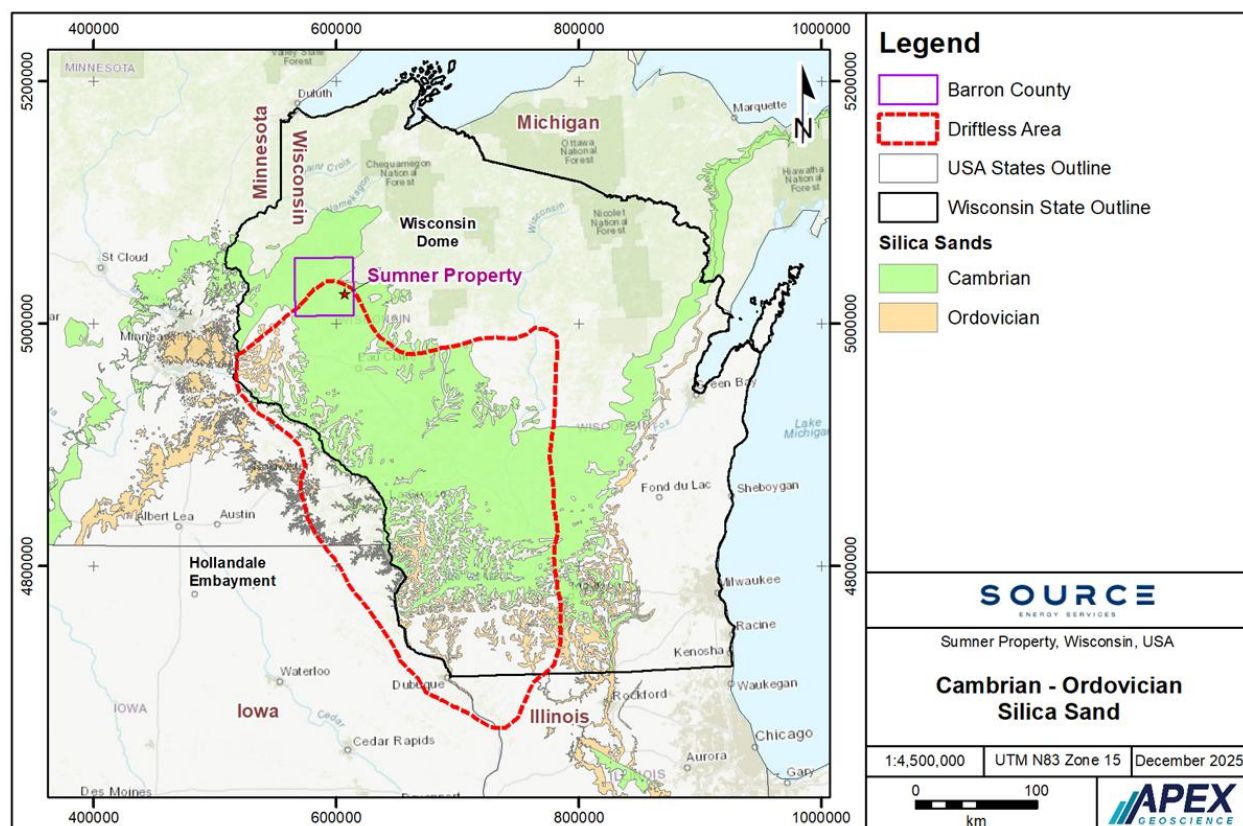
Cambrian Wonewoc Formation

The Wonewoc Formation sandstone, which is the subject of the Sumner APEX Report, overlies the Eau Claire Formation and is observed in Wisconsin, Michigan, Illinois, Indiana, Minnesota, Iowa and in northeastern Nebraska (Clayton and Attig, 1990; Runkel et al., 1998); effectively throughout the area known as the Hollandale Embayment (see Figure 7.1). The reference section for the Wonewoc Formation is near the village of Wonewoc in Juneau County, Wisconsin.

The Wonewoc Formation is characterized by a stratigraphically complex cratonic sheet of sandstone that was deposited from a continuously abundant supply of quartzose sand in a slowly and uniformly subsiding low-relief basin (Hollandale Embayment) under fluctuating sea level conditions during the Sauk II and Sauk III subsequences (Palmer, 1981; Runkel et al., 1998). The Wonewoc Formation sandstone varies in thickness from 50 to 150 feet (15 to 46 m) and is principally medium to coarse grained quartzose sandstone with high-angle cross-stratification. It is divided into two major lithofacies - the Ironton Member and Galesville Member; however, the two members are commonly classified together as the Wonewoc Formation sandstone because lithostratigraphic studies have shown that it is difficult to consistently distinguish the two formations.

The Wonewoc Formation is overlain by the Tunnel City Group, which varies in thickness from 140 to 180 feet (43 to 55 m) and is divided into two sub-formations: the Mazomanie Formation and the Lone Rock Formation (Mossler, 2008). The Mazomanie Formation is dominantly white to yellowish-gray, fine- to medium-grained, cross-stratified, generally friable, quartz sandstone. The Lone Rock Formation underlies and is often inter-tongued with the Mazomanie Formation. It consists of pale yellowish-green, very fine- to fine-grained glauconitic, feldspathic sandstone and siltstone, with thin, greenish-gray shale partings. Thin beds with dolomitic intraclasts are common.

Figure 7.1: Surface Exposures of Silica Sand Source Units in the Upper Midwest U.S. The polygons outline the Ordovician St. Peter Formation sandstone (light yellow) and the combined Cambrian Formation sandstone (green), which includes the Jordan, Wonewoc, and Mount Simon Formations. The approximate positions of the Wisconsin Dome, Hollandale Embayment and the Driftless Area are also shown.



Cambrian Jordan Formation

The Jordan Formation sandstone consists of two distinct, intercalated quartzose sandstone members that are summarized by Mudrey et al. (1987) as:

- the uppermost Van Oser Member, which is a quartzose, white to brown to yellow or orange, fine to medium grained, poorly sorted, medium to thin bedded, cross bedded, with calcite-cemented nodules, is iron cemented in places and is 30 to 49 feet (9 to 15 m) thick; and
- the lower Norwalk Member is a quartzose, white, fine-grained, rounded, moderately-sorted, medium-bedded sandstone with a trace of garnet, and a thickness of 49 to 59 feet (15 to 18 m). In western Wisconsin, the Norwalk is a fine to very fine grained feldspathic sandstone (Ostrom, 1987; Runkel, 2000).

The Van Oser and Norwalk members are characterized as the “quartzose” and “feldspathic” lithofacies, respectively, and as such, they are interpreted as high energy, marine intertidal sand deposited as the sea shallowed, and a low-energy, below wave base, marine deposits (Runkel, 1994).

Pleistocene Surficial Geology

The Sumner Facility occurs on the approximate margin of an unglaciated region known as the “Driftless Area” (see Figure 7.1). The surficial geology of the Sumner Facility area is predominantly comprised of

Pokegama Creek of the Copper Falls Formation. These surficial deposits consist of yellowish red, slightly gravelly sandy-loam till deposited by the Chippewa Lobe (Johnson, 1986).

Generally, the Pokegama Creek till is thin and discontinuous and outcrops of Cambrian sandstone bedrock and Precambrian Barron Quartzite are common. Johnson (1986) did not conduct a surficial auger program in the Sumner Facility, but generally reported that the area consists of till that is less than 50 feet (15 m) thick. Source's auger test work (see "*Drilling*") shows that the surficial material is highly variable in the Sumner Facility area with surficial deposit thicknesses of between zero and 27.9 feet (8.5 m and averaging less than 2.5 m) thick.

The southeastern-most portion of the Sumner Facility (Scoville sub-claim) includes undifferentiated Cambrian formations, which are comprised of Cambrian sand and sandstone exposed at the surface or capped by a thin layer of silt or till of the Pokegama Creek Member.

To the southwest of the southwestern-most sub-claims (CPS5 sub-claim) several northeast-trending "lobes" of Chetek Member occur (C5sp - s=stream sediment; p=pitted stream plain). These surficial deposits include sand and gravelly sand deposited by melt-water streams that flowed from the Superior and Chippewa lobes (Johnson, 1986). Their orientation could indicate that the southwestern-most claims are influenced by paleochannels that would deposit this kind of surficial deposit.

Property Geology

Silica (frac) sand mining activity in the northwestern part of Wisconsin, primarily in Barron and Chippewa counties, has concentrated on mining the Wonewoc and Jordan formations from silica sand-strata that is situated on lower hillsides and hilltops, respectively. At the Sumner Facility, the regional geological map of Mudrey et al. (1987) effectively shows that the Wonewoc Formation is the primary silica (frac) sand mining target as the sandstone unit is generally situated right through the middle of the Sumner Facility.

In general, the upper Wonewoc contact(s) is sharp and easily distinguished. The mine process confidently strips off the Pleistocene surficial deposits (overburden) and/or the Tunnel City Group to access the Wonewoc Formation silica sand. The overburden consists of dark grey to reddish dark grey, clay-rich sandy till with abundant pebbles and minor cobbles; a thin (less than 1 foot (<31 cm)) iron-stained regolith occurs at the base of the overburden. The basal portion of the Tunnel City Group consisted of fine grained sandstone and siltstone with a higher component of mudstone in comparison to the underlying Wonewoc Formation. It is evident that there is "regional", and even "local" variation associated with the thickness of the overburden and Tunnel City Group overlying the Wonewoc Formation.

The Wonewoc Formation is dominated by white to iron stained, medium to coarse grained quartzose sandstone. The overall observation of the mine pit face(s) is that the Wonewoc is stratigraphically continuous, and uniformly, is composed of clean, white silica sand. The stratigraphy can be traced laterally with the aid of minor, thin, continuous clay-mudstone bands that are likely associated with intertidal and/or transitions in marine, near-marine and non-marine deposition. In general, the mudstone and/or mudstone-sandstone intercalated horizons appear to be thin, less than 1 foot (<31 cm) in thickness.

The basal portion and lowermost contact of the Wonewoc Formation is not as clearly understood as the upper contact. This is because most of the auger drilling to date, including deeper groundwater monitoring holes, has defined a water table elevation of approximately 1,140 feet (347.5 m) above mean sea level ("amsl") on the Sumner Facility. This groundwater elevation establishes the lowermost mining extents as defined by the development agreement, which states that mining operations shall maintain a minimum of 5 feet (1.5 m) separation from groundwater table. Accordingly, Source has not drill tested below this depth with regularity to define the detailed extent of the lowermost Wonewoc Formation.

Mineralization

The Paleozoic age bedrock layers of quartzose sandstone in the central mid-continent of North America are known as some of the most mineralogically pure sandstone on Earth with greater than 95% of the

sand grains consisting of silicon dioxide (SiO₂). Whole rock chemical analysis (x-ray fluorescence) of the Wonewoc Formation sandstone, which was conducted by the Department of Natural Resources (Brown, 2012), shows that the Wonewoc silica sand consists of:

▪ silicon dioxide (SiO ₂)	99.20-99.70%;
▪ aluminum oxide (Al ₂ O ₃)	0.10-0.19%;
▪ calcium oxide (CaO)	0.08-0.21%;
▪ iron oxide (Fe ₂ O ₃)	0.06-0.03%;
▪ potassium oxide (K ₂ O)	0.05-0.14%;
▪ sodium oxide (Na ₂ O)	0.002-0.003%;
▪ magnesium oxide (MgO)	0.01-0.02%; and
▪ titanium oxide (TiO ₂)	<0.01%.

In addition to being composed mostly of quartz, a mineral known for being of high-strength and relatively inert, the grains are especially well-rounded, well-sorted, coarse-grained, and poorly cemented. The advanced level of textural maturity in Cambrian quartz grains, including the Wonewoc Formation, remains more uncertain, but is believed to be related to chemical weathering that may have preferentially dissolved plagioclase and similarly unstable minerals, and a long history of abrasion in marine conditions and wind abrasion (Morey, 1972; Odom, 1975, 1978; Dott et al., 1986; Runkel, 1998; Dott, 2003). See “Deposit Types”.

Lastly, grain size is an important factor in determining the value of a silica sand deposit because, for example, the 20/40 mesh sand fraction typically has a relatively high value because of its demand for specific hydrofracturing procedures, and the 20/40 fraction is relatively scarce in silica sand deposits elsewhere on the continent (Beckwith, 2011). Runkel and Steenberg (2012) synthesized grain size data from Ostrom (1971) and Thiel (1957) for the Jordan, Wonewoc, Mount Simon and St. Peter formations from throughout Wisconsin; Figure 7.6 in the Sumner APEX Report shows that:

- (a) the St. Peter sandstone has a relatively small percentage of 20/40 mesh sand and contains the highest proportion of sand finer than 100 mesh;
- (b) the Wonewoc and Mount Simon sandstones generally have a diminished coarser fraction compared to the Jordan; and
- (c) the St. Peter, Jordan and Wonewoc Formations sandstones have similar 40/70 mesh contents.

Despite the relatively finer grain size in comparison to the Jordan Formation, the Wonewoc Formation sandstone can be mined for multiple markets including those oil and gas hydrofracking plays that are asking for a smaller proportion of coarser grained silica sand (Brown, 2014).

Deposit Types

The most prospective settings for the accumulation of mineralogical and mechanically competent frac sand occur in marine shoreline, marine shoreface, marine intertidal and deltaic settings, and coastal aeolian environments (e.g., Winfree, 1983; Dott et al., 1986; Dott, 2003; Hickin et al., 2010). A well-documented example of a geological setting that has produced high-quality frac sand occurred during the Cambrian in central mid-continental North America (Minnesota, Wisconsin and Iowa). This setting coincides with the Sumner Facility area, which is the focus of the Sumner APEX Report.

The Cambrian Period was characterized by a major transgressive event that was bracketed between two ice ages, one during the late Proterozoic and the other during the Ordovician. With the retreat of Proterozoic ice, the sea level rose significantly, and extensive sequences of Cambrian marine sedimentary rocks (sandstone, shale and fossil-bearing limestone) show that much of the Earth was covered by shallow epeiric seaways. The North America Craton was almost completely drowned in the Late Cambrian time by what came to be known as the Sauk transgression, and subsequently, the central mid-continent is characterized by a series of sedimentary rock depositional cycles known as the Sauk sequence (Sloss, 1963; Palmer, 1981).

The Precambrian surface had significant and variable relief prior to deposition of Sauk sedimentary rocks. In northern Wisconsin, the Wisconsin Dome (with its southward extending arch) and nearby regions of the Canadian Shield, represented a vast upland area composed of Precambrian igneous and metamorphic rocks (Figure 7.1). In contrast to the Wisconsin Dome upland, a broad lowland area named the Hollandale Embayment developed during the Upper Cambrian and extended across southeastern Minnesota and eastern Iowa and was situated directly southwest of the Wisconsin Dome (Austin, 1969, 1970). For long periods of time, broad positive features such as the Wisconsin Dome were subject to weathering and shed significant volumes of detrital sediment, including eroded Precambrian granite and metamorphic rock, and Late Precambrian Keweenawan volcanic rock to the Cambrian epeiric seaway and shorelines that covered the Hollandale Embayment.

The sand, silt, and clay sized particles were carried by wind and in rivers across the cratonic interior to the oceanic shoreline where shallow ocean currents formed a texturally graded shelf (Runkel, 1998, 2007). On this shelf the coarsest sand, composed mostly of quartz grains, was deposited in shoreface deposits where currents were strongest. Finer-grained, feldspathic sand, silt and clay sized particles were carried seaward to deeper water. Fluctuations in sea level caused the shoreface settings to relocate, resulting in quartzose sand being deposited for hundreds of miles/kilometres.

While the shoreface setting naturally modifies the textural maturity of the quartz grains, an advanced level of the super-mature Cambrian quartz grains in central mid-continental North America remains uncertain. The physical maturity of the Cambrian sands could not have been achieved solely by fluvial transport, but probably involves other factors such as:

- (a) a long history of abrasion in marine conditions (Odom, 1975, 1978) along with wind abrasion, which is far more effective at rounding grains than abrasion in water (Dott et al., 1986); and
- (b) chemical weathering in the cratonic interior, which is believed to have preferentially dissolved plagioclase and similarly unstable minerals, creating a source area that is dominated mineralogically by quartz (Morey, 1972; Runkel, 1998; Dott, 2003).

Much of the silica (frac) sand mining in central mid-continental North America occurs in the Driftless Area (Syverson and Colgan, 2004), which is defined as an area of Wisconsin that was untouched by the advance of the Wisconsin ice sheets (pre-35,000 to 10,000 years before present; Syverson and Colgan, 2004; Syverson and others, 2011) (Figure 7.1). Because the area is largely devoid of surficial deposits, the Cambrian silica sand strata is accessible to surface mining. In addition, post-glacial processes have resulted in the exposure of near-surface silica (frac) sand source units in incised terrains (e.g., rivers and hillsides) such that some silica sand deposits are amenable to surface and/or side-entry mining.

Exploration

As a current silica (frac) sand miner, processor and transporter, Source has successfully completed numerous exploration programs at the Sumner Facility. These programs took place between 2011 and 2018. The primary method of testing the Wonewoc Formation for its stratigraphic position and silica sand potential has been through auger drill testing.

A detailed summary of auger holes that have been drilled to test the stratigraphy and the grain size distribution of the Wonewoc Formation silica sand is presented in “*Drilling*”.

The results and evaluation of analytical work conducted on the auger returns from these drillholes, which includes particle size/gradation analysis and proppant test work characterization, is presented in “*Sample Preparation, Analyses and Security*”, “*Mineral Processing and Metallurgical Testing*”, and “*Mineral Resource Estimates*”.

Bulk Density Test Work

A summary of samples collected for density analysis by the QP are presented in Table 9.1 and in Eccles et al. (2017). The results of the density analysis show that the bulk, 20/40, 40/70 and 70/140 fractions

have varying densities. With respect to selecting a bulk density value for the resource estimation, the QPs feel justified to use average density value of the bulk samples (1.57 g/cm³) in the resource modelling. Rationale for this decision includes:

1. Source is mining the entire Wonewoc sequence, which is blasted from the mine face and then mined as a bulk sample. Hence, the density of the bulk samples is the most representative density measurement of the material being mined (as opposed to using the densities of the individual size fractions); and
2. the samples collected to measure the density of the 'individual size fractions' were dried prior to sieving; this drying process would create a lower density.

Accordingly, the Sumner APEX Report converts the volumes of the various size fractions to tonnages using a bulk density of 1.57 g/cm³.

Table 9.1: Density measurement results for loose bulk Wonewoc Formation sand and selected size fractions.

SAMPLE ID	SOURCE SAMPLE ID	UNIT	ELEVATION (TOP)	ELEVATION (BOTTOM)	BULK	20/40	40/70	70/140	BULK DENSITY (g/cm ³)
15RER-SES01	STB-01_60-65	Wonewoc	1185	1180	Yes				1.60
15RER-SES02	JJ-01_30-35	Wonewoc	1174	1169	Yes				1.66
15RER-SES03	HO-2_20-25	Wonewoc	1178	1173	Yes				1.64
15RER-SES04	HO-9_15-20	Wonewoc	1175	1172		Yes			1.50
15RER-SES05	HO-9_15-20	Wonewoc	1175	1172			Yes		1.48
15RER-SES06	HO-9_10-25	Wonewoc	1182	1167				Yes	1.37
15RER-SES07	K-3_30-35	Wonewoc	1220	1225	Yes				1.58
15RER-SES08	P-2_65-70	Wonewoc	1191	1186		Yes			1.52
15RER-SES09	P-2_65-70	Wonewoc	1191	1186			Yes		1.48
15RER-SES10	P-2_60-80	Wonewoc	1196	1176				Yes	1.37
15RER-SES11	STB-2	Wonewoc	1180	1175	Yes				1.67
15RER-SES12	HO-6_40-45	Wonewoc	1138	1133	Yes				1.46
15RER-SES13	HO-10_50-55	Wonewoc	1160	1155		Yes			1.54
15RER-SES14	HO-10_50-55	Wonewoc	1160	1155			Yes		1.50
15RER-SES15	HO-10_50-55	Wonewoc	1160	1155				Yes	1.42
15RER-SES16	Vincent-B-2_90-95	Wonewoc	1165	1160	Yes				1.58
15RER-SES17	LG-1_35-40	Wonewoc	1189	1184	Yes				1.54
15RER-SES18	BR-TB-1_55-60	Wonewoc	1147	1142	Yes				1.52
15RER-SES19	HO-11_45-50	Wonewoc	1160	1155		Yes			1.54
15RER-SES20	HO-11_45-50	Wonewoc	1160	1155			Yes		1.51
15RER-SES21	HO-11_45-55	Wonewoc	1160	1150				Yes	1.43
15RER-SES22	DJ-1_65-70	Wonewoc	1166	1159	Yes				1.58
15RER-SES23	SL-3_30-35	Wonewoc	n/a	n/a		Yes			1.46
15RER-SES24	SL-3_30-35	Wonewoc	n/a	n/a			Yes		1.43
15RER-SES25	SL-3_30-35	Wonewoc	n/a	n/a				Yes	1.35
15RER-SES26	JW-1_0-10	Overburden	n/a	n/a	Yes				1.32
15RER-SES27	JW-1_10-20	Overburden	n/a	n/a	Yes				1.43
15RER-SES28	JW-1_20-26	Overburden	n/a	n/a	Yes				1.35
15RER-SES29	JW-1_40-45	Wonewoc	n/a	n/a	Yes				1.53
15RER-SES30	TB-1_15-20	Wonewoc	n/a	n/a	Yes				1.47
15RER-SES31	Site sample	Wonewoc	Open Pit Sample		Yes				1.52

Drilling

The QPs reviewed a total of 112 auger drilled test holes as part of the Sumner APEX Report. The breakdown of these wells includes:

- 77 auger wells that were drilled by Source between 2011 and 2015. Data from these drillholes was used in Eccles et al., 2017;
- 27 auger wells that were drilled by Source between 2016 and 2018. Data from these drillholes are combined with the previous 77 auger holes to calculate the resource estimates presented in the Sumner APEX Report; and
- 8 water wells that were drilled adjacent to the Sumner Facility by independent drillers and farmers. These wells were used only to support the Sumner Facility geological interpretation.

The Source auger holes were drilled in consecutive years between 2011 and 2018 and amount to 9,973 feet (3,039.76 m) of drilling. A spatial depiction of the auger test hole locations throughout the Sumner Facility is presented in Figure 10.1. Descriptions of the auger hole specifications, including collar locations, elevations and general stratigraphy, is presented in Table 10.1 (2011-2015) and Table 10.2 (2016-2018), respectively, in the Sumner APEX Report. The auger programs are summarized in the text that follows.

The auger drilling generally had two primary objectives:

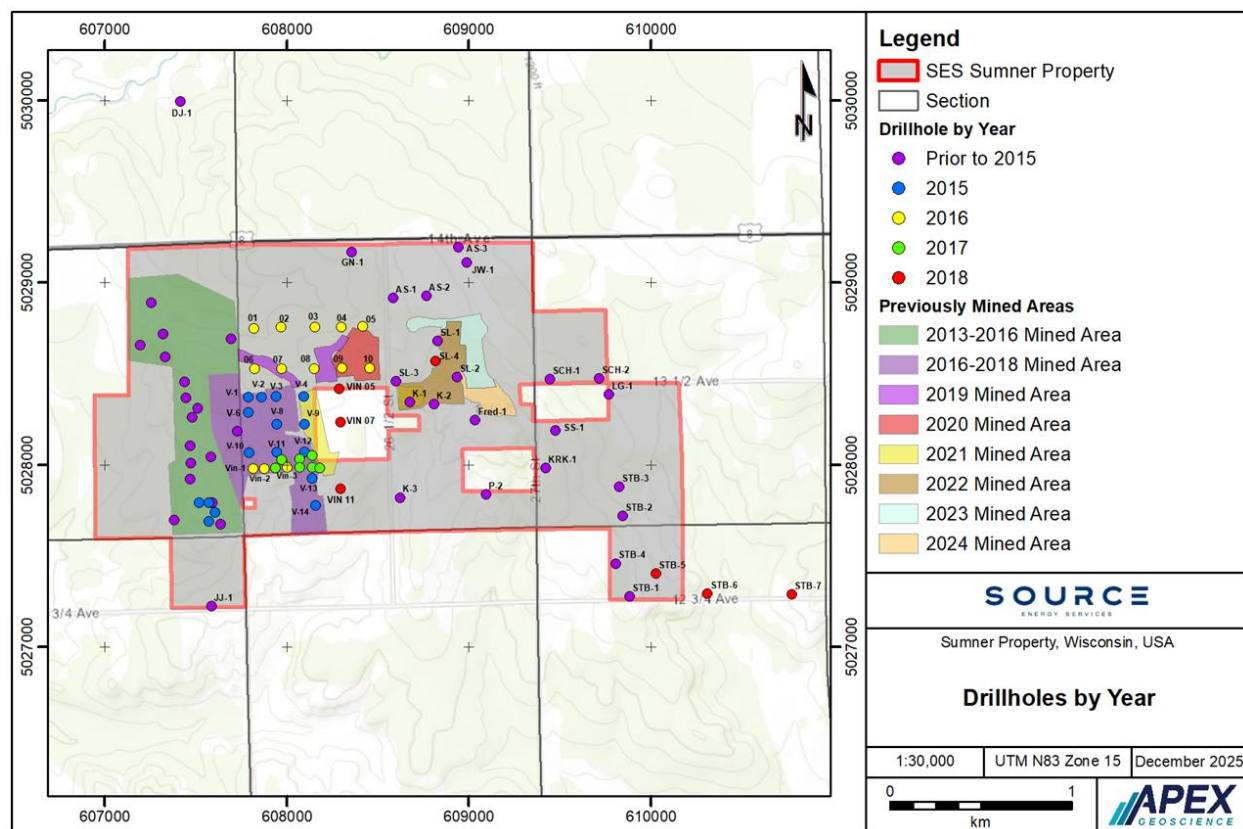
1. test and obtain sub-surface geological information toward definition of the lithostratigraphic contacts between, from stratigraphic top to bottom: Pleistocene surficial deposits; Tunnel City Group; and the silica sand target unit - the Cambrian aged Wonewoc Formation; and
2. investigate and characterize the lateral and vertical grain-size distribution, and proppant quality, of the silica sand within the Wonewoc Formation.

The location of the auger test holes was designed by Source. Source marked the proposed boring locations and coordinated access on to the Sumner Facility for various third-party consulting companies which conducted the auger drilling, lithological logging and sampling of the auger returns on behalf of Source. Third-party consultants included: SEH, Summit, Foth, and Barr.

Regardless of year or contractor, the auger programs generally adopted the same auger methodology. Truck-mounted air rotary auger rigs were used to drill vertical (-90°) auger holes with zero orientations. The diameter of the auger stem was generally 6 inches (15 cm). The average depth of the auger test holes is 95.9 feet (29 m); the groundwater monitoring holes have slightly deeper average depths of 134.5 feet (41 m). To date, none of the auger collars have surveyed collar locations or elevations; rather the auger collar information was initially recorded by the respective drill company in either Lambert conformal projection (Latitude, Longitude) or Public Land Survey System (Township, Range, and Section) land descriptions.

The auger drillhole collar elevations were reviewed by the QPs. As part of the Sumner APEX Report, APEX acquired remote-sensing technology, LiDar, from Barron County, and the high-resolution bare-earth LiDar data were used to fine-tune the collar elevations. A comparison between the original collar elevations versus the surface elevation model required some changes to the collar elevations; all changes are shown in Tables 10.1 and 10.2 in the Sumner APEX Report.

Figure 10.1: Location of 2011-2018 Auger Test Holes and Groundwater Monitoring Wells Drilled by Source. The outline of the current Sumner Facility open pit mine workings and two historical water wells that were drilled within the boundaries of the Sumner Facility are also shown.



Chronologically, the auger test hole programs have generally advanced the Sumner Facility as follows:

- the 2011 and 2012 programs focused on parcels CSP-1, CSP-2, CSP-3, CSP-4 and CSP-5, which defined the Sumner Facility at the time (the Sumner Facility was expanded to the current land position in 2013-2015);
- 2011: Initial auger drill testing on CSP-1, CSP-2, CSP-3, CSP-4 and CSP-5 parcels to ascertain the top of the Wonewoc Formation and conduct initial test work on the silica sand. These auger holes typically penetrated to depths of 52.5 to 88.5 feet (16 to 27 m);
- 2012: Minimal auger drilling to test and initiate groundwater monitoring holes on CSP-1 and CSP-4. This auger work was significantly deeper (up to 279 feet or 85 m deep) and represents the deepest sub-surface work on the Sumner Facility;
- 2013: A small auger drill program (n=three groundwater monitoring holes) tested areas northeast of the original CSP parcels coincident with an expansion of the Sumner Facility (to its current land package);
- 2014: An extensive infill auger drill program was conducted to define the present Sumner Facility open pit mine area (on the CSP parcels); in addition, the program tested the Wonewoc Formation with large-scale drill-spacing in other parts of the Sumner Facility;
- 2015: An infill auger drill program focused on the Vincent parcel, which is directly east of the current Sumner Facility open pit mine area;
- 2016: An auger drill program was undertaken focusing on the Nelson, Frank and Vincent parcels;
- 2017: A small infill drill program was completed on the Vincent parcel; and

- (i) 2018: Drilling was dispersed throughout the Sumner Facility, 3 of the 7 holes drilled in 2018 were on the Sumner Facility. The remaining 4 fell within approximately 2,000 feet (600 m) of the Sumner Facility boundary in the southeast portion of the Sumner Facility.

Another objective of Source's auger work was to create groundwater monitoring wells that provide access to Cambrian aquifers for mine operations and to enable Source to monitor the groundwater table and conditions on the Sumner Facility. The groundwater monitoring holes, which interactively satisfy the criteria of the auger test holes (i.e., provide additional stratigraphic information and sample material for grain-size testing), have defined a mean water table elevation of approximately 1,140 feet (347.5 m) amsl on the Sumner Facility. The groundwater elevation of 1,140 feet (347.5 m) establishes the lowermost mining extents as defined by the development agreement, which states that mining operations shall maintain a minimum of 5 feet (1.5 m) separation from groundwater table, and accordingly, Source has not drill tested below this depth with regularity.

The groundwater monitoring holes are constructed by drilling enlarged (upper) and reduced (lower) hole diameters of 12 inches and 8 inches (30 cm and 20 cm), respectively, and then securing access to the well with 8 inches (20 cm) steel pipe casing and screens. The monitoring holes are measured regularly (once a month) to record the depth to the groundwater table.

No diamond drillhole coring has been conducted on the Sumner Facility. Alternatively, the auger returns, and clippings are extensively relied on to provide:

1. the lithological contact information; and
2. the lateral and vertical grain-size distribution of the Wonewoc Formation.

To test the viability of using auger returns to model the Sumner Facility subsurface, the senior QP of the Sumner APEX Report extensively reviewed archived sample material that is stored on-site and consist of a representative archive sample for every sample that has been taken and analyzed on the Sumner Facility to date. It is the opinion of the senior QP that the auger program – and more specifically, the auger returns – provide sufficient material to assess the objectives of the auger program and that the results of the 2011-2018 auger programs are relevant and fitting to be used for a resource estimate that is compliant with NI 43-101 regulations and guidelines, and in compliance to Form 43-101F1 – Technical Report for the Canadian Securities Administration.

The geological lithologies and contacts associated with the Pleistocene surficial deposits, Tunnel City Formation, Wonewoc Formation and Eau Claire Formation are straightforward, and hence the uppermost sub-surface at the Sumner Facility is well defined. The lower contact between the Wonewoc Formation and the underlying Eau Claire was better defined during the 2016-2018 drill testing in the central and southeastern parts of the Sumner Facility. This work increased the certainty about the lower Wonewoc Formation contact in the project area and increased the confidence in the resource evaluation.

Lastly, and in addition to the auger and groundwater monitoring holes that were conducted by Source, the three-dimensional geological model created as part of the Sumner APEX Report benefited from:

- 8 historical water-well holes that were drilled outside the boundaries of the property (these wells were not drilled by Source). The historic water wells include: BR1953; BR1955; BR1959; BR1967; BR1968; BR1970; and BR2108. The water well logs included brief geological notes, which were helpful in extrapolating geological units outside of the Sumner Facility.
- Source 2017 and 2018 downhole geophysical surveying that helped the QPs interpret porosity, the proportion of fine particles (clay content) and areas of horizons of clean, coarse silica sand (see Section 9.3 of the Sumner APEX Report).

The inclusion of these datasets helped to clarify the stratigraphic uniformity of the Wonewoc Formation in the general Sumner Facility area.

Sampling, Analysis, and Data Verification

Sample Preparation, Analyses and Security

Auger returns, or clippings, from 80 auger drillholes completed by Source between 2011 to 2018 were analyzed for particle size/gradation analysis. The drill cutting samples were recovered from the auger rigs air discharge exhaust by bagging representative handfuls of auger returns for every 5 feet (1.5 m) of auger drilling. The samples were hand-mixed and split into at least two separate sample splits: one for particle size/gradation analysis; and one for archival at the on-site laboratory located on the Sumner Facility. In some instances, a third sample split was taken for proppant test work characterization.

A total of 1,461 samples were analyzed for particle size/gradation analysis. Of these, 514 particle size records were discarded from the Sumner Facility Wonewoc Formation estimation file as they:

1. relate to sample material that does not belong to the Wonewoc Formation (e.g., Pleistocene surficial deposits; Tunnel City Group; Eau Claire Formation);
2. there was error associated with the data (e.g., negative value expressed in sieve data, or sieve data that does not add up to 100%).

Hence, the main ‘assay’ database is composed of 947 particle size/gradation analyses that are sourced from the Wonewoc Formation. The data form the main datafile for the resource estimation that is presented in “*Mineral Resource Estimates*” as well as a statistical summary of the resulting gradation data.

Apart from 2011 and 2016-2018 auger hole samples, the particle size/gradation analyses were conducted by third-party consultants: SEH, FracTAL (associated with Summit) and Foth; in conjunction with their respective handling of the auger drill programs. The 2011 and 2016-2018 particle size/gradation analysis were completed ‘in-house’ at Source’s laboratory facility located on the Sumner Facility. In addition, Source will ship representative sample sets to a third-party contractor for gradation analyses.

The particle size/gradation analysis followed analytical procedures that generally included: drying the sample; sieving out the >8 mesh fraction; washing and drying the sample; and sieving the resulting sample using the sieve test procedure outlined in ASTM E11 (ASTM, 1995). The resulting sieve results are reported in the following mesh size fractions: 12 (1.820 mm), 16 (1.270 mm), 18 (1.080 mm), 20 (925 µm), 25 (775 µm), 30 (660 µm), 35 (550 µm), 40 (471 µm), 45 (396 µm), 50 (337 µm), 60 (283 µm), 70 (242 µm), 100 (174 µm), 140 (126 µm), 200 (91 µm), and Pan (or <91 µm). Note that the 140 mesh fraction was not analyzed or recorded for 200 of the 947 samples from 17 auger holes (STB-, STB-22, HO-1 to HO-11, and BR-TB1 to BR-TB3).

In addition to the particle size/gradation analyses, a smaller subset of samples and their respective size fractions (n=12) was analyzed for proppant test work following the specifications of ISO 13503-2:2006/ Amd.1:2009E (International Standards, 2009). This test work is described under “*Mineral Processing and Metallurgical Testing*”. Proppant characterization test work was completed at Stim-Lab in Duncan, Oklahoma.

The proppant test work samples were dried, weighed and washed through a 200 mesh sieve. The sample retained on the sieve was then dried and reweighed. The percent loss was calculated from the material that washed through the sieve. The 20/40, 30/50 and 40/70 size fractions were isolated for testing, which includes:

- (a) bulk density: the unit mass of an untapped or unsettled proppant that will occupy a specific known volume, e.g., how many grams per cubic centimeter. Bulk density includes both the mass of the proppant and the mass of air occupying the interstitial spaces between proppant particles;
- (b) sphericity and roundness (“Krumbein shape factors”): sphericity is the measure of how spherical a given proppant particle is. Roundness is the measure of the lack of sharp edges or angularity. Proppants must be highly spherical and well-rounded in order to maximize interstitial space

between adjacent proppant particles to allow passage of oil, gas, condensate, etc., through the proppant pack in the frac width;

- (c) acid solubility: a mass loss (gravimetric) test method that determines the degree of solubility of natural sand in a 12:3 blend of hydrochloric and hydrofluoric acids. The technique effectively measures the resistance of proppants to acid attack, which is an indication of the presence of contaminants that may negatively affect proppant performance;
- (d) turbidity: a method using transmittance or reflectance of light to measure the amount of fines that are <200 mesh in diameter, including clay, silt, proppant fines, etc. A fixed mass of proppant is added to a fixed mass of deionized water, agitated, and the water is drawn off and measured in a turbidity meter; and
- (e) crush resistance: a measurement of the strength of a mass of screened, fines-free dry proppant to force applied over a fixed cross-sectional area, providing an equivalent stress to the proppant under test. The mass of proppant introduced to the crush cylinder is a function of its bulk density and the specified loading of 4.0 pounds per cubic foot. The load is applied in a controlled rate and held at the final test stress level for 2.0 minutes. The mass is rescreened to determine the amount of fines generated by the applied stress, and the highest stress attained without producing more than 10.0% fines is the “K Number”. For example, if Crush Resistance of a proppant yielded 9.78% fines at 10,000 psi and 10.44% fines at 11,000 psi, the K Number (K=1000) of that proppant would be “10K”, because the generated fines were below 10.0% at 10,000 psi (10K psi) and exceeded 10% at 11,000 psi.

The laboratory selected by Source is an independent laboratory. The analytical methods carried out by the laboratory is standard and routine in the field of silica sand and proppant characterization test work, and are pursuant to International Standard ISO 13503-2. The senior QP has reviewed the adequacy of the sample preparation, security and analytical procedures and found no significant issues or inconsistencies that would cause one to question the validity of the data.

Data Verification

The drilling, logging, sampling, and test work processes employed during the 2011-2018 auger test drilling and sampling programs was conducted by independent, recognized and established third-party consultants, including SEH, Summit and Foth. The resulting auger specifications, drill logs, sample collection and analytical test methods applied by these firms meets industry standards for accuracy and reliability.

With respect to particle size/gradation analyses, the lab manager at FracTAL, was asked if the particle size/gradation analyses conducted at various laboratories was compatible and valid for use in NI 43-101 resource estimation. FracTAL used a Camsizer particle analyzer (“**Camsizer**”) to complete the gradation analysis. In contrast, the other labs (Source, SEH and Foth) used the ASTM standardized particle size distribution or gradation method using a “sieve stack”. FracTAL feels the standardized method is not as accurate as the Camsizer but is still used widely because most labs do not have access to a Camsizer. Importantly, the resulting breakdown of the gradation analysis still follows the ASTM E11 specification. FracTAL’s lab manager concluded that while the methodologies used to sieve-out the samples are not identical, the results are still reported using the same mesh increments, and therefore, yield a valid combined dataset that is representative of the particle size/gradation distribution at the Sumner Facility (personal communication, FracTAL LLC, 2015).

With respect to proppant characterization, Stim-Lab is an independent laboratory and accredited to ISO 17025:2005 in North America offering all ISO 13503-2, ISO13503-5, API RP19C, and API RP56 tests for sand, resin-coated sand, and engineered ceramic proppants.

The senior QP has reviewed all 2011-2018 geotechnical and geochemical data and found no significant issues or inconsistencies that would cause one to question the validity of the data. The hardcopy review (i.e., original source of information review) conducted by the senior QP confirmed that the data was generated with proper procedures, has been accurately transcribed from the original source and is suitable for use in the Sumner APEX Report. Lastly, based on the senior QP’s research of silica sand

sampling and analytical protocols, the senior QP is satisfied to include these data in resource modelling, evaluation and estimations as part of the Sumner Facility Indicated and Inferred Silica (Frac) Sand Resource estimate presented in the Sumner APEX Report.

Mineral Processing and Metallurgical Testing

International Standards ISO 13503-2:2006/Amd.1:2009E provides the specifications for the measurement of properties of proppants used in hydraulic fracturing operations. Source has conducted proppant test work on nine separate samples. The analytical test work was conducted at Stim-Lab in Duncan, Oklahoma, an independent laboratory offering ISO 13503-2 tests for sand proppant. The size fractions tested includes: 20/40, 30/50, 40/70 and 50/140. The results of the test work are presented in Table 13.1 and summarized in the following text.

Fracturing Proppant Sizes

ISO 13503-2:2006/Amd.1:2009E states that a minimum of 90% of the tested proppant sample shall pass the coarse designated (or first primary) sieve and be retained on the fine designated (or second primary) sieve (i.e., 12/20, 20/40, 40/60, etc.). For 20/40 sieve sizes, a minimum of 90% of the tested proppant sample shall pass the 20 mesh sieve and be retained on the 40 mesh sieve. Not over 0.1 % of the total tested proppant sample shall be larger than the first sieve size in the sieve stack specified in ASTM E11, and not over 1.0% of the total tested proppant sample shall be smaller than the last designated sieve size. All Source samples met the ISO 13503-2:2006 proppant size specification.

Table 13.1: Summary of Proppant Characterization Test Work Conducted by Source.

SAMPLE ID	GRAIN SIZE FRACTION	DATE RECEIVED BY LAB	BULK DENSITY (g/cm³)	APPARENT DENSITY OIL (g/cm³)	KRUMBEIN	KRUMBEIN	MEAN	CRUSH RESISTANCE (10% PSI) ⁽¹⁾								ACID SOLUBILITY (12:3 HCl:HF)	SILT & FINES: TURBIDITY (NTU) ⁽²⁾
					SHAPE	SHAPE	PARTICAL DIAMETER										
					FACTOR	FACTOR											
								(roundness)	(sphericity)	(mm)	4,000 (psi)	5,000 (psi)	6,000 (psi)	7,000 (psi)	8,000 (psi)		
SES 20/40	20/40	5-Nov-13	1.56	2.65	0.7	0.8	0.7	2.00	/	7.30	10.90	/	/	/	0.5	20	
St Louis Prop 15# composite	20/40	4-Sep-13	1.54	2.63	0.7	0.7	0.6	3.90	6.80	10.60	/	/	/	/	1.2	17	
SES 30/50	30/50	29-Jan-14	1.54	2.63	0.7	0.7	0.5	1.30	/	/	8.20	11.20	/	/	0.6	57	
SES 30/50	30/50	5-Nov-13	1.54	2.64	0.7	0.7	0.4	0.80	/	/	8.30	12.60	/	/	0.6	21	
St Louis Prop 15# composite	30/50	4-Sep-13	1.52	2.63	0.7	0.7	0.4	2.80	/	7.40	10.40	/	/	/	1.4	10	
SES 40/70	40/70	22-Aug-14	/	2.63	/	/	/	/	/	/	/	/	/	/	/	52	
CSP 40/70	40/70	11-Oct-13	1.52	/	0.7	0.7	0.3	/	3.90	/	/	8.70	10.70	/	1.4	/	
St Louis Prop 15# composite	40/70	4-Sep-13	1.50	2.64	0.7	0.7	0.3	/	2.50	/	/	9.40	13.50	/	1.5	9	
SES 50/140	50/140	29-Jan-14	1.48	2.64	0.6	0.7	0.2	/	3.40	/	/	/	9.10	11.20	3.4	41	

Notes:

- (1) PSI is pounds per square inch
- (2) NTU = nephelometric turbidity unit; FTU = formazine turbidity unit
- (3) (highlighted in gray) Highest stress level in which the proppant generates no more than 10% crushed material, rounded to the nearest 1,000psi (or K-value)

International standards for proppant specification (ISO 13503-2; 2009-11-01)

- Average sphericity of 0.6 or greater
- Average roundness of 0.6 or greater
- Maximum acid solubility of grains <30/50 is 3.0% and for grains ≥30/50 is 2.0%
- Turbidity shall not exceed 250 NTU (FTU)

Sphericity and Roundness

Sphericity is a measure of how close the grain is to a sphere, and roundness is a measure of the relative sharpness of grain corners. ISO 13503-2:2006/Amd.1:2009E states that sphericity and roundness for

proppant is 0.6 or greater, and the recommended sphericity and roundness for high-strength proppant is 0.7 or greater.

Table 13.1 shows that all Stim-Lab samples have sphericity shapes of greater than 0.7 meeting the criteria for high-strength proppant. Except for one 50/140 size fraction all of the roundness results were 0.7, meeting the criteria for high-strength proppant.

Acid Solubility

Acid solubility provides an indication of the amount of undesirable contaminants in a sand sample by determining its solubility when soaked in a hydrochloric-hydrofluoric acid (HCL-HFL) solution. ISO 13503-2:2006/Amd.1:2009E states that the acid soluble material in proppants shall not exceed 2.0 and 3.0 for proppant larger than or equal to the 30/50 and smaller than 30/50 mesh fractions, respectively.

Table 13.1 shows that all of the samples measured with smaller than 30/50 size fractions (two 20/40 fractions) have acid solubilities of less than 1.2%, which is below the specification of 3.0%. With respect to the larger than or equal to 30/50, the 30/50 and 40/70 fractions have acid solubilities of less than 1.5%, which is below the specification of 2.0%. The 50/140 fraction has an acid solubility of 3.4%, which is above the specification of 2.0%.

Maximum Proppant Turbidity

Turbidity is the measurement of the amount of clay and silt sized particles contained in a sand sample by placing it in water and measuring the overall turbidity of the liquid. ISO 13503-2:2006/Amd.1:2009E states that the turbidity of all fracturing proppants shall not exceed 250 nephelometric turbidity units (“**NTU**”). All of the Source samples easily satisfy this specification with turbidities of <57 NTU (Table 13.1).

Maximum Crush Material

Crush resistance is determined by subjecting a sand sample to specific pressures for a designated amount of time and measuring the resulting amount of fines (percent by weight). As per ISO 13503-2:2006/Amd.1:2009E, determination of the highest stress level at which proppant generates no more than 10% crushed material, rounded down to the nearest 6.9 MPa (1,000 psi), represents the maximum stress that the material can withstand without exceeding 10% crush (International Standards, 2009).

The crush resistance, “k” value for the various size fractions from the Sumner Facility (Table 13.1) include:

- (a) three 20/40 fractions resulted in 5k, 6k and 7k crush resistance;
- (b) four 30/50 fractions resulted in 6k, 7k (n=2) and 8k crush resistance;
- (c) three 40/70 fractions resulted in 7k and 8k (n=2) crush resistance; and
- (d) a single 50/140 fraction resulted in a 9k crush resistance.

These “k” values are typical for Cambrian Wonewoc Formation sandstone in western Wisconsin. For example, Brown (2012) cited 20/40, 30/50 and 40/70 crush resistance values of 6k, 7k and 10k, respectively.

To conclude, the published specifications and standards for industrial minerals should be used primarily as a screening mechanism to establish the marketability of an industrial mineral. The suitability of an industrial mineral for use in specific applications can only be determined through detailed market investigations and discussions with potential consumers. In Source’s case, the proppant test work results show that the Sumner Facility Wonewoc Formation silica sand meets the recommendations set forth in International Standards ISO 13503-2:2006/Amd.1:2009E for sieve size fractions, sphericity, roundness, acid solubility, turbidity and crush classification.

Accordingly, and with respect to reporting a resource estimate that abides by NI 43-101, the Source proppant test work results show that the Wonewoc Formation silica sand from the Sumner Facility has

reasonable prospects of economic extraction. This fact is clearly demonstrated in that Source is mining, processing, transporting and selling its silica sand to North America markets.

Mineral Resource Estimates

Statistical analysis, three-dimensional (“3-D”) modelling and resource estimation for the Sumner APEX Report was prepared by Mr. Black, M.Sc. P. Geo. of APEX under the direct supervision of Mr. Eccles. Mineral resource modelling and estimation was carried out using a 3-D block model based on geostatistical applications using commercial mine planning software MICROMINE (v.21).

The project limits area is based in the UTM system relative to Zone 15 of NAD 1983. A parent block size of 164 feet x 164 feet x 10 feet (50 m x 50 m x 3 m) with sub-blocking down to 33 feet x 33 feet x 3.3 feet (10 m x 10 m x 1 m). The Sumner Facility Indicated and Inferred Silica (Frac) Sand Resource modeling utilized the data from a total of 112 auger holes that were drilled on, or adjacent to the Sumner Facility by Source between 2011 and 2018. Data associated with the 112 drillholes include:

- 99 auger drillholes that include stratigraphic information of the Wonewoc Formation silica sand on the Sumner Facility;
- 80 auger drillholes that include grain size particle distribution analysis; and
- the remaining drillholes include groundwater monitoring wells and/or 8 historical water wells that were drilled adjacent to the Sumner Facility and were used only to support the geological model.

The particle size/gradation analyses, which was conducted on all 66-auger test drillholes, is used and estimated across the resource area.

Mr. Eccles, P. Geol., completed a property visit at the Sumner Facility mine and operations on November 5th, 2018, to verify the sub-surface stratigraphic setting, the silica (frac) sand mineralization and the current mine plan including a yearly assessment of mined-out areas to depict resource depletion.

The Sumner Facility Indicated and Inferred Silica (Frac) Sand Resource estimate is reported in accordance with NI 43-101 and has been estimated using the CIM “Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines” and CIM Definition Standards. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no guarantee that all or any part of the mineral resource will be converted into a mineral reserve.

Using a lower cutoff of the sum of +70, sand fractions are greater than 60% total abundance, the Sumner Facility Indicated and Inferred Silica (Frac) Sand Resource estimate predicts total (i.e., global) resources of:

- 43.04 million short tons (39.04 million metric tonnes) of silica sand of indicated classification; and
- 44.06 million short tons (39.97 million metric tonnes) of silica sand of inferred classification;

is present at the Sumner Facility (Tables 14.11 and 14.12). Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no guarantee that all or any part of the Mineral Resource will be converted into a Mineral Reserve. The Sumner Facility Indicated and Inferred Silica (Frac) Sand Resource estimates in Tables 14.11 and 14.12 is also presented in selected proppant size fraction distributions of 20/40, 30/50, 40/70 and 50/140, and estimated tonnages of the individual fractions are as follows:

Indicated Mineral Resource:

- 20/40 mesh fraction: 10,510,000 short tons (9,530,000 metric tonnes);
- 30/50 mesh fraction: 18,420,000 short tons (16,710,000 metric tonnes);
- 40/70 mesh fraction: 18,460,000 short tons (16,750,000 metric tonnes); and
- 50/140 mesh fraction: 13,810,000 short tons (12,530,000 metric tonnes).

Inferred Mineral Resource:

- 20/40 mesh fraction: 10,040,000 short tons (9,110,000 metric tonnes);
- 30/50 mesh fraction: 18,150,000 short tons (16,460,000 metric tonnes);
- 40/70 mesh fraction: 18,560,000 short tons (16,840,000 metric tonnes); and
- 50/140 mesh fraction: 13,910,000 short tons (12,620,000 metric tonnes).

Table 14.11: The Sumner Facility 2025 Indicated Silica (Frac) Sand Resource Estimate. The bold highlighted main Sumner Facility Indicated Silica (Frac) Sand Resource is reported from the Wonewoc Formation as a total (global) volume and tonnage using a nominal bulk density of 1.57 g/cm³ and a lower reporting cutoff of the sum of the +70 sand fractions being greater than 60% total abundance. The Table also presents selected proppant size distributions of 20/40, 30/50, 40/70 and 50/140.

CLASSIFICATION	SIZE FRACTION	VOLUME (m ³)	TONNES (1,000 kg)	TONS (907.2 kg)
Wonewoc Formation Indicated Mineral Resource Estimation	20/40	6,070,000	9,530,000	10,510,000
	30/50	10,640,000	16,710,000	18,420,000
	40/70	10,670,000	16,750,000	18,460,000
	50/140	7,980,000	12,530,000	13,810,000
INDICATED TOTAL		24,870,000	39,040,000	43,040,000

*Note 1: Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no guarantee that all or any part of the Mineral Resource will be converted into a Mineral Reserve. The estimate of Mineral Resources may be materially affected by metallurgical, geological, environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues. **Source has not based its production decisions and ongoing mine production on Mineral Reserve estimates, preliminary economic assessments, pre-feasibility studies or feasibility studies. As a result, there may be an increased uncertainty of achieving any particular level of recovery of minerals or the cost of such recovery and historically projects without any Mineral Reserves have increased uncertainty and risk of failure.***

Note 2: The mineral resource has omitted those areas that have been mined out by conventional mining depletion in which the Wonewoc Formation resource has been completely removed from the resource model.

Note 3: The weights are reported in metric tonnes (1,000 kg or 2,204.6 lbs) and United States short tons (2,000 lbs or 907.2 kg).

Note 4: Numbers may not add up due to rounding of the resource values percentages (rounded to the nearest 10,000 units).

Note 5: The product size fractions overlap and are not cumulative.

Note 6: The 'total' volume and weights are estimated on a global basis and represent the main Sumner Facility 2025 Indicated Silica (Frac) Sand Resource.

Note 7: The estimation of the individual sieve size fractions was completed using no cutoff, however, Sumner Facility 2025 Indicated Silica (Frac) Sand Resource is reported using a lower reporting cutoff of the sum of the +70 sand fractions being greater than 60%.

Table 14.12: The Sumner Facility 2025 Inferred Silica (Frac) Sand Resource Estimate. The bold highlighted main Sumner Facility Inferred Silica (Frac) Sand Resource is reported from the Wonewoc Formation as a total (global) volume and tonnage using a nominal bulk density of 1.57 g/cm³ and a lower cutoff of the sum of the +70 sand fractions being greater than 60% in total abundance. The Table also presents selected proppant size distributions of 20/40, 30/50, 40/70 and 50/140.

CLASSIFICATION	SIZE FRACTION	VOLUME (m ³)	TONNES (1,000 kg)	TONS (907.2 kg)
Wonewoc Formation Inferred Mineral Resource Estimation	20/40	5,800,000	9,110,000	10,040,000
	30/50	10,490,000	16,460,000	18,150,000
	40/70	10,720,000	16,840,000	18,560,000
	50/140	8,040,000	12,620,000	13,910,000
INFERRED TOTAL		25,460,000	39,970,000	44,060,000

*Note 1: Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no guarantee that all or any part of the Mineral Resource will be converted into a Mineral Reserve. The estimate of Mineral Resources may be materially affected by metallurgical, geological, environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues. **Source has not based its production decisions and ongoing mine production on Mineral Reserve estimates, preliminary economic assessments, pre-feasibility studies or feasibility studies. As a result, there may be an increased uncertainty of achieving any particular level of recovery of minerals or the cost of such recovery and historically projects without any Mineral Reserves have increased uncertainty and risk of failure.***

Note 2: Active open pit mining has not impacted the area of Sumner Facility Inferred Silica (Frac) Sand Resource.

Note 3: The weights are reported in metric tonnes (1,000 kg or 2,204.6 lbs) and United States short tons (2,000 lbs or 907.2 kg).

Note 4: Numbers may not add up due to rounding of the resource values percentages (rounded to the nearest 10,000 units).

Note 5: The product size fractions overlap and are not cumulative.

Note 6: The 'total' volume and weights are estimated on a global basis and represent the main Sumner Facility 2025 Inferred Silica (Frac) Sand Resource.

Note 7: The estimation of the individual sieve size fractions was completed using no cutoff, however, the Sumner Facility Inferred Silica (Frac) Sand Resource is reported using a lower reporting cutoff of the sum of the +70 sand fractions being greater than 60%.

The Sumner Facility Indicated and Inferred Silica (Frac) Sand Resource, which is focused solely on the Wonewoc Formation, is overlain by, or intercalated with:

- 31.04 million short tons (28.16 million metric tonnes) of Pleistocene surficial deposits and Tunnel City Group sedimentary rock; and
- 21.00 million short tons (19.05 million metric tonnes) of waste Wonewoc Formation, defined as Wonewoc sand that did not satisfy the cutoff of +70 sand fractions being greater than 60% in total abundance.

The overlying waste material tonnages were calculated using densities of 1.37 g/cm³ for the overburden and Tunnel City Group, and 1.57 g/cm³ for the waste Wonewoc Formation. The overburden bulk density value is based on three till samples that were analyzed for bulk density by the senior QP during and Wonewoc bulk density analytical work. There is currently no known density information for the Tunnel City Group; hence, the same bulk density value as the Wonewoc Formation was used.

Mining Methods

Introduction

The Sumner Facility mine is a surface mine operation that has operated continuously by Source since July 2013. See Section 14 of the Sumner APEX Report to review the estimated areas of the Sumner Facility Indicated and Inferred Silica (Frac) Sand Resources. Figure 16.1 shows the mine infrastructure including processing facilities, storage areas, waste areas and other significant infrastructure features discussed in this section. The Sumner Facility 3-year mine plan is presented in Figure 16.2.

Sand is liberated from the Wonewoc Formation sandstone to the extent practical using medium-sized earthmoving equipment and conventional surface mining techniques. Historical (2013 to 2025) production of ROM sand from the Sumner Facility is reported at approximately 32.93 million short tons (approximately 29.89 million metric tonnes) (Table 16.1).

Figure 16.1: Overview of Significant Infrastructure at the Sumner Facility Mine Site. The illustration includes the location of: A) current open pit, infeed ROM pile, wet plant, wet processed piles, mine office, reclamation areas and proposed direction of future surface mining at the Sumner Facility mine site; and B) dry plant, storage piles and silos, rail-loading terminal and rail car holding yard at the Weyerhaeuser Facility (located east of the Sumner Facility mine).



Figure 16.2: Three -Year Mine Plan at the Sumner Facility

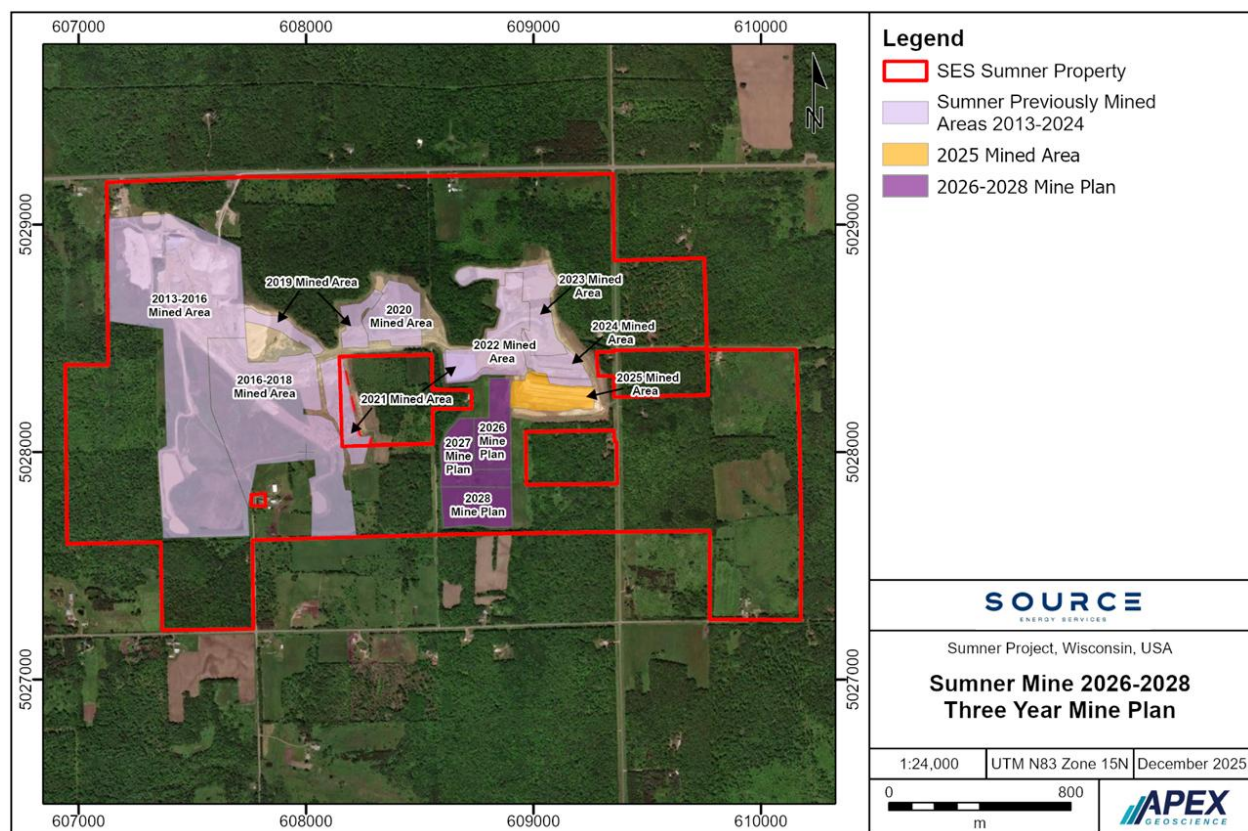


Table 16.1: Historical (2013-2025) production of run-of-mine (ROM) Sand from the Sumner Facility.

YEAR	Short Tons ('000)		Metric Tonnes ('000)	
	ROM PRODUCTION	FINISHED PRODUCT	ROM PRODUCTION	FINISHED PRODUCT
2013	352	-	319	-
2014	1,879	740	1,705	672
2015	2,867	829	2,602	752
2016	2,483	927	2,253	841
2017	3,614	1,492	3,279	1,354
2018	2,622	1,192	2,379	1,082
2019	2,745	1,052	2,491	955
2020	2,754	1,134	2,499	1,029
2021	2,963	1,088	2,689	987
2022	2,476	1,097	2,247	995
2023	3,156	1,277	2,864	1,159
2024	2,677	1,340	2,429	1,216
2025	2,346	1,263	2,129	1,146
TOTAL	32,933	13,431	29,885	12,188

Based on the estimates of mineral resources reported herein, it is possible that the Sumner Facility could continue to operate at full operational capacity (limited by the throughput capacity of the processing facilities) for over 30 years; however, Mineral Resources are not Mineral Reserves and do not have

demonstrated economic viability. As such, it is not possible to provide a definitive statement on expected mine life. Furthermore, there is no guarantee that all or any part of the mineral resource will be extracted by Source.

Mining Operations

Within the boundaries of the Sumner Facility, the Wonewoc Formation generally exhibits a shallow depth, flat attitude, and consistent thickness. These characteristics favour conventional surface mining techniques. Since the target sandstone formation does not extend below the water table, the quarry is 'dry-mined' using truck and shovel mining methods. Mining occurs in a stair-like fashion to recover sand from the top of the formation (in elevation) down to the lowest practical elevation (generally the bottom of the Wonewoc Formation).

Surface mining operations at the Sumner Facility generally consist of the following steps:

1. Overburden/Waste Removal – The target Wonewoc Formation is generally overlain by a thin layer of overburden material generally consisting of soils – topsoil (A-horizon) and subsoil (B-horizon) – which must be removed prior to excavation of the sand. In elevated portions of the Sumner Facility, the Tunnel City Group overlies the Wonewoc Formation and must also be removed prior to excavation of the sand. The soil A- and B-horizons are stripped separately and stored in areas of future mining for use in final reclamation. Once the soils are removed, any remaining overburden is excavated and used for mine reclamation and pit backfilling.
2. Sandstone Excavation – Once the overburden has been removed, the sand can be excavated. At the Sumner Facility, the Wonewoc Formation is cemented (sandstone); therefore, drilling and blasting is required to liberate the sand for removal and processing. Drilling, loading, and detonation of the blast holes is performed by certified third-party contractors. The blasted material is bulk-loaded onto haul trucks and transported to the nearby crusher plant for further processing.
3. Reclamation – Post-mining rehabilitation of the disturbed land is required under Wisconsin Administration Code NR 135 (see Section 4.4 of the Sumner APEX Report). The reclamation procedure at the Sumner Facility occurs concurrently with mining (as space allows) and adheres to the following general plan:
 - (a) Earthwork moving and grading of finer sand, silt, and mudstone that has been separated during the washing process is conducted to mimic the original topography of the land.
 - (b) This base is followed by placement of B-horizon subsoil.
 - (c) The B-horizon subsoil is overlain by the A-horizon topsoil to complete the reclamation plan.
 - (d) Following site grading, fertilizer and seed mix are sown in accordance with State of Wisconsin Department of Transportation Standards. The steps are to follow Best Management Practices and Technical Standards as specified by the Wisconsin Department of Natural Resources.

The primary mine planning consideration is the safe, economical, and regular supply of raw sand feed to the wet processing plant during its operating season. Overburden removal and reclamation activities are accomplished as required and do not appear to hinder sand mining to any appreciable degree. Large stockpiling capacity at the crushing plant can help alleviate ROM sand supply fluctuations caused by minor disruptions in mining activities. Additional stockpiling in-pit may also be available.

Currently, the target sand formation is bulk-loaded; as such, inherent deleterious materials (generally mudstone) and very fine sand (-140 mesh) are not excluded from the processing feed. While this dilution material is removed during processing, it reduces the overall process yield and increases the unit cost of producing the finished goods. Where feasible, material with expected low product yields should be excluded for the mine plan.

Geotechnically, the Wonewoc Formation sandstone is relatively competent such that slumping, or collapsing, has not been a detriment to the mining process. Due to its proximity to the water table, the target sandstone stratum must be mined in two benches.

Excessive inflow of water into the pit is not expected. As such, dewatering before or during mining activities should be manageable with drainage ditches and sumps. On-site water ponds can be used to hold any excessive ground or storm water.

Engineering and Planning

In commercial mining terms, the quantities of overburden waste and sand mined each year at the Sumner Facility are considered modest. Mine engineering and planning requirements for the chosen mining method, under expected operating conditions, should not prove overly onerous.

The primary mine planning consideration is the safe, economical, and regular supply of raw sand feed to the wet processing plant during its operating season. Overburden removal and reclamation activities are accomplished as required and do not appear to hinder sand mining to any appreciable degree. Large stockpiling capacity at the crushing plant can help alleviate ROM sand supply fluctuations caused by minor disruptions in mining activities. Additional stockpiling in-pit may also be available.

Geotechnically, the Wonewoc Formation sandstone is relatively competent such that slumping, or collapsing, has not been a detriment to the mining process. Due to its proximity to the water table, the target sandstone stratum must be mined in two benches. The lower mining bench is typically comprised of the bottom 7 feet (2.1 m) of the formation, while the upper bench encompasses the remainder of the sandstone thickness. The lower bench is left in place until backfilling space is required to reduce buckling and water seepage caused by the hydrostatic pressure exerted by the water table. Haul roads are designed with a 60 foot (18.3 m) travel width and ramps slopes are less than 12%.

Excessive inflow of water into the pit is not expected. As such, dewatering before or during mining activities should be manageable with drainage ditches and sumps. On-site water ponds can be used to hold any excessive ground or storm water.

Recovery Methods

Processing operations are in two locations. As shown in Figure 16.1, the wet processing plant is located on the property adjacent to the mining operations. The dry processing plant is in Weyerhaeuser, Wisconsin, approximately 8 miles (12.9 km) east on U.S. Highway 8. The Weyerhaeuser Facility began operation in December 2013. Combined, these operations wash, dry, and sort/size the ROM sand to yield a product that is of sufficient quality for hydraulic fracturing (i.e., frac sand). Generally, this process includes:

1. Crushing the ROM sandstone to manageable sizes for the wet processing plant, without causing damage to the individual grains within the rock.
2. Separating the crushed ROM material by size, shape, and density – thereby removing contaminants – in the wet processing plant. The wet processing plant generally produces 8/50 and 40/70 sized WIP material.
3. Trucking the WIP material to the dry processing facilities by a third-party contractor.
4. Drying and further sorting the wet plant WIP material in the dry processing plant. The dry processing plant typically produces 20/40, 30/50, 40/70, and 100 (70/140) mesh products.

To accomplish these tasks at the Sumner Facility, the major processing assets consist of the following:

- wet processing plant with a nameplate capacity of 500 short tph (approximately 454 metric tonnes per hour); and
- dry processing plant with a nameplate capacity of 375 short tph (340 metric tonnes per hour).

The crushing/wet processing plant at the Sumner Facility is enclosed and generally runs year-round (with downtime for scheduled and unscheduled maintenance). The dry processing plant at the Weyerhaeuser Facility also operates year-round. Both processing facilities operate 24 hours a day.

Quality control measures, including laboratory sampling, are in place at various stages throughout the wet and dry processing operations.

Historical (2013-2025) production from the Sumner Facility and the Weyerhaeuser Facility is reported to include about 13.43 million short tons (12.19 million metric tonnes) of finished product. During 2025, Source produced 1.26 million short tons (1.15 million metric tonnes) of finished product, consisting of 20/40, 30/50, 40/70, and 100 (70/140) mesh silica sand (Table 18.1).

Table 18.1: Historical (2013-2025) Wet Plant and Dry Plant Production from the Sumner Facility and the Weyerhaeuser Facility.

A. Wet Plant

YEAR	Short Tons ('000)			Metric Tonnes ('000)		
	WET PLANT FEED	WIP PRODUCT	WET PLANT YIELD (%)	WET PLANT FEED	WIP PRODUCT	WET PLANT YIELD (%)
2013	352	217	62%	319	197	0%
2014	1,879	1,426	76%	1,705	1,294	76%
2015	2,867	1,684	59%	2,602	1,528	59%
2016	2,483	1,494	60%	2,253	1,356	60%
2017	3,614	2,003	55%	3,279	1,818	55%
2018	2,565	1,732	68%	2,328	1,572	68%
2019	2,708	1,622	60%	2,458	1,472	60%
2020	2,712	1,440	53%	2,461	1,306	53%
2021	2,914	1,309	45%	2,644	1,188	45%
2022	2,534	1,329	52%	2,299	1,206	52%
2023	3,082	1,720	56%	2,797	1,561	56%
2024	2,623	1,635	62%	2,380	1,484	62%
2025	2,297	1,388	60%	2,084	1,260	60%
TOTAL	32,631	18,998	58%	29,610	17,240	58%

B. Dry Plant

YEAR	Short Tons ('000)			Metric Tonnes ('000)		
	DRY PLANT FEED	WIP PRODUCT	DRY PLANT YIELD (%)	DRY PLANT FEED	WIP PRODUCT	DRY PLANT YIELD (%)
2013	-	-	-	-	-	-
2014	1,049	740	71%	952	672	71%
2015	1,121	829	74%	1,017	752	74%
2016	1,218	927	76%	1,105	841	76%
2017	1,872	1,492	80%	1,699	1,354	80%
2018	1,612	1,192	74%	1,463	1,082	74%
2019	1,364	1,052	77%	1,238	955	77%
2020	1,419	1,134	80%	1,287	1,029	80%
2021	1,442	1,088	75%	1,309	987	75%
2022	1,252	1,097	88%	1,136	995	88%
2023	1,527	1,277	84%	1,386	1,159	84%
2024	1,553	1,340	86%	1,409	1,216	86%
2025	1,548	1,263	82%	1,405	1,146	82%
TOTAL	16,976	13,431	79%	15,405	12,188	79%

Project Infrastructure

Being an existing mine and processing operation, all project infrastructure is in place at the Sumner Facility and Weyerhaeuser Facility including, utilities, pipelines, crushing and conveying facilities, wet and dry processing facilities, office and maintenance facilities, and roads.

Beyond the processing facilities, which are described in “*Recovery Methods*”, other key infrastructure at the Weyerhaeuser Facility include:

- storage barn capable of storing 40,000 short tons (approximately 36,000 metric tonnes) of product; and
- rail loading facility, which has the capacity to load 45 rail cars per day.

Three-phase power to the site is supplied by Exel Energy and Barron Electric. Fuel for the operation of the dry-processing plant is natural gas supplied by constellation WE Energies. Process water for the operation is sourced from drilled wells on the Sumner Property. Most of the process water is recycled in the plants. Well water is also utilized for makeup water and other tasks such as fugitive dust control on the roadways and other operational needs.

Environmental Studies, Permitting and Social or Community Impact

Permitting and Environmental Studies

The Sumner Facility and Weyerhaeuser Facility are fully permitted for on-going mining and sand processing operations. A complete discussion of permitting and environmental approvals is presented in “*Permitting and Environmental Approvals*” and summarized in point form in the text that follows.

- The Sumner Facility consists of 36 separate parcels with a total land area of 1,108.8 acres (448.7 hectares). Most of the parcels within the Sumner Facility are either: owned by Source (33 parcels); or are leased by Source with established royalties (3 parcels).
- The purchased parcels are for 100% of the land title including mineral rights, buildings, etc. The purchase agreements do not include any additional payouts or percentages. With respect to the 3 leased parcels (Vincent 1, Vincent 2 and Vincent 3), the landowners agreed to royalty agreements allowing Source the right to mine their properties in exchange for a royalty, which is outlined in “*Project Description, Location, and Access*”.
- Permitting includes: Development Agreement; Non-metallic Mining Reclamation Permit; Air Pollution Control Permit, Non-metallic Mining Operations General Permit (for storm water) and a High Capacity Well Permit. There are no Federal permits required.

Social and Community Plans

Source has established effective relationships with the communities surrounding the Sumner Facility. The operations have a positive effect on local employment and economy. In addition to the payment of income taxes and other local community taxes such as property taxes and royalties, Source supports, financially and otherwise, local community endeavors.

Capital and Operating Costs

Capital Costs

The Sumner Facility and related facilities are fully developed and should require no near-term major capital investment to maintain full commercial production. Source intends to keep near-term capital expenditures at a minimum; however, the timing and amount of capital expenditures are largely discretionary and within Source’s control.

Operating Costs

Source considers projected operating costs for the Sumner Facility to be confidential and commercially sensitive. Boyd has previously reviewed the historical operating cost data provided by Source and found

the costs to be reasonable and within industry norms. As such, it is the Boyd's opinion that Source's financial data supports the requirement that the Mineral Resource reported herein have "reasonable prospects for economic extraction".

Economic Analysis

Source falls under the producing issuer category. That is, Source generates: 1) gross revenue, derived from mining operations, of at least CDN\$30 million for Source's most recently completed financial year; and 2) gross revenue, derived from mining operations, of at least CDN\$90 million in aggregate for Source's three most recently completed financial years.

Producing issuers may exclude the information required under Form 43-101F1 – *Technical Report*, Item 22 for technical reports on properties currently in production unless the technical report includes a material expansion of the current production. If the latter occurs, Source will present an economic analysis in future and more detailed reports.

BLAIR FACILITY

The information in this section of this AIF is related to the Blair Facility and is based upon the Blair APEX Report authored by the QPs. The QPs have verified the data disclosed, including sampling, analytical, and test data underlying the information contained in this AIF. Any reference to figures, tables or citations below correspond to such items in the Blair APEX Report. Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Blair APEX Report, which is available for review under the Company's profile on the SEDAR+ website at <https://www.sedarplus.ca/home/>.

See "*Accessibility, Climate, Local Resources, Infrastructure and Physiography*" for information regarding access to the Blair Facility.

Project Description, Location, and Access

Introduction to the Blair Facility

The Blair Facility is located near the Town of Blair, Trempealeau County in west-central Wisconsin. The Blair Facility is located about halfway between the cities of Whitehall, Wisconsin and Blair, Wisconsin and is transected by Highway 53. The Blair Facility includes 35 contiguous parcels totalling 1,138.33 acres (460.67 hectares) (Table 4.1; Figure 4.1). The parcels range in size from 0.05 acres to 73.68 acres. Within the Blair Facility, the mine site includes an open pit to access Wonewoc Formation silica sand, a wet processing plant adjacent to the open pit, a dry processing plant and a rail loading terminal with 5.2 miles (8.4 km) of track that links to the CN's rail line (Whitehall subdivision). This railway connects with rail lines that are associated with Source's Sumner Facility loading terminal (Canadian National Railway, Barron subdivision). For clarity within this section, the Blair Facility land package is separated into two groupings: 'East' and 'West' Sub-Properties as grouped by their date of material release by Source and the underlying ownership detail as described in the text that follows.

Source owns 100% of the membership interests of Sand Products which owns the land lease for the Blair Facility East Sub-Property; all agreements pertaining to Sand Products (i.e., leases, royalties, permits, etc.) are for the benefit of Source. A summary of the agreements for the Blair Facility East Sub-Property is discussed in the text that follows.

Blair Facility East Sub-Property Ownership and Lease History

- Private (deeded) landowners within the boundaries of the Blair Facility East Sub-Property formed a coalition group entitled Highway 53 Group LLC.
- Highway 53 Group LLC executed a mining option and lease agreement with Sand Products, with an effective date of November 28, 2012.

Table 4.1: Permit Descriptions and Status for the Blair Facility.

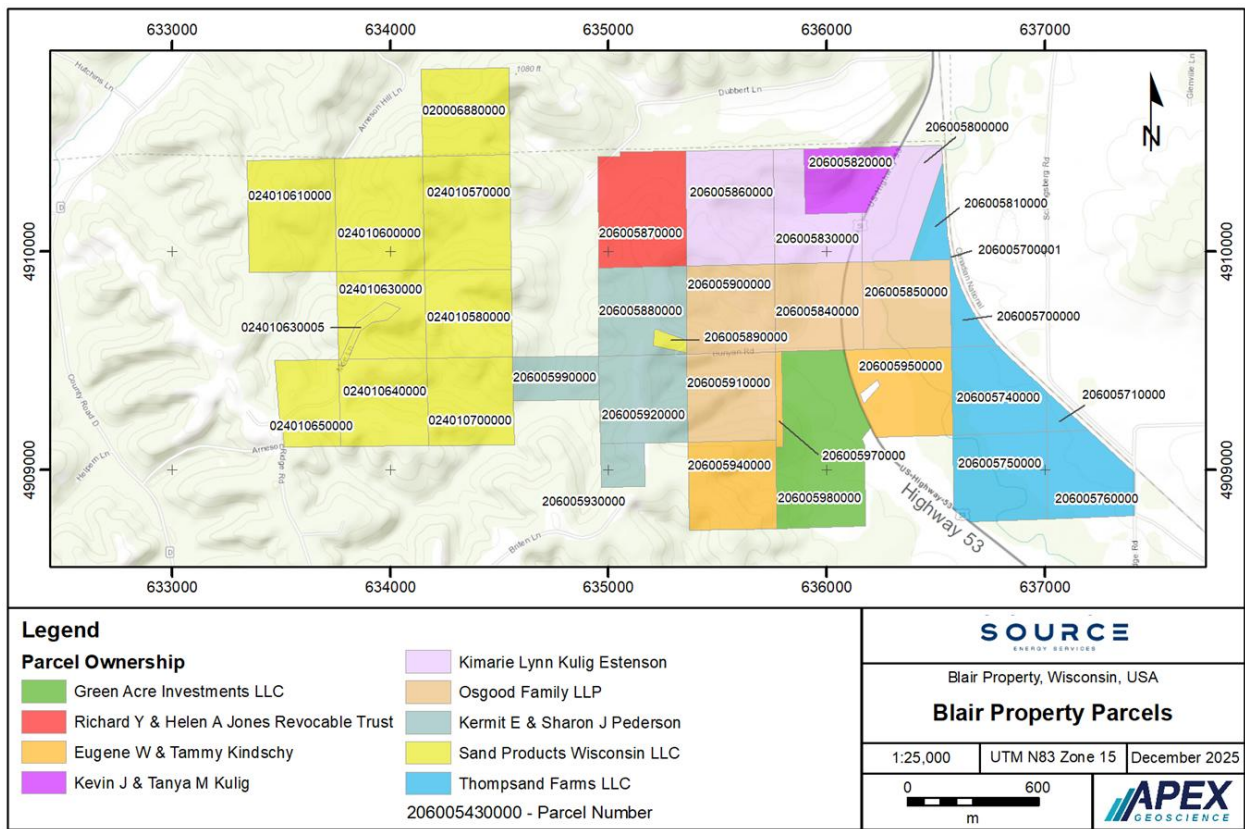
A. East Sub-Property

PARCEL #	PUBLIC LAND SURVEY SYSTEM (TOWNSHIP-RANGE-SECTION-QUARTER SECTION-QUARTER QUARTER SECTION)	AREA (ACRES)	AREA (HECTARES)	PRIVATE (DEEDED) LANDOWNER
206005700000	T21N-R7W-S6-NW-SW	8.98	3.63	Thompsand Farms LLC
206005700001	T21N-R7W-S6-NW-NW	0.05	0.02	Thompsand Farms LLC
206005710000	T21N-R7W-S6-SW-NE	4.27	1.73	Thompsand Farms LLC
206005740000	T21N-R7W-S6-SW-NW	36.60	14.81	Thompsand Farms LLC
206005750000	T21N-R7W-S6-SW-SW	41.52	16.80	Thompsand Farms LLC
206005760000	T21N-R7W-S6-SW-SE	33.84	13.69	Thompsand Farms LLC
206005800000	T21N-R8W-S1-NE-NE	32.08	12.98	Kulig Estenson, Kimarie Lynn
206005810000	T21N-R8W-S1-NE-NE	9.68	3.92	Thompsand Farms LLC
206005820000	T21N-R8W-S1-NE-NW, NE	26.76	10.83	Kulig, Kevin J & Tanya M
206005830000	T21N-R8W-S1-NE-NW	32.47	13.14	Kulig Estenson, Kimarie Lynn
206005840000	T21N-R8W-S1-NE-SW	39.35	15.92	Osgood Family LLP
206005850000	T21N-R8W-S1-NE-SE	39.36	15.93	Osgood Family LLP
206005860000	T21N-R8W-S1-NW-NE	52.23	21.14	Kulig Estenson, Kimarie Lynn
206005870000	T21N-R8W-S1-NW-NW	51.87	20.99	Jones Revocable Trust, Richard Y & H
206005880000	T21N-R8W-S1-NW-SW	37.21	15.06	Pederson, Kermit E & Sharon J
206005890000	T21N-R8W-S1-NW-SW	2.58	1.04	Sand Products Wisconsin LLC
206005900000	T21N-R8W-S1-NW-SE	39.62	16.03	Osgood Family LLP
206005910000	T21N-R8W-S1-SW-NE	40.27	16.29	Osgood Family LLP
206005920000	T21N-R8W-S1-SW-NW	39.87	16.13	Pederson, Kermit E & Sharon J
206005930000	T21N-R8W-S1-SW-SW	9.91	4.01	Pederson, Kermit E & Sharon J
206005940000	T21N-R8W-S1-SW-SE	39.76	16.09	Kindschy, Eugene W & Tammy
206005950000	T21N-R8W-S1-SE-NE, NW	41.78	16.91	Kindschy, Eugene W & Tammy
206005970000	T21N-R8W-S1-SE-NW, SW	3.08	1.25	Kindschy, Eugene W & Tammy
206005980000	T21N-R8W-S1-SE-NW, SW, NE	73.68	29.82	Green Acre Investments LLC
206005990000	T21N-R8W-S2-SW-NE	19.39	7.85	Pederson, Kermit E & Sharon J
TOTAL		756.19	306.02	

B. West Property

PARCEL #	PUBLIC LAND SURVEY SYSTEM (TOWNSHIP-RANGE-SECTION-QUARTER SECTION-QUARTER QUARTER SECTION)	AREA (ACRES)	AREA (HECTARES)	CURRENT REGISTERED OWNER
020006880000	T22N-R8W-S35-SW-NE	40.00	16.19	Sand Products Wisconsin LLC
024010570000	T21N-R8W-S2-NW-NE	52.04	21.06	Sand Products Wisconsin LLC
024010600000	T21N-R8W-S2-NE-NW	51.58	20.87	Sand Products Wisconsin LLC
024010610000	T21N-R8W-S2-NW-NW	51.12	20.69	Sand Products Wisconsin LLC
024010630000	T21N-R8W-S2-SE-NW	36.25	14.67	Sand Products Wisconsin LLC
024010630005	T21N-R8W-S2-SE-NW	3.92	1.59	Sand Products Wisconsin LLC
024010580000	T21N-R8W-S2	40.0	16.19	Sand Products Wisconsin LLC
024010700000	T21N-R8W-S2	40.0	16.19	Sand Products Wisconsin LLC
024010640000	T21N-R8W-S2-NE-SW	39.83	16.12	Sand Products Wisconsin LLC
024010650000	T21N-R8W-S2	27.40	11.09	Sand Products Wisconsin LLC
TOTAL		382.14	154.65	
TOTAL BLAIR FACILITY AREA		1,138.33	460.67	

Figure 4.1: The Blair Facility is Comprised of 35 Separate Parcels (to accompany Table 4.1). West Sub-Property is represented by the yellow land parcels.



Property Location

The Blair Facility is located near the Town of Blair, Trempealeau County in west-central Wisconsin, between the cities of Whitehall and Blair and is transected by Highway 53 (2.8 miles (4.5 km) south of Whitehall and 3.23 miles (5.2 km) northwest of Blair). The approximate center of the Blair Facility East Sub-Property, in UTM coordinates is: 636000 m Easting, 4909600 m Northing, Zone 15, North American Datum 83. Using the Public Land Survey System, the East Sub-Property is located in South-central, Section 1 of Township 21N, Range 8W.

The approximate center of the Blair Facility West Sub-Property, in UTM coordinates is: 634100 m Easting, 4909900 m Northing, Zone 15, North American Datum 83. Using the Public Land Survey System, the West Sub-Property is located in Northeast, Section 2 of Township 21N, Range 8W.

Nature and Extent of Land Titles

Two agreements form the basis of the land titles for the Blair Facility:

- (a) an annexation agreement with the City of Blair; and
- (b) a mining option and lease agreement.

The annexation agreement was signed on March 27, 2014, between the City of Blair and Sand Products, and provides approval to engage in mining operations from Trempealeau County, subject to Sand Products meeting certain conditions imposed by Trempealeau County.

As per the annexation agreement, a summary of the obligations of Source includes:

- 1. Compliance with State and Federal laws.

2. Property tax payments paid annually to the Town of Blair and pursuant to Wisconsin Statutes; this includes an annexation payment for a five-year term, and for an additional 15 years, or at the cessation of mining operations, whichever occurs first.
3. Property value guarantee paid to all residential property owners.
4. Source shall not operate any commercial vehicles used for the purpose of transporting non-metallic minerals.
5. Annual inspection and regulation costs, including Source paying to the city a fee of U.S.\$0.25 cents per ton of non-metallic minerals processed and shipped from the Blair Facility.
6. Source will provide a minimum royalty payment of U.S.\$100,000 to be paid the year construction commences on the annexed property and the first year thereafter.
7. All reasonable consulting, inspection and engineering fees incurred for the City of Blair's administration of the annexation agreement.

A reclamation plan was devised and approved by the City of Blair; the plan is consistent with the terms of Chapter 295 of the Wisconsin Statutes, NR 135 of the Wisconsin Administrative Code, and Chapter 52 of the City Code of Ordinances for the City of Blair.

The mining option and lease agreement (effective date January 28, 2012) binds a formal agreement between the Blair Facility land holders and Sand Products on the East Sub-Property. A due diligence period (four months) included the payment of the sum of U.S.\$115,000 by Sand Products to the East Sub-Property landowners upon the execution of the mining option and lease agreement. In addition to due diligence rights, Sand Products exercised the option to the mining option and lease agreement by paying U.S.\$575,000 to the East-Sub Property landowners to lease the Sand Rights (as defined herein). This granting of rights permits Sand Products exclusive right to mine in, on and under the East Sub-Property, which includes, without limitation, entering upon exploring, drilling, developing, surface or open pit or strip mining, auger mining, or, mining sand by any other method (whether now or hereafter known), using all water rights appurtenant to the East Sub-Property, and producing, processing, drying, removing, loading, transporting, and marketing sand from the East Sub-Property for Sand Products' own account (collectively the "Sand Rights"). The Sand Rights include full and complete rights of ingress to and egress from and over the East Sub-Property and the right to blast, excavate, remove, pile up and dispose of overburden and waste. The rights include the ability to erect, use and maintain on the East Sub-Property such buildings, plants, equipment, machinery, offices, shops, tracts, storerooms, tipples, scale houses, pump houses, drainage ditches, power and telephone lines, haul roads and any other improvement as may be necessary or desirable in performing the mining operations and removing sand.

The mining option and lease agreement is for a term of 10 years, beginning on the commencement date, and shall automatically be extended for two additional 10-year terms so long as no less than the minimum production royalty is paid. The production royalty schedule is presented in Table 4.2.

Table 4.2: Blair Facility East Sub-Property Royalty Schedule. The rate is determined for each month, based on the average of: (a) prior 6-months average sand shipped; and (b) the prior 6-months West Texas Intermediate index.

BLAIR FACILITY SAND SHIPPED (6-MONTH ROLLING AVERAGE)	WEST TEXAS INTERMEDIATE (WTI; 6-MONTH ROLLING AVERAGE) ⁽¹⁾	ROYALTY PER TON
0-10,000	40	\$1.00
>10,000	45	\$1.10
>20,000	50	\$1.20
>30,000	55	\$1.30
>40,000	60	\$1.40
>50,000	65	\$1.50
>60,000	70	\$1.65
>70,000	75	\$1.80

BLAIR FACILITY SAND SHIPPED (6-MONTH ROLLING AVERAGE)	WEST TEXAS INTERMEDIATE (WTI; 6-MONTH ROLLING AVERAGE) ⁽¹⁾	ROYALTY PER TON
>80,000	80	\$2.00
>90,000	85	\$2.20
>100,000	90	\$2.45
	95	\$2.70
	100	\$3.00

Notes:

(1) West Texas Intermediate (WTI) is a grade of crude oil used as a benchmark in oil pricing.

In the event Sand Products constructed a processing plant on the East Sub-Property, Sand Products would pay an annual siting fee of U.S.\$1,000 per acre (the “**Sitting Fee**”). The Sitting Fee has been paid and shall not be applied to the minimum production royalty (Table 4.2). In addition to the Sitting Fee, Sand Products shall pay a wheel tax royalty of U.S.\$0.50 per ton of sand processed on the East Sub-Property (the “**Wheel Tax Royalty**”); provided, however, that Sand Products shall not be obligated to pay any Wheel Tax Royalty amounts on sand processed on the East Sub-Property, but which was extracted from the East Sub-Property. The Wheel Tax Royalty shall not be applied to the minimum production royalty. The tons of sand to which the Wheel Tax Royalty at the East Sub-Property apply shall not exceed 50% of the gross tons shipped by Sand Products from its collective Wisconsin mining operations unless Sand Products shall have mined all of the available sand from the East Sub-Property. The Wheel Tax Royalty shall be paid through the lifetime of the East Sub-Property.

Permitting and Environmental Approvals

Sand Products has the following local, Trempealeau County, and Wisconsin State permits:

- Conditional Use Permit: Available via the Department of Land Management, Trempealeau County Land and Water Plan and the Comprehensive Zoning Ordinance. The permit stipulates standard operation requirements (e.g., extraction and processing hours of operation; audible noise emissions; blasting hours; public road usage; etc.);
- with respect to groundwater, the Conditional Use Permit states that:
 - non-metallic mining operations must at all times remain at least 10 feet (3 m) above the water table level, unless an alternative level proposed by the applicant and established by water table elevation monitoring is approved by the County;
 - the County may require monitoring wells to establish the groundwater level prior to the commencement of non-metallic mining operations on a site;
 - non-metallic mining within 10 feet (3 m) of the water table level or within the water table may be permitted provided the applicant receives a favorable letter from the town board regarding the mining proposal and receives the approval of the county; and
 - the applicant must demonstrate that the operation does not pose a legitimate risk as determined by the county to water table level or groundwater quality of the area.
- Non-metallic Mining Reclamation Ordinance: Chapter NR 135 of the Wisconsin Administrative Code requires counties to adopt and implement a Non-Metallic Mining Reclamation Ordinance to establish a local program to ensure the effective reclamation of non-metallic mining sites on which non-metallic mining takes place. Administration of the reclamation programs is conducted by either county or local regulatory authorities;
- Air Pollution Control Permit (Wisconsin Department of Natural Resources);
- Non-metallic Mining Operations General Permit (storm water; Wisconsin Department of Natural Resources); and
- High Capacity Well Permit (Wisconsin Department of Natural Resources).

There are no federal permits required.

With respect to environmental work conducted, on January 23, 2017, Summit – on behalf of Source – completed a Phase I ESA in conformance with the scope and limitations of ASTM practice E1527-13 for the open pit/excavation and processing plants at the Blair Facility. This practice is intended for use on a voluntary basis by parties who wish to assess the environmental condition of commercial real estate considering commonly known and reasonably ascertainable information. The ESA study did not find any evidence of recognized environmental concern at the Blair Facility (Johnson and Romens, 2017). Note: No environmental site assessment can wholly eliminate uncertainty regarding the potential for recognized environmental conditions about a property. Performance of ASTM practice E1527-13 is intended to reduce, but not eliminate, uncertainty regarding the potential for recognized environmental conditions about a property, and this practice recognizes reasonable limits of time and cost.

To the best of the QPs' knowledge, there are no other factors or risks that may affect the access, land title, or the right or ability to perform work on the Blair Facility.

History

The Blair Facility was originally owned and operated by Sand Products. It is not known when Sand Products first acquired the Blair Facility; however, Sand Products had historically conducted exploration drilling, gradation and proppant analyses and developed mine infrastructure. Exploratory work completed included:

- 2012-2013, 2015 and 2016 auger drill programs that drilled a total of 12 holes totalling 1,318.0 feet (401.7 m); mainly on the eastern portion of the Blair Facility (see “*Drilling*”);
- grain size distribution sieve analyses was conducted on 5 foot (1.5 m) long samples from all Wonewoc Formation intersections (see “*Drilling*” and Section 14.1.1 in the Blair APEX Report);
- proppant characterization test work was conducted on selected samples and size fractions by PropTester, SEH and FracTAL (see “*Mineral Processing and Metallurgical Testing*”); and
- open pit excavations on the west side of Highway 53 adjacent to the current site of the Blair Facility’s wet processing plant.

Sand Products completed the infrastructure development in 2017 and initiated preliminary testing prior to selling the Blair Facility to Source.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Blair Facility is located near the Town of Blair, Trempealeau County in west-central Wisconsin. The closest large cities are Eau Claire to the north and La Crosse to the south. Other nearby communities include: Taylor, Arcadia, Independence, Hixton, and Galesville. The Blair Facility is located between the cities of Whitehall and Blair and is transected by Highway 53 (2.8 miles (4.5 km) south of Whitehall and 3.23 miles (5.2 km) northwest of Blair). Whitehall represents the Trempealeau County seat.

The Blair Facility is landlocked, but is located adjacent to well-maintained, paved U.S. highways. During a November 6th, 2018, site inspection by the senior QP, the East Sub-Property was accessed by driving south from Eau Claire, Wisconsin to the Blair Facility. The driving distance from Eau Claire to the Blair Facility is approximately 43 miles (69 km) on paved double lane State Highway 53. The West Sub-Property was accessed from the south by vehicle via Arneson Ridge Road, which can be accessed at its junction with State Highway 53 or County Road D.

Geological Setting, Mineralization and Deposit Types

Regional Geology, Local and Property Geology

In the general Blair Facility area, silica sand units include the Cambrian Wonewoc and Jordan formations (Ostrom, 1966, 1970, 1987; Mudrey et al., 1987). These silica sand units are divided by the Eau Claire Formation and Tunnel City Group (also known as the Lone Rock Formation), which can be differentiated from the silica sand by their variable lithologies including: mudstone; intercalated mudstone and sandstone; very fine to fine grained sandstone; and cemented sandstone.

Cambrian Mount Simon Formation

In the northwest quadrant of Wisconsin, the Mount Simon Formation contains three informal quartzose sandstone sub-units (Mudrey et al., 1987), including:

- (a) an uppermost sandstone that is quartzose, feldspar-bearing, white to light gray to pale brown, medium to coarse grained, angular, medium bedded, locally lenticular bedded, and at least 170 feet (52 m) thick;
- (b) a second sandstone horizon that is quartzose, pale yellow orange to pale gray to orange, very fine grained, thin to medium bedded, angular, limonite cemented, and 125 feet (38 m) thick. This unit is underlain by a 60 foot (18 m) thick, gray to pale orange, silty shale; and
- (c) a basal sandstone unit that is quartzose, very pale orange, very fine to fine grained, subangular to sub-rounded, and at least 115 feet (35 m) thick; this sub-unit is known only in the northwestern Wisconsin subsurface.

The Mount Simon Formation is overlain by very fine to fine grained sandstone and shale of the Eau Claire Formation.

Cambrian Wonewoc Formation

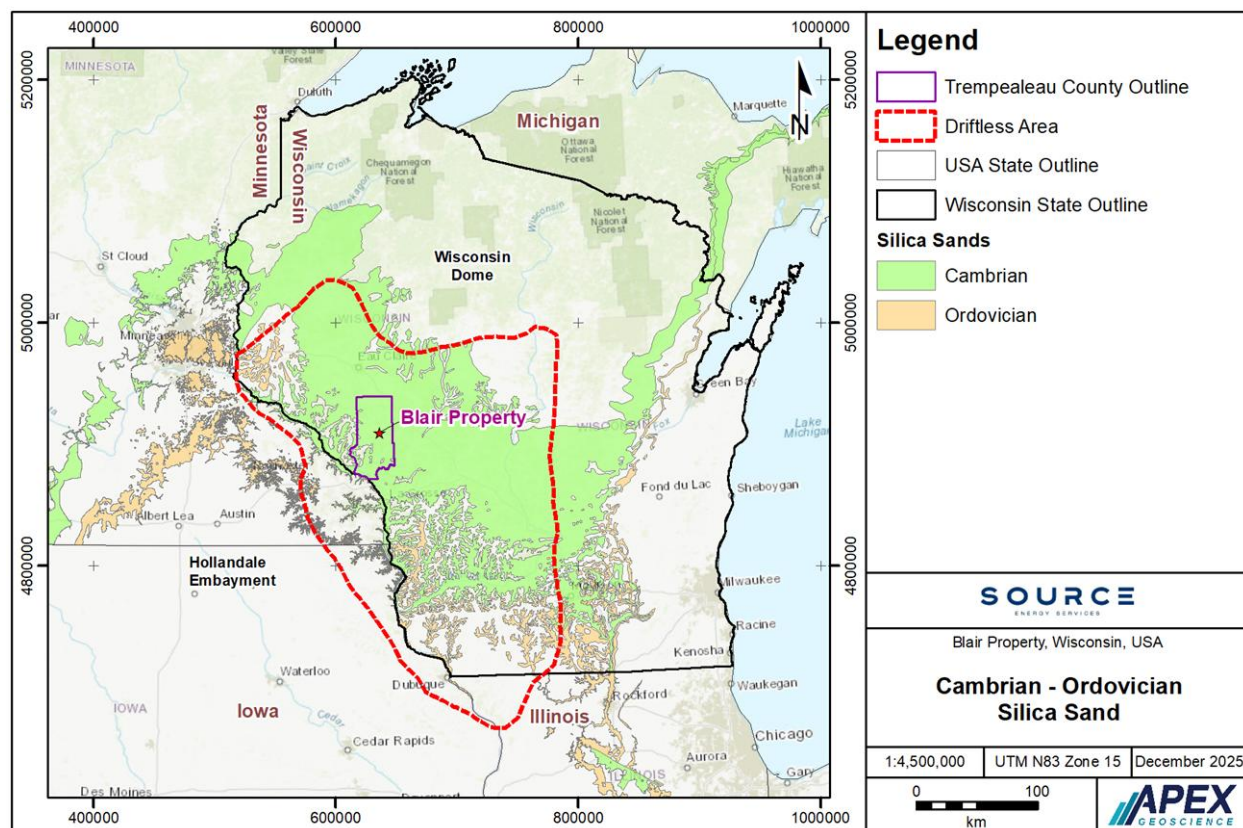
The Wonewoc Formation sandstone, which is the subject of the Blair APEX Report, overlies the Eau Claire Formation and is observed in Wisconsin, Michigan, Illinois, Indiana, Minnesota, Iowa and in northeastern Nebraska (Clayton and Attig, 1990; Runkel et al., 1998); effectively throughout the area known as the Hollandale Embayment (see Figure 7.1). The reference section for the Wonewoc Formation sandstone is near the village of Wonewoc in Juneau County, Wisconsin.

The Wonewoc Formation is characterized by a stratigraphically complex cratonic sheet of sandstone that was deposited from a continuously abundant supply of quartzose sand in a slowly and uniformly subsiding low-relief basin (Hollandale Embayment) under fluctuating sea level conditions during the Sauk II and Sauk III subsequences (Palmer, 1981; Runkel et al., 1998). The Wonewoc Formation sandstone varies in thickness from 50 to 150 feet (15 to 46 m) and is principally medium to coarse grained quartzose sandstone with high-angle cross-stratification. It is divided into two major lithofacies - the Ironton Member and Galesville Member; however, the two members are commonly classified together as the Wonewoc Formation sandstone because lithostratigraphic studies have shown that it is difficult to consistently distinguish the two formations. Mudrey et al. (1987) characterized the two sub-members as the:

- (a) Ironton Member - a quartzose, white to brown with iron staining, medium to coarse grained, sub-rounded, poorly sorted, wavy-bedded, vertically burrowed, calcite-cemented, 16 to 59 feet (5 to 18 m) thick sandstone; and the underlying; and
- (b) Galesville Member - a quartzose, white, fine to medium grained, rounded to sub-rounded, well-sorted, thick-bedded, cross-bedded, poorly cemented, 16 to 59 feet (5 to 18 m) thick sandstone with bedding units 10 to 16 feet (3 to 5 m) thick.

The Wonewoc Formation is overlain by the Tunnel City Group (Ostrom, 1966, 1970, 1987), which varies in thickness from 140 to 180 feet (43 to 55 m) and is divided into two sub-formations: the Mazomanie Formation and the Lone Rock Formation (Mossler, 2008). The Mazomanie Formation is dominantly white to yellowish gray, fine to medium grained, cross-stratified, generally friable, quartz sandstone. Some beds contain brown, intergranular dolomite as cement. Skolithos burrows and sandstone intraclasts are common in discrete horizons. The Lone Rock Formation underlies the Mazomanie Formation. It consists of pale yellowish green, very fine to fine grained glauconitic, feldspathic sandstone and siltstone, with thin, greenish gray shale partings. Thin beds with dolomitic intraclasts are common.

Figure 7.1: Surface Exposures of Silica Sand Source Units in the Upper Midwest U.S. The polygons outline the Ordovician St. Peter Formation sandstone (light yellow) and the combined Cambrian Formation sandstone (green), which includes the Jordan, Wonewoc, and Mount Simon Formations. The approximate positions of the Wisconsin Dome, Hollandale Embayment and the Driftless Area are also shown.



Cambrian Jordan Formation

The Jordan Formation sandstone was named for the city of Jordan, Wisconsin and consists of two distinct, intercalated quartzose sandstone members that are summarized by Mudrey et al. (1987) as:

- (a) the uppermost Van Oser Member, which is a quartzose, white to brown to yellow or orange, fine to medium grained, poorly sorted, medium to thin bedded, cross bedded, with calcite-cemented nodules, is iron cemented in places, may be locally interbedded with the underlying unit, and is 30 to 49 feet (9 to 15 m) thick; and
- (b) the lower Norwalk Member is a quartzose, white, fine-grained, rounded, moderately-sorted, medium-bedded sandstone with a trace of garnet, and a thickness of 49 to 59 feet (15 to 18 m). In western Wisconsin, the Norwalk is a fine to very fine-grained feldspathic sandstone (Ostrom, 1987; Runkel, 2000).

The Van Oser and Norwalk members are characterized as the 'quartzose' and 'feldspathic' lithofacies, respectively, and as such, they are interpreted as high energy, marine intertidal sand deposited as the sea shallowed, and a low-energy, below wave base, marine deposits (Runkel, 1994).

Pleistocene Surficial Geology

The Blair Facility occurs within an unglaciated region of west-central and southwestern Wisconsin that is referred to as the "Driftless Area" (see Figure 7.1). The thickness of the overburden at the Blair Facility varies from as little as 5 to 10 feet (1.5 to 3.0 m) to as much as 50 feet (15 m). Historical and Source-

conducted auger drill programs show that the area is covered by a thin veneer of overburden that is characterized by brown clay to brown fine grained clay-sand with traces of gravel.

Property Geology

Bedrock underlying Trempealeau County consists of Cambrian sandstone, shale and sandy dolomite, overlain by Ordovician dolomite and sandstone. Cambrian rock units include Elk Mound Group (Mount Simon, Eau Claire and Wonewoc formations), the Tunnel City Group (undifferentiated) and the Trempealeau Group (St. Lawrence and Jordan Formations).

The lower Eau Claire-Wonewoc (Galesville Member) contact marks the end of one transgressive/regressive sequence and the beginning of a major transgressive sequence associated with the Wonewoc Formation. The Wonewoc transgression is defined by high-energy conditions with a noticeable lack of clay, silt, very fine sand and a total lack of fossils. Above the Galesville Member, the Wonewoc (Ironton Member) formed in an alternating high and low energy environment seaward of the beach front. Ironton Member sandstone is well sorted, clean, medium to coarse grained quartzarenite. The uppermost Ireton Member ends in sharp contact with the Lone Rock Formation of the Tunnel City Group. The lithology of the Lone Rock Formation is easily distinguished from the underlying Wonewoc Formation in that the Lone Rock comprises fine-grained glauconitic, thin-bedded shale units.

Mineralization

As per Trempealeau County Zoning Ordinance documentation, "Industrial Sand" is defined as

"... a high purity silica sand or silicon dioxide (SiO₂). It is nearly pure quartz, very well rounded, of uniform particle shape and size, having a high compressive strength, and meeting size gradation standards for its various uses. Industrial sand is sold for any of the following uses: glassmaking, metal casting, metal production, chemical production, paint and coatings, ceramics and refractories, moldings, abrasives, and otherwise preparing sand for uses other than construction. It is most commonly used by the oil and gas industry as a proppant for the hydraulic fracturing of shale for the exploration, drilling, production, and recovery of oil and gas (i.e., "frac sand"). This sand is classified as 212322 Industrial Sand Mining according to the NAICS (North American Industry Classification System), and as 1446 Industrial Sand, and 1481 Non-metallic Mineral Services except fuels, according to the SIC (Standard Industrial Classification) System."

The Paleozoic age bedrock layers of quartzose sandstone in the central mid-continent of North America are known as some of the most mineralogically pure sandstone on Earth with greater than 95% of the sand grains consisting of silicon dioxide (SiO₂). Whole rock chemical analysis (x-ray fluorescence) of the Wonewoc Formation sandstone, which was conducted by the Department of Natural Resources (Brown, 2012), shows that the Wonewoc silica sand consists of 99.20-99.70% silicon dioxide (SiO₂).

In addition to being composed mostly of quartz, a mineral known for being of high-strength and relatively inert, the grains are especially well-rounded, well-sorted, coarse-grained and poorly cemented (see "Deposit Types").

The size of the sand grains is also an important factor in determining the value of a silica sand deposit because, for example, the 20/40 mesh sand fraction typically has a high value because of its demand for specific hydrofracturing procedures, and the 20/40 fraction is relatively scarce in silica sand deposits elsewhere on the continent (Beckwith, 2011). Runkel and Steenberg (2012) synthesized grain size data from Ostrom (1971) and Thiel (1957) for the Jordan, Wonewoc, Mount Simon and St. Peter formations from throughout Wisconsin; Figure 7.6 in the Blair APEX Report shows that:

- the St. Peter Formation sandstone has a relatively small percentage of <40 mesh sand and contains a higher proportion of sand finer than 100 mesh;
- the Wonewoc and Mount Simon Formation sandstones generally have a diminished coarser fraction compared to the Jordan; and
- the St. Peter, Jordan and Wonewoc Formation have similar 40/70 mesh contents.

Despite the relatively finer grain size in comparison to the Jordan Formation, the Wonewoc Formation sandstone can be mined for multiple markets including those oil and gas hydrofracking markets that request a finer proportion of silica sand for their specific operations (Brown, 2014).

Deposit Types

The best deposits of frac sand are characterized by super-mature marine shoreline sandstone deposits that have a long history of reworking, were never deeply buried, and underwent diagenesis that reduced or removed cements (Winfree, 1983; Dott et al., 1986; Dott, 2003). The depositional environment and factors to increase mineralogical maturity must include multiple cycles of mechanical reworking that enhance roundness, sphericity, and sorting of grains (Benson and Wilson, 2015). The most prospective settings for the accumulation of mineralogical and mechanically competent frac sand, therefore, occur in marine shoreline, marine shoreface, marine intertidal and deltaic settings, and coastal aeolian environments (e.g., Winfree, 1983; Dott et al., 1986; Dott, 2003; Hickin et al., 2010). A well-documented example of a geological setting that has produced high-quality frac sand occurred during the Cambrian in central mid-continental North America (Minnesota, Wisconsin, and Iowa). This setting coincides with the Blair Facility which is the focus of the Blair APEX Report.

The Cambrian Period was characterized by a major transgressive event that was bracketed between two ice ages, one during the late Proterozoic and the other during the Ordovician. With the retreat of Proterozoic ice, the sea level rose significantly, and extensive sequences of Cambrian marine sedimentary rocks (sandstone, shale and fossil-bearing limestone) show that much of the world was covered by shallow epeiric seaways. The North America Craton was almost completely drowned in Late Cambrian time by what came to be known as the Sauk transgression, and subsequently, the central mid-continent is characterized by a series of sedimentary rock depositional cycles known as the Sauk sequence (Sloss, 1963; Palmer, 1981).

The Precambrian surface had significant and variable relief prior to deposition of Sauk sedimentary rocks. In northern Wisconsin, the Wisconsin Dome (with its southward extending arch) and nearby regions of the Canadian Shield represented a vast upland area composed of Precambrian igneous and metamorphic rocks. In contrast to the Wisconsin dome upland, a broad lowland area named the Hollandale Embayment developed during the Upper Cambrian and extended across southeastern Minnesota and eastern Iowa and was situated directly southwest of the Wisconsin Dome (Austin, 1969, 1970) (see Figure 7.1). For long periods of time, broad positive features such as the Wisconsin Dome were subject to weathering and shed significant volumes of detrital sediment, including eroded Precambrian granite and metamorphic rock, and Late Precambrian Keweenaw volcanic rock to the Cambrian epeiric seaway and shorelines that covered the Hollandale Embayment.

The sand, silt and clay sized particles were carried by wind and in rivers across the cratonic interior to the oceanic shoreline where shallow ocean currents formed a texturally graded shelf (Runkel, 1998, 2007). On this shelf the coarsest sand, composed mostly of quartz grains, was deposited in shoreface deposits where currents were strongest. Finer-grained, feldspathic sand, silt and clay sized particles were carried seaward to deeper water. Fluctuations in sea level caused the shoreface settings to relocate resulting in quartzose sand being deposited for hundreds of miles/kilometres.

While the shoreface setting naturally modifies the textural maturity of the quartz grains, an advanced level of the super-mature Cambrian quartz grains in central mid-continental North America remains uncertain. The physical maturity of the Cambrian sands could not be achieved solely by fluvial transport, but probably involves other factors such as:

- (a) a long history of abrasion in marine conditions (Odom, 1975, 1978) along with wind abrasion, which is far more effective at rounding grains than abrasion in water (Dott et al., 1986); and
- (b) chemical weathering in the cratonic interior, which is believed to have preferentially dissolved plagioclase and similarly unstable minerals, creating a source area that is dominated mineralogically by quartz (Morey, 1972; Runkel, 1998; Dott, 2003).

Much of the silica (frac) sand mining in central mid-continental North America occurs in the Driftless Area (Syverson and Colgan, 2004), which is defined as an area of Wisconsin that was untouched by the advance of the Wisconsin ice sheets (pre-35,000 to 10,000 years before present; Syverson and Colgan, 2004; Syverson and others, 2011) (see Figure 7.1). Because the area is largely devoid of surficial deposits, the Cambrian silica sand strata is accessible to surface mining. In addition, post-glacial processes have resulted in the exposure of near-surface silica (frac) sand source units in incised terrains (e.g., rivers and hillsides) such that some silica sand deposits are amenable to surface and/or side-entry mining.

Exploration

As a current silica (frac) sand miner, processor and transporter, Source has successfully completed numerous exploration programs on its Wisconsin properties. With respect to the Blair Property, Source acquired a newly constructed mine development in 2017 and has placed much of their effort and resources on mine start-up.

The primary method of testing the Wonewoc Formation for its stratigraphic position and silica sand potential has been through auger drill testing. A summary of the 2019 auger holes drilled to test the stratigraphy and the grain size distribution of the Wonewoc Formation silica sand is presented in “*Drilling*”. The results and evaluation of analytical work conducted on the auger returns from these drillholes, which includes particle size/gradation analysis and proppant test work characterization, is presented in: “*Sample Preparation, Analyses and Security*”, “*Mineral Processing and Metallurgical Testing*”, and “*Mineral Resource Estimates*”.

Bulk Density Test Work

As part of preparation for the Blair APEX Report, Source conducted sampling on an open pit/excavation at the Blair Facility, and on archival auger return material from the Blair Facility (drillhole SEH-1) for density and proppant characterization test work. The location and results of the bulk density sample test work is presented in Table 9.1.

A total of 11 samples were collected and analyzed for bulk density analysis at Stim-Lab. The results of the analysis yield minimum, maximum and average bulk density values of 1.50 g/cm³, 1.64 g/cm³ and 1.55 g/cm³, respectively (Table 9.1). As any material taken from the Blair Facility would be bulk mined, the QPs have, therefore, selected a conservative bulk density value of 1.55 g/cm³ for the conversion of volume to tonnes.

Table 9.1: Description of Samples Collected During the Facility Inspection and Analyzed for Bulk Density.

SAMPLE ID	PROPERTY	LATITUDE	LONGITUDE	ELEVATION (FEET ABOVE SEA LEVEL)	COLLECTION LOCATION DESCRIPTION	MATERIAL (kg)	BULK DENSITY (g/cm ³)
PHX-01-A	Blair Facility	44°19'19.68"N	91°18'2.76"W	990	Open pit /excavation	0.5	1.52
PHX-01-B	Blair Facility	44°19'20.16"N	91°18'5.40"W	990	Open pit /excavation	0.5	1.50
PHX-02-A	Blair Facility	44°19'19.86"N	91°18'2.94"W	980	Open pit /excavation	0.5	1.56
PHX-02-B	Blair Facility	44°19'20.34"N	91°18'5.34"W	980	Open pit /excavation	0.5	1.56
PHX-03-A	Blair Facility	44°19'20.16"N	91°18'3.06"W	970	Open pit /excavation	0.5	1.55

SAMPLE ID	PROPERTY	LATITUDE	LONGITUDE	ELEVATION (FEET ABOVE SEA LEVEL)	COLLECTION LOCATION DESCRIPTION	MATERIAL (kg)	BULK DENSITY (g/cm ³)
PHX-03-B	Blair Facility	44°19'20.58"N	91°18'5.16"W	970	Open pit /excavation	0.5	1.58
PHX-04-A	Blair Facility	44°19'20.58"N	91°18'2.82"W	960	Open pit /excavation	0.5	1.54
PHX-04-B	Blair Facility	44°19'22.26"N	91°18'4.50"W	960	Open pit /excavation	0.5	1.53
PHX-05-A	Blair Facility	44°19'22.20"N	91°18'3.00"W	950	Open pit /excavation	0.5	1.53
PHX-05-B	Blair Facility	44°19'22.44"N	91°18'4.14"W	950	Open pit /excavation	0.5	1.52
SEH-1	Blair Facility	44°19'50.46"N	91°18'7.52"W	-	Drillhole composite	5.0	1.64
						Minimum	1.50
						Maximum	1.64
						Average (all)	1.55

Drilling

The mineral resource estimations presented use lithological information and gradation analytical results from historical drill programs together with the results of Source's 2019 drillhole program. As the historical and current drilling information is used in the resource estimations, both programs are described in more detail in the following text.

Total historical drilling at the Blair Facility included 12 drillholes totalling 1,318.0 feet (401.7 m) (Figure 10.1) (see Table 10.1 in the Blair APEX Report). Historical auger drill programs were conducted at the Blair Facility in 2012-2013, 2015 and 2016. The drilling included:

Historical auger drill programs were conducted at the Blair Facility in 2012, 2013, 2015 and 2016. Source has yet to conduct auger drill programs at the Blair Facility. The historical drill programs are described in the text that follows.

Sand Products completed the two separate drill programs within the boundaries of the Blair Facility:

- 2012-2013 auger drillhole test program, which consisted of 9 holes (TB-1 to TB-9) totalling 959.0 feet (292.3 m) conducted by Summit;
- 2015 auger drillhole test program, which consisted of one hole (SEH-01) totalling 129.0 feet (39.3 m) conducted by SEH; and
- 2016 auger drillhole test program, which consisted of two holes (SEH-B1 and SEH-B2) totalling 130.0 feet (39.6 m).

The historical holes were completed using truck-mounted air rotary auger rig drills to drill vertical (-90°) auger holes with zero orientations. Spacing between drillholes varied from 280 feet (86m) to 1,560 feet (475 m).

A summary of the drillhole descriptions is presented in Table 10.1 in the Blair APEX Report. Example Wonewoc Formation intersections include:

- drillhole SEH-1 intersected a 109.4 foot (33.3 m) continuous section of light brown to orange, sub-rounded to well-rounded, moderately to well-sorted Wonewoc Formation sandstone.

- drillhole TB-2 intersected a 129 foot (39.3 m) continuous section of light brown to orange, sub-rounded to well-rounded, moderately to well-sorted Wonewoc Formation sandstone.
- drillholes TB-4 to TB-7 were all drilled to a depth of 91 feet (27.7 m) and intersected between 87.0-91.0 feet (26.5-27.7 m) of continuous section of light brown to orange, sub-rounded to well-rounded, moderately to well-sorted Wonewoc Formation sandstone (Table 10.1 in the Blair APEX Report).
- drillholes SEH-B1 and SEH-B2 were both drilled to a depth of 115 feet (35.1 m) and intersected 90.1 feet and 84.7 feet (27.5 m and 25.8 m) of Wonewoc Formation, respectively.

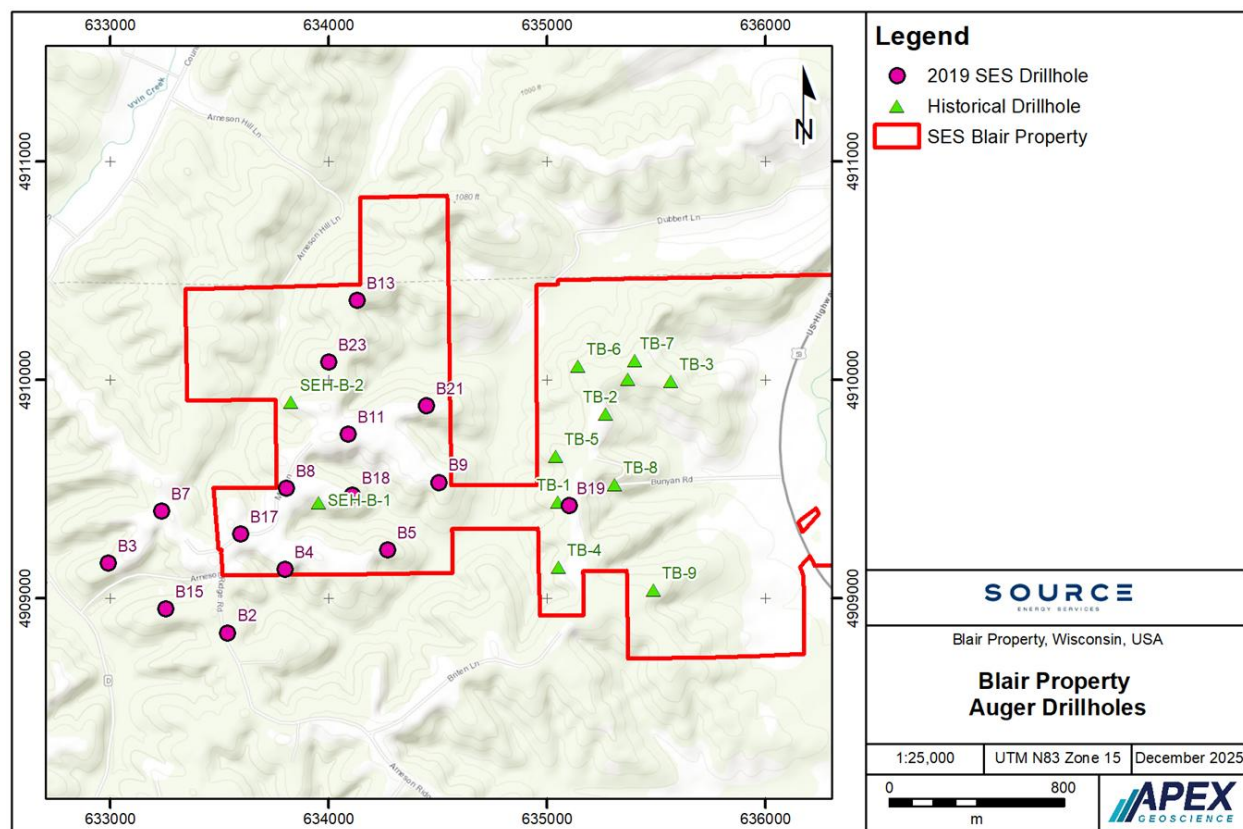
During 2019, Source conducted an auger drill program to test the subsurface and Wonewoc Formation silica sand in the general Blair Facility area. Barr drilled 15 holes totalling 1,909.91 feet (582.14 m) (Figure 10.1) (see Table 10.2 in the Blair APEX Report). Of the 15 drillholes, 4 holes were located southwest, and outside of the boundary, of the Blair Facility to test the extent of the Wonewoc Formation in this area. Accordingly, 2019 drilling within the boundary of the Blair Facility included 11 drillholes totalling 1,404.95 feet (428.23 m). The drillhole program used similar equipment to the historical drilling, i.e., a truck-mounted air rotary auger rig that drilled vertical (-90°) auger holes with zero orientations. The auger stem diameter was 6 inches (15 cm). Spacing between 2019 drillholes varied from 853 feet (260 m) to 1,580 feet (482 m).

Of the 1,404.95 feet (428.23 m) of Blair Facility drilling, the 2019 drill program intersected 975.0 feet (297.2 m) of Wonewoc Formation sandstone. The program showed that drill-testing in the West Sub-Property yielded Wonewoc Formation sandstone with thicknesses of between 80 and 110 feet (24.4 to 33.5 m) (see Table 10.2 in the Blair APEX Report). This is in-line with the thickness of the Wonewoc for the overall Blair Facility, which varies from 40 feet to 129 feet (12.2 m to 39.3 m) and averaged 88 feet (26.7 m).

Samples for grain size particle distribution analysis were collected for every 5-foot (1.5 m) intersection of Wonewoc Formation including the shoulder contacts of the Wonewoc Formation with its overlying Pleistocene overburden. The gradation analysis was completed by FracTAL.

Grain size distribution analyses on all Wonewoc Formation intersections were conducted on 5-foot intervals (approximately 1.5 m) with some 2012-2013 sample intervals at 10-foot intervals (3.0 m). FracTAL conducted sieve analyses on samples from the 2012-2013 TB-series drillholes and the 2019 auger cutting samples, and SEH performed sieve analysis on the 2015-2016 SEH-series drillhole. The sieve data are summarized and discussed in Section 14.1 in the Blair APEX Report.

Figure 10.1: Auger Drillhole Locations at the Blair Facility.



Sampling, Analysis, and Data Verification

Sample Preparation, Analyses and Security

Drill auger returns from the 2012-2013, 2015-2016, and 2019 auger test hole programs were analyzed for particle size/gradation analysis. The drill cutting samples were recovered from the auger stems and/or the rigs air discharge exhaust by bagging channel representative handfulls of auger returns for every 5 feet (1.5 m) of auger drilling. Note: some of the 2012-2013 TB-series drillholes were sampled at 10-foot (3.0 m) intervals.

The samples were hand-mixed and split into at least two separate sample splits: one for particle size/gradation analysis; and one for archival. In some instances, a third sample split was taken for proppant test work characterization.

A total of 357 samples were analyzed for particle size/gradation analysis at the Blair Facility. These data were used to form the 'assay' database for the resource estimation presented in the Blair APEX Report (see "*Mineral Resource Estimates*" for a statistical summary of the resulting gradation data).

The particle size/gradation analyses were conducted by third-party consultants: FracTAL and SEH. Analytical procedures generally included: drying the sample; sieving out the >8 mesh fraction; washing and drying the sample; and sieving the resulting sample using the sieve test procedure outlined in ASTM E11 (ASTM, 1995).

The resulting sieve results are reported in the following mesh size fractions: 12 (1.820 mm), 16 (1.270 mm), 18 (1.080 mm), 20 (925 µm), 25 (775 µm), 30 (660 µm), 35 (550 µm), 40 (471 µm), 45 (396 µm), 50 (337 µm), 60 (283 µm), 70 (242 µm), 100 (174 µm), 140 (126 µm), 200 (91 µm), and Pan (or <91 µm). Note that chronologically, some of the analytical work did not capture sieve data for all the noted sieve

sizes. For example, the 140 mesh fraction was not analyzed or recorded for 65 as part of the 2012-2013 TB-series (drillholes TB-1 to TB-9).

In addition to the particle size/gradation analyses, a smaller subset of samples and their respective size fractions (n=4) was analyzed for proppant test work following the specifications of ISO 13503-2:2006/ Amd.1:2009E (International Standards, 2009). This test work is described in "*Mineral Processing and Metallurgical Testing*". Proppant characterization test work was completed at PropTester, and Stim-Lab.

The proppant test work samples were dried, weighed and washed through a 200-mesh sieve. The sample retained on the sieve was then dried and reweighed. The percent loss was calculated from the material that washed through the sieve. The 20/40, 30/50 and 40/70 size fractions were isolated for testing, which includes:

- (a) bulk density: the unit mass of an untapped or unsettled proppant that will occupy a specific known volume, e.g., how many grams per cubic centimeter. Bulk Density includes both the mass of the proppant and the mass of air occupying the interstitial spaces between proppant particles;
- (b) sphericity and roundness ("Krumbein shape factors"): sphericity is the measure of how spherical a given proppant particle is. Roundness is the measure of the lack of sharp edges or angularity. Proppants must be highly spherical and well-rounded in order to maximize interstitial space between adjacent proppant particles to allow passage of oil, gas, condensate, etc., through the proppant pack in the frac width;
- (c) acid solubility: a mass loss (gravimetric) test method that determines the degree of solubility of natural sand in a 12:3 blend of hydrochloric and hydrofluoric acids. The technique effectively measures the resistance of proppants to acid attack, which is an indication of the presence of contaminants that may negatively affect proppant performance;
- (d) turbidity: a method using transmittance or reflectance of light to measure the amount of fines that are <200 mesh in diameter, including clay, silt, proppant fines, etc. A fixed mass of proppant is added to a fixed mass of deionized water, agitated, and the water is drawn off and measured in a turbidity meter; and
- (e) crush resistance: a measurement of the strength of a mass of screened, fines-free dry proppant to force applied over a fixed cross-sectional area, providing an equivalent stress to the proppant under test. The mass of proppant introduced to the crush cylinder is a function of its bulk density and the specified loading of 4.0 pounds per cubic foot. The load is applied in a controlled rate and held at the final test stress level for 2.0 minutes. The mass is rescreened to determine the amount of fines generated by the applied stress, and the highest stress attained without producing more than 10.0% fines is the "K Number". For example, if Crush Resistance of a proppant yielded 9.78% fines at 10,000 psi and 10.44% fines at 11,000 psi, the K Number (K=1000) of that proppant would be "10K", because the generated fines were below 10.0% at 10,000 psi (10K psi) and exceeded 10% at 11,000 psi.

The laboratories selected by Sand Products and Source (PropTester, SEH, Stim-Lab and FracTAL) are independent laboratories. The analytical methods carried out by the laboratory is standard and routine in the field of silica sand and proppant characterization test work and are pursuant to International Standard ISO 13503-2. The senior QP has reviewed the adequacy of the sample preparation, security and analytical procedures and found no significant issues or inconsistencies that would cause one to question the validity of the data.

Data Verification

The QPs were not involved in the drill programs, sample collection and security, or laboratory analytical instructions. During subsequent site inspections by the QPs, it was not possible to confirm drill collar coordinates as the drilling occurred in farmer fields and as such any markers or collar material were ploughed under. Accordingly, the QPs are reliant on drill and sample information as provided by Sand Products and Source.

The drilling, logging, sampling and test work processes employed during the 2012, 2013, 2015, 2016, and 2019 auger test drilling and sampling programs was conducted by independent, recognized and established third-party consultants, including Summit, SEH, and Barr. Importantly, and regardless of year or contractor, the auger programs generally adopted the same auger methodology using truck-mounted air rotary auger rigs to drill vertical (-90°) auger holes with zero orientations. It is the opinion of the QP, therefore, that the auger programs – and more specifically, the auger returns as collected by contractors provide sufficient material to assess the Wonewoc Formation at the Blair Facility.

With respect to the gradation data, which forms the main estimation data file (see Section 14.2 of the Blair APEX Report), verification procedures applied by the QPs included reviewing the original hardcopy driller notes, drill logs and laboratory certificates, and comparing this information against the electronic datasets. In some instances, APEX staff had to convert hard copy data to electronic format, in which case the QPs reviewed all data conversion. Any inconsistencies between the drill logs and the geology file, and analytical data and the estimation file, were flagged and reviewed. In review of the Blair Facility, the QPs discovered there were 16 non-sample intervals in the overall gradation dataset. These non-sample intervals were replaced in the estimation file with simulated sieve values using a methodology that ensured no resource over-estimation occurred (see Section 14.1.1 of the Blair APEX Report).

Century Wireline Services Ltd. conducted downhole geophysical surveys. The electronic log profiles were compared in cross-section to the drillhole logs and gradation data; all 3 of which were combined in MicroMine to construct the 3-D geological model. No inconsistencies were observed between the 3 datasets by the QP providing confidence to the stratigraphic continuity of the Wonewoc Formation and the 3-D model used in the estimation process.

With respect to proppant characterization (see “*Mineral Processing and Metallurgical Testing*”), PropTester and Stim-Lab are independent laboratories and accredited to ISO 17025:2005 in North America offering all ISO 13503-2, ISO13503-5, API RP19C, and API RP56 tests for sand, resin-coated sand, and engineered ceramic proppants.

The QPs have reviewed all geotechnical and geochemical data and found no significant issues or inconsistencies that would cause one to question the validity of the data and is satisfied to include these data in resource modelling, evaluation and estimations as part of the Blair Facility Indicated and Inferred Silica (Frac) Sand Resource estimate presented in the Blair APEX Report.

Mineral Processing and Metallurgical Testing

International Standards ISO 13503-2:2006/Amd.1:2009E provides the specifications for the measurement of properties of proppants used in hydraulic fracturing operations. A total of 7 samples from the Blair Facility were analyzed at PropTester and FracTAL laboratories. In addition, Source sent a single composite sample from drillhole SEH-1 at the Blair Facility to Stim-Lab. These independent laboratories offer ISO 13503-2 tests for sand proppant. The size fractions tested includes: 20/40, 30/50 and 40/70. The results of the test work are summarized in the following text. The results of the proppant pre-test sieve analysis and proppant characterization test work are presented in Table 13.2.

Fracturing Proppant Sizes

ISO 13503-2:2006/Amd.1:2009E states that a minimum of 90% of the tested proppant sample shall pass the coarse designated (or first primary) sieve and be retained on the fine designated (or second primary) sieve (i.e., 12/20, 20/40, 40/60, etc.). For 20/40 sieve sizes, a minimum of 90% of the tested proppant sample shall pass the 20-mesh sieve and be retained on the 40-mesh sieve. Not over 0.1% of the total tested proppant sample shall be larger than the first sieve size in the sieve stack specified in ASTM E11, and not over 1.0% of the total tested proppant sample shall be smaller than the last designated sieve size. All samples met the ISO 13503-2:2006 proppant size specification.

Table 13.2: Summary of Proppant Characterization Test Work Conducted by Source at the Blair Facility.

SAMPLE ID	DRILLHOLE ID	LABORATORY	GRAIN SIZE	FRACTION	DATE RECEIVED BY LAB	BULK DENSITY (g/cm ³)	KRUMBEIN SHAPE FACTOR (ROUNDNESS)	KRUMBEIN SHAPE FACTOR (SPHERICITY)	MEAN PARTICULAR DIAMETER (mm)	MEDIAN PARTICULAR DIAMETER (mm)	CRUSH RESISTANCE (10% PSI) ⁽¹⁾								ACID SOLUBILITY (12.3 HCL:HF TURBIDITY TEST (FTU) ⁽²⁾
											4,000	5,000	6,000	7,000	8,000	9,000	10,000		
											(psi)	(psi)	(psi)	(psi)	(psi)	(psi)	(psi)		
2222	TB-4	PropTester	20/40	04-Mar-13	/	/	/	/	/	/	/	9.40	1.50	/	/	/	2.4	/	
2222	TB-4	PropTester	40/70	04-Mar-13	/	/	/	/	/	/	/	/	9.70	13.20	/	/	2.1	/	
2226	TB-5	PropTester	30/50	04-Mar-13	/	/	/	/	/	/	/	/	7.80	12.60	/	/	1.9	/	
2226 & 2227 Composite	TB-5	FracTAL	20/40	29-Jan-13	1.56	/	/	0.596	0.581	/	/	8.50	13.90	/	/	/	/	/	
2229	TB-6	FracTAL	40/70	29-Jan-13	1.50	/	/	0.328	0.329	/	/	8.50	12.50	/	/	/	/	/	
1750	TB-1	FracTAL																	
SPC20/40 (Composite of 1752, 1768 & 1782)	TB-1, TB-2 & TB-3	FracTAL	20/40	09-Nov-12	1.57	/	/	0.609	0.590	/	/	9.40	17.90	/	/	/	/	/	
SPC30/50 (Composite of 1752, 1768 & 1782)	TB-1, TB-2 & TB-3	FracTAL	30/50	09-Nov-12	1.55	/	/	0.461	0.456	/	/	8.40	11.90	/	/	/	/	/	
SEH-1	SEH-1	Stim-Lab	20/40	28-Jan-12	1.56	.70	.80	/	/	2.60	/	7.50	14.40	/	/	/	0.70	6	
SEH-1	SEH-1	Stim-Lab	30/50	28-Jan-12	1.53	.70	.80	/	/	1.50	/	/	7.60	10.40	/	/	0.80	3	
SEH-1	SEH-1	Stim-Lab	40/70	28-Jan-12	1.50	.70	.70	/	/	/	2.10	/	/	/	8.90	10.70	0.90	3	

Notes:

- (1) PSI is pounds per square inch
- (2) NTU = nephelometric turbidity unit; FTU = formazine turbidity unit
- (3) (highlighted in gray) Highest stress level in which the proppant generates no more than 10% crushed material, rounded to the nearest 1,000psi (or K-value)

International standards for proppant specification (ISO 13503-2; 2009-11-01)

- Average sphericity of 0.6 or greater
- Average roundness of 0.6 or greater
- Maximum acid solubility of grains <30/50 is 3.0% and for grains ≥30/50 is 2.0%
- Turbidity shall not exceed 250 NTU (FTU)

Sphericity and Roundness

Sphericity is a measure of how close the grain is to a sphere, and roundness is a measure of the relative sharpness of grain corners. ISO 13503-2:2006/Amd.1:2009E states that sphericity and roundness for proppant is 0.6 or greater, and recommends sphericity and roundness for high-strength proppant is 0.7 or greater. A single sample from the Blair Facility drillhole SEH-1 was analyzed for Krumbein shape factors at Stim-Lab. The 20/40, 30/50 and 40/70 fractions all have sphericity shape factors of greater than 0.7 meeting the criteria for high-strength proppant; the 20/40 and 30/50 fractions from SEH-1 both have sphericities of 0.8.

Acid Solubility

Acid solubility provides an indication of the amount of undesirable contaminants in a sand sample by determining its solubility when soaked in a hydrochloric-hydrofluoric acid (HCL-HFL) solution. ISO 13503-2:2006/Amd.1:2009E states that the acid soluble material in proppants shall not exceed 2.0 and 3.0 for proppant larger than or equal to the 30/50 and smaller than 30/50 mesh fractions, respectively. Three samples, which included various 20/40, 30/50 and 40/70 size fractions, from the Blair Facility were tested at PropTester and Stim-Lab (Table 13.2). Acid solubility results met the ISO specification for the: 2222 (20/40 fraction), 2226 (30/50), SEH-1 (20/40), SEH-1 (30/50) and SEH-1 (40/70) samples. A single PropTester test, sample 2222 (40/70), failed the ISO acid solubility specification.

Maximum Proppant Turbidity

Turbidity is the measurement of the amount of clay and silt sized particles contained in sand sample by placing it in water and measuring the overall turbidity of the liquid. ISO 13503-2:2006/Amd.1:2009E states that the turbidity of all fracturing proppants shall not exceed 250 nephelometric turbidity units (NTU). All of the samples (n=3) satisfy this specification with turbidities of <9 NTU (Table 13.2).

Maximum Crush Material

Crush resistance is determined by subjecting a sand sample to specific pressures for a designated amount of time and measuring the resulting amount of fines (percent by weight). As per ISO 13503-2:2006/Amd.1:2009E, determination of the highest stress level at which proppant generates no more than 10% crushed material, rounded down to the nearest 6.9 MPa (1,000 psi), represents the maximum stress that the material can withstand without exceeding 10% crush (International Standards, 2009).

The crush resistance, “k” value for the various size fractions from the Blair Facility (Table 13.2) include:

- (a) four of four 20/40 fractions all resulted in 6k crush resistance;
- (b) three 30/50 fractions resulted in 6k (n=1 sample) and 7k (n=2 samples) crush resistance; and
- (c) three 40/70 fractions resulted in 6k, 7k and 9k crush resistance.

These “k” values are typical for Cambrian Wonewoc Formation sandstone in western Wisconsin. For example, Brown (2012) cited 20/40, 30/50 and 40/70 crush resistance values of 6k, 7k and 10k, respectively. All of the 20/40 fractions meet this general comparison. One of the three samples from the 30/50 fraction yielded a low (6k) crush result. Two of the three 40/70 fractions yielded low (6k and 7k) crush results are considered to have low crushability in comparison to other western Wisconsin area Wonewoc fraction test results.

The published specifications and standards for industrial minerals should be used primarily as a screening mechanism to establish the marketability of an industrial mineral. The suitability of an industrial mineral for use in specific applications can only be determined through detailed market investigations and discussions with potential consumers.

Albeit a limited number of samples, the proppant test work results show that Wonewoc Formation silica sand from the Blair Facility generally meets the recommendations set forth in International Standards ISO 13503-2:2006/Amd.1:2009E for sieve size fractions, sphericity, roundness, acid solubility, turbidity, and crush classification.

Mineral Resource Estimates

Mineral resource modelling and estimation was carried out using a three-dimensional block model based on geostatistical applications using commercial mine planning software MICROMINE (v21). The resource estimation statistical analysis and block modeling was completed by Mr. Black, P. Geo., under the direct supervision of and Mr. Eccles, P. Geol., who is a Qualified Person as defined by NI 43-101 and is the senior author of the Blair APEX Report.

The resource is estimated within a 3-D geological model of the Wonewoc Formation. The indicated and inferred resources are constrained within the Wonewoc Formation and to a depth of 130 feet (39.62 m) below the surface. The upper contact of Wonewoc Formation is either in contact with:

- 1. the overlying Tunnel City Group and/or Pleistocene surficial deposits; or
- 2. has been cut by the topography surface defined by 3 feet (1 m) resolution LiDar data.

The resource is calculated using a block model with a size of 65 feet x 65 feet (20m x 20m) in the horizontal directions and 6 feet (2 m) in the vertical direction. The size fractions of interest are estimated at each parent block using ordinary kriging. A nominal loose sand bulk density of 1.55 g/cm³ is applied to

all Wonewoc blocks, which was based on 11 representative density samples of Wonewoc Formation from the Blair Facility.

Using a lower cutoff of the sum of +70, sand fractions are greater than 60% total abundance, the Blair Facility Indicated and Inferred Silica (Frac) Sand Resource estimate predicts total (i.e., global) resources of:

- 36.89 million short tons (33.47 million metric tonnes) of silica sand of indicated classification; and
- 16.06 million short tons (14.57 million metric tonnes) of silica sand of inferred classification.

is present at the Blair Facility (Tables 14.7 and 14.8). Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no guarantee that all or any part of the Mineral Resource will be converted into a Mineral Reserve.

The Blair Facility Indicated and Inferred Silica (Frac) Sand Resource estimates in Tables 14.7 and 14.8 is also presented in selected proppant size fraction distributions of 20/40, 30/50, 40/70, 50/100, 50/200 and 50/140 mesh, and estimated tonnages of the individual fractions are as follows:

Indicated Mineral Resource:

- 20/40 mesh fraction: 12.91 million short tons (11.72 million metric tonnes);
- 30/50 mesh fraction: 17.37 million short tons (15.76 million metric tonnes);
- 40/70 mesh fraction: 15.56 million short tons (14.12 million metric tonnes);
- 50/100 mesh fraction: 10.79 million short tons (9.79 million metric tonnes);
- 50/200 mesh fraction: 15.08 million short tons (13.68 million metric tonnes);
- 50/140 mesh fraction: 7.18 million short tons (6.51 million metric tonnes) (West Sub-Property only).

Inferred Mineral Resource:

- 20/40 mesh fraction: 6.00 million short tons (5.44 million metric tonnes);
- 30/50 mesh fraction: 7.74 million short tons (7.02 million metric tonnes);
- 40/70 mesh fraction: 6.57 million short tons (5.96 million metric tonnes);
- 50/100 mesh fraction: 4.39 million short tons (3.98 million metric tonnes);
- 50/200 mesh fraction: 6.20 million short tons (5.63 million metric tonnes);
- 50/140 mesh fraction: 2.09 million short tons (1.90 million metric tonnes) (West Sub-Property only).

Table 14.7: The 2025 Indicated Blair Facility Silica (Frac) Sand Resource Estimate. The bold highlighted main Blair Facility Indicated Silica (Frac) Sand Resource is reported as a total (global) volume and tonnage. The Table also presents selected proppant size distributions of 20/40, 30/50, 40/70, 50/100, 50/200, and 50/140 (for the West Sub-Property only) mesh fractions.

CLASSIFICATION	SIZE FRACTION	VOLUME (m ³)	TONNES (1,000 kg)	TONS (907.2 kg)
Wonewoc Formation Indicated Mineral Resource Estimation	20/40	7,560,000	11,720,000	12,910,000
	30/50	10,170,000	15,760,000	17,370,000
	40/70	9,110,000	14,120,000	15,560,000
	50/100	6,320,000	9,790,000	10,790,000
	50/200	8,820,000	13,680,000	15,080,000
	50/140 ⁽¹⁾	4,200,000	6,510,000	7,180,000
INDICATED TOTAL		21,590,000	33,470,000	36,890,000

Notes:

(1) The 50/140 fraction was calculated for the West Sub-Property of the Blair Facility.

Note 1: Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no guarantee that all or any part of the Mineral Resource will be converted into a Mineral Reserve. The estimate of Mineral Resources may be materially affected by metallurgical, geological, environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues.

Note 2: The weights are reported in metric tonnes (1,000 kg or 2,204.6 lbs) and United States short tons (2,000 lbs or 907.2 kg).

Note 3: Numbers may not add up due to rounding of the resource values percentages (rounded to the nearest 10,000 units).

Note 4: The 'total' volume and weights are estimated on a global basis and represent the Blair Facility Indicated Silica (Frac) Sand Resource.

Note 5: The product size fractions overlap and are not cumulative.

Note 6: The Blair Facility estimation of the individual sieve size fractions was completed and reported using a cutoff of the +70 sand fractions being greater than 60%.

Note 7: Densities used: Wonewoc Formation (1.55 g/cm³; Blair APEX Report; n=11 analyses); Surficial deposits (1.37 g/cm³; from Eccles et al., 2015). Bulk densities are utilized to convert volume (cubic metres) to tonnages.

Note 8: The 50/100 fraction is reported, rather than the 50/140 or the 70/140 fractions because of the analytical methodology used in the grain size distribution test work (i.e., variations in the selection of sieve mesh sizes).

Table 14.8: The 2025 Inferred Blair Facility Silica (Frac) Sand Resource Estimate. The bold highlighted main Blair Facility Inferred Silica (Frac) Sand Resource is reported as a total (global) volume and tonnage. The Table also presents selected proppant size distributions of 20/40, 30/50, 40/70, 50/100, 50/200, and 50/140 (for the West Sub-Property only) mesh fractions.

CLASSIFICATION	SIZE FRACTION	VOLUME (m ³)	TONNES (1,000 kg)	TONS (907.2 kg)
Wonewoc Formation Inferred Mineral Resource Estimation	20/40	3,510,000	5,440,000	6,000,000
	30/50	4,530,000	7,020,000	7,740,000
	40/70	3,850,000	5,960,000	6,570,000
	50/100	2,570,000	3,980,000	4,390,000
	50/200	3,630,000	5,630,000	6,200,000
	50/140 ⁽¹⁾	1,230,000	1,900,000	2,090,000
INFERRED TOTAL		9,400,000	14,570,000	16,060,000

Notes:

(1) The 50/140 fraction was calculated for the West Sub-Property of the Blair Facility.

Note 1: Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no guarantee that all or any part of the Mineral Resource will be converted into a Mineral Reserve. The estimate of Mineral Resources may be materially affected by metallurgical, geological, environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues.

Note 2: The weights are reported in metric tonnes (1,000 kg or 2,204.6 lbs) and United States short tons (2,000 lbs or 907.2 kg).

Note 3: Numbers may not add up due to rounding of the resource values percentages (rounded to the nearest 10,000 units).

Note 4: The 'total' volume and weights are estimated on a global basis and represent the Blair Facility Inferred Silica (Frac) Sand Resource.

Note 5: The product size fractions overlap and are not cumulative.

Note 6: The Blair Facility estimation of the individual sieve size fractions was completed and reported using a cutoff of the +70 sand fractions being greater than 60%.

Note 7: Densities used: Wonewoc Formation (1.55 g/cm³; Blair APEX Report, n=11 analyses); Surficial deposits (1.37 g/cm³; from Eccles et al., 2015). Bulk densities are utilized to convert volume (cubic metres) to tonnages.

Note 8: The 50/100 fraction is reported, rather than the 50/140 or the 70/140 fractions because of the analytical methodology used in the grain size distribution test work (i.e., variations in the selection of sieve mesh sizes).

Material defined as waste within the resource consist of either: 1) overburden; or 2) Wonewoc Formation blocks within the resource estimate that are less than or equal to the cutoff of 60% for the +70 size fraction. Of the sand resources remaining at Blair, the tonnages of each type of waste material are as follows:

- Overburden: 15.06 million short tons (13.66 million metric tonnes).
- Wonewoc Formation blocks below cutoff: 6.66 million short tons (6.04 million metric tonnes).

Mining Methods

Introduction

The Blair Facility is a relatively new mining operation. Sand is liberated from the Wonewoc Formation sandstone to the extent practical, using medium-sized earthmoving equipment and conventional surface mining techniques. See Section 14 of the Blair APEX Report to review the Blair Facility Indicated and Inferred Silica (Frac) Sand Resource estimates. The locations of the Blair Facility mine infrastructure including processing facilities, storage areas, waste areas, transloading hub, and all other significant infrastructure features are presented in Figure 16.1. The 3-year mine plan is presented in Figure 16.2.

Initial mining and processing operations at the Blair Facility began in June 2017. From June 2017 through December 2025, the mining operations reportedly produced approximately 14.53 million short tons (approximately 13.18 million metric tonnes) of ROM sand (Table 16.1). During the same period, the Blair Facility produced over 7.30 million short tons (approximately 6.63 million metric tonnes) of finished products, consisting of 20/40, 30/50, 40/70, and 100 (70/140) mesh silica sand.

Table 16.1: Historical (2017 to 2025) ROM Sand Production at the Blair Facility.

YEAR	Short Tons ('000)		Metric Tonnes ('000)	
	ROM PRODUCTION	FINISHED PRODUCT	ROM PRODUCTION	FINISHED PRODUCT
2017	850	456	772	414
2018	1,764	1,028	1,601	933
2019	1,203	779	1,092	707
2020	835	354	757	321
2021	1,436	770	1,303	699
2022	1,750	957	1,588	868
2023	2,447	938	2,221	851
2024	2,215	1,039	2,010	943
2025	2,025	982	1,838	891
TOTAL	14,525	7,303	13,181	6,627

The Blair Facility's wet processing facilities have a design capacity of approximately 2 million short tons (approximately 1.8 million metric tonnes) per year of ROM sand. As the Blair Facility is in the early stages of production and Source is considering production decisions, it is not possible to provide a definitive statement on expected mine life. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. As such, there is no guarantee that all or any part of the Mineral Resource will be extracted by Source.

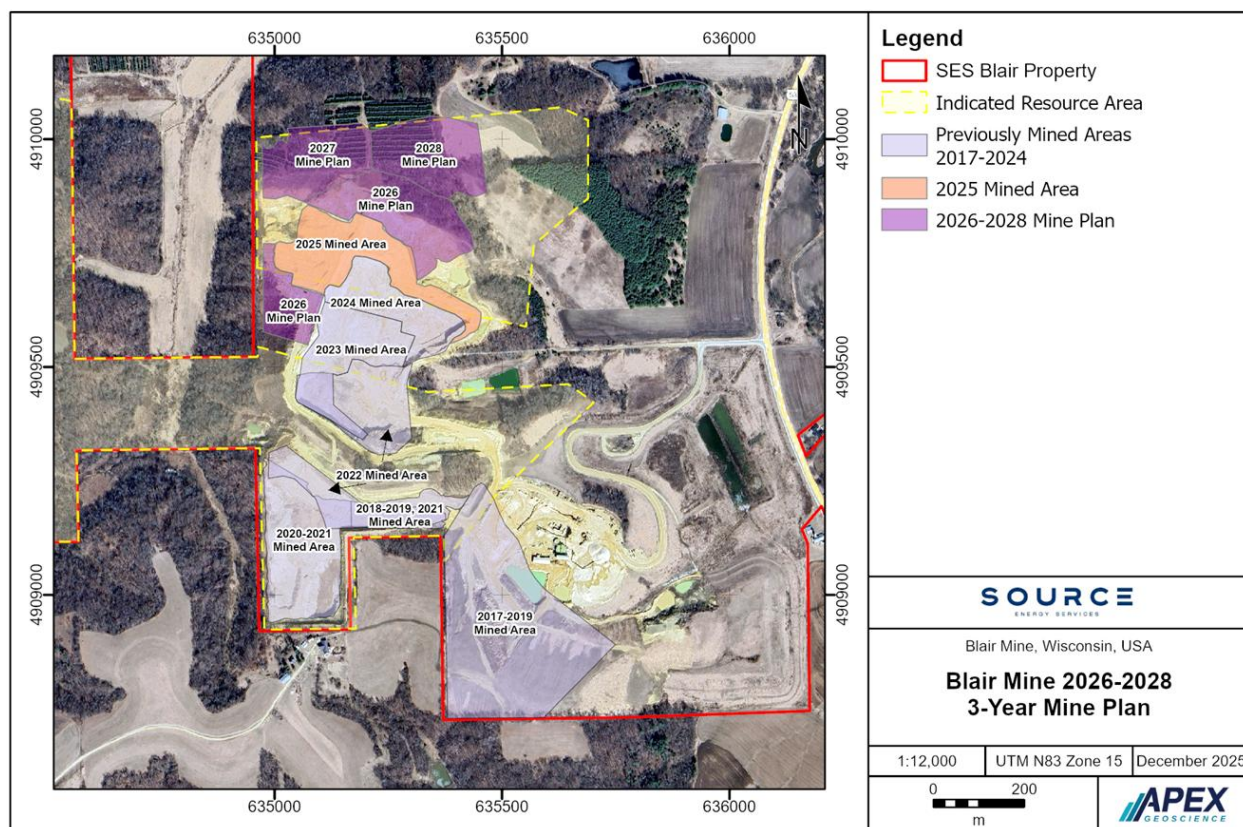
Mining Operations

Within the boundaries of the Blair Facility, the Wonewoc Formation generally exhibits a shallow depth, flat attitude, and consistent thickness. These characteristics favor conventional surface mining techniques. Since the target sandstone formation does not extend below the water table, the quarry is 'dry-mined' using truck and shovel mining methods. Mining occurs on a single bench which exposes the entire thickness of the target sandstone stratum.

Figure 16.1: Overview of the Blair Facility Showing Significant Infrastructure. The illustration includes the location of the active mining area, wet and dry plant facilities, product storage areas, waste storage areas, haul roads, rail loading terminal, rail car holding yard and proposed direction of future surface mining.



Figure 16.2: Three-Year Mine Plan at the Blair Facility



Surface mining operations at the Blair Facility consist of the following steps:

1. **Overburden/Waste Removal** – The target Wonewoc Formation is generally overlain by a thin layer of overburden material generally consisting of soils – topsoil (A-horizon) and subsoil (B-horizon) – which must be removed prior to excavation of the sand. In elevated portions of the Blair Facility, the Tunnel City Group overlies the Wonewoc Formation and must also be removed prior to excavation of the sand. Generally, the overburden is left in place if practical to minimize soil erosion and contain potential storm water run-off. The soil A- and B-horizons are stripped separately and stored in areas of future mining for use in final reclamation. Once the soils are removed, any remaining overburden is excavated and used for mine reclamation and pit backfilling.
2. **Sandstone Excavation** – Once the overburden has been removed, the sand can be excavated. At the Blair Facility, the Wonewoc Formation is cemented (sandstone); therefore, drilling and blasting is required to liberate the sand for removal and processing. Drilling, loading, and detonation of the blast holes is performed by certified outside contractors. The blasted material is bulk loaded onto haul trucks and transported to the nearby crusher plant for further processing.
3. **Reclamation** – Post-mining rehabilitation of the disturbed land is required under Wisconsin Administration Code NR 135 (see Section 4.4 of the Blair APEX Report). The reclamation procedure at the Blair Facility occurs concurrently with mining (as space allows) and adheres to the following general plan:
 - (a) Earthwork moving and grading of finer sand, silt, and mudstone that has been separated during the washing process is conducted to mimic the original topography of the land.
 - (b) This base is followed by placement of B-horizon subsoil.
 - (c) The B-horizon subsoil is overlain by the A-horizon topsoil to complete the reclamation plan.

- (d) Following site grading, fertilizer and seed mix are sown in accordance with the: State of Wisconsin Department of Transportation Standards. The steps are to follow Best Management Practices and Technical Standards as specified by the Wisconsin Department of Natural Resources.

Mining operations at the Blair Facility are generally scheduled to provide sufficient feed material for the wet processing plant which will not run during the coldest winter months. As such, full-time mining operations will typically be conducted from March through November (weather pending).

Engineering and Planning

In commercial mining terms, the quantities of overburden waste and sand to be mined each year at the Blair Facility are considered modest. Mine engineering and planning requirements for the chosen mining method, under expected operating conditions, should not prove overly onerous.

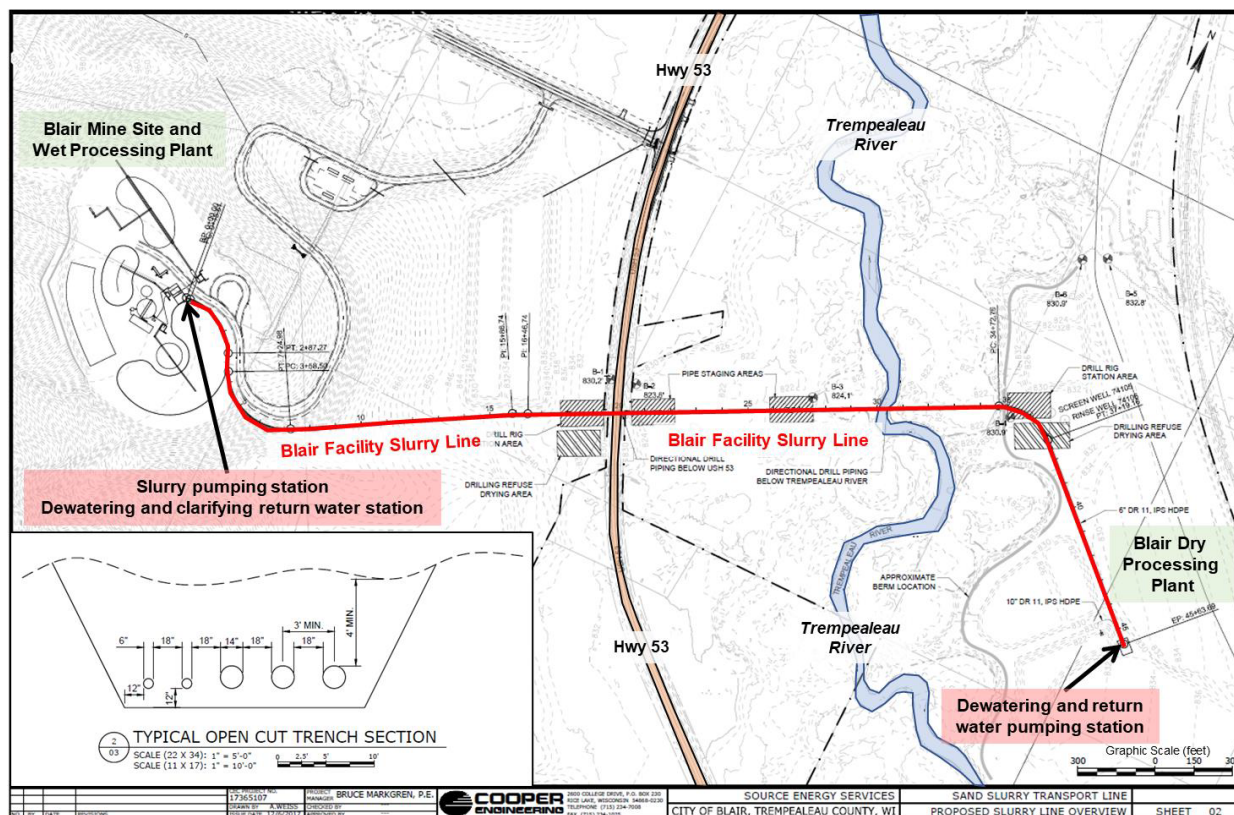
The primary mine planning consideration is the safe, economical, and regular supply of raw sand feed to the wet processing plant during its operating season. Overburden removal and reclamation activities are accomplished as required and do not appear to hinder sand mining to any appreciable degree. Large stockpiling capacity at the crushing plant can help alleviate ROM sand supply fluctuations caused by minor disruptions in mining activities. Additional stockpiling in-pit may also be available.

Source transports wet sand product to the dry processing facility via slurry line, which extends underneath Highway 53 and the Trempealeau River for 0.86 miles (1.4 km) (Figure 16.3). The slurry line represents a major mine development at the Blair Facility as the mine process does not have to truck sand across Highway 53 or across the Trempealeau River.

The slurry line was constructed on behalf of Source by Cooper Engineering Company Inc.

The slurry line has a design capacity of 350 tph (approximately 318 metric tonnes per hour) (Source Energy Services Ltd., pers. comm., 2021).

Figure 16.3: Location of the Blair Facility Slurry Line



Recovery Methods

Processing operations located on the Blair Facility wash, dry, and sort/size the ROM sand to yield a product that is of sufficient quality for hydraulic fracturing (i.e., frac sand). Generally, this process includes:

1. Crushing the ROM sandstone to manageable sizes for the wet processing plant, without causing damage to the individual grains within the rock.
2. Separating the crushed ROM material by size, shape, and density – thereby removing contaminants – in the wet processing plant. The wet processing plant generally produces 8/50 and 40/70 sized WIP material.
3. Transport the WIP material to the dry processing facilities via slurry line.
4. Drying and further sorting the wet plant WIP material in the dry processing plant. The dry processing plant typically produces 20/40, 30/50, 40/70 and 100 (70/140) mesh products.

To accomplish these tasks at the Blair Facility, the major standalone processing assets consist of the following:

- crushing plant;
- wet processing plant with a nameplate capacity of 350 short tph (approximately 320 metric tonnes per hour); and
- dry processing plant with a nameplate capacity of 200 short tph (approximately 184 metric tonnes per hour).

The Blair Facility is a standalone mining operation. The crushing and wet processing plants are located on the west side of U.S. Highway 53 and the Trempealeau River, adjacent to the mining operations (Figure 16.1). The Blair Facility's dry processing plant is located on the east side of U.S. Highway 53 and

the Trempealeau River, adjacent to the rail line. Source has resolved trucking the WIP material between the plants to facilitate drying and loading by developing the slurry line.

Operation of the crushing/wet processing plant is weather dependent and will generally run from March through to November. The dry processing plant can operate year-round. During their respective operating seasons, the processing facilities should operate 24 hours a day, except for scheduled and unscheduled downtime.

Quality control measures, including laboratory sampling, will be implemented at various stages throughout the wet and dry processing operations.

Historical (2017 to 2025) production from the Blair Facility is reported to include 7.30 million short tons (6.63 million metric tonnes) of finished product. During 2025, Source produced 982 thousand short tons (891 thousand metric tonnes) of finished product, consisting of 20/40, 30/70, and 100 (50/140) mesh silica sand (Table 17.1).

Table 17.1: Historical (2017-2025) Wet Plant and Dry Plant Production from the Blair Facility.

A. Wet Plant

YEAR	Short Tons ('000)			Metric Tonnes ('000)		
	WET PLANT FEED	WIP PRODUCT	WET PLANT YIELD (%)	WET PLANT FEED	WIP PRODUCT	WET PLANT YIELD (%)
2017	850	586	69%	772	532	69%
2018	1,747	1,178	67%	1,585	1,069	67%
2019	1,328	1,032	78%	1,205	937	78%
2020	719	539	75%	652	489	75%
2021	1,369	878	64%	1,242	797	64%
2022	1,828	1,037	57%	1,659	941	57%
2023	2,293	1,239	54%	2,081	1,124	54%
2024	2,174	1,145	53%	1,973	1,039	53%
2025	1,979	1,227	62%	1,796	1,113	62%
TOTAL	14,287	8,862	62%	12,965	8,042	62%

B. Dry Plant

YEAR	Short Tons ('000)			Metric Tonnes ('000)		
	DRY PLANT FEED	WIP PRODUCT	DRY PLANT YIELD (%)	DRY PLANT FEED	WIP PRODUCT	DRY PLANT YIELD (%)
2017	532	456	86%	483	414	86%
2018	1,178	1,028	87%	1,069	933	87%
2019	1,083	779	72%	982	707	72%
2020	430	354	82%	390	321	82%
2021	1,035	770	74%	939	699	74%
2022	1,212	957	79%	1,100	868	79%
2023	1,303	938	72%	1,182	851	72%
2024	1,349	1,039	77%	1,224	943	77%
2025	1,305	982	75%	1,184	891	75%
TOTAL	9,427	7,303	77%	8,555	6,627	77%

Project Infrastructure

All project infrastructure is in place at the Blair Facility including, utilities, pipelines, crushing and conveying facilities, wet and dry processing facilities, office and maintenance facilities, and roads. Beyond the processing facilities, which are described under “*Recovery Methods*”, other key infrastructure at the Blair Facility includes:

- four storage silos store up to 2,500 short tons (approximately 2,300 metric tonnes) each of frac sand products;
- rail loading facility, which has the capacity to load 6 rail cars per hour; and
- rail car holding yard that can hold 300 rail cars.

Three-phase power to the site is supplied by Excel Energy. Fuel for the operation of the dry processing plant is natural gas supplied by WE Energies. Process water for the operation is sourced from three wells drilled on the Property. Most of the process water will be recycled in the plants. Well water will also be utilized for makeup water and other tasks such as fugitive dust control on the roadways and other operational needs.

Environmental Studies, Permitting and Social or Community Impact

Permitting and Environmental Studies

The Blair Facility is fully permitted for silica sand mining and sand processing production. A complete discussion of permitting and environmental approvals is presented in “Permitting and Environmental Approvals”, and summarized in point form in the text that follows.

- Two agreements form the basis of the land titles for the Blair Facility: 1) an annexation agreement with the City of Blair, Wisconsin; and 2) a mining option and lease agreement.
- The annexation agreement was signed on March 27, 2014, between the City of Blair and Sand Products and provides approval to engage in mining operations from Trempealeau County, subject to certain conditions imposed by Trempealeau County.
- The mining option and lease agreement (effective date of January 28, 2012) binds a formal agreement between the East Sub-Property holders (privately deeded landowners, or Highway 53 Group LLC) and Sand Products. The option to lease was executed granting exclusive rights to mine in, on and under the East Sub-Property.
- Other permitting includes: a conditional use permit; non-metallic mining reclamation ordinance; air pollution control permit; non-metallic mining operations general permit (for storm water) and a high-capacity well permit. There are no Federal permits required.
- A reclamation plan was devised and approved by the City; the plan is consistent with the terms of Chapter 295 of the Wisconsin Statutes, NR 135 of the Wisconsin Administrative Code, and Chapter 52 of the City Code of Ordinances for the City of Blair.
 - The East Sub-Property is currently used for agricultural purposes and the East Sub-Property owners desire to continue to use any part of the East Sub-Property that is not actively involved in mining operations for that purpose.
 - With respect to environmental work, a Phase I ESA was completed at the Blair Facility on January 23, 2017; the ESA study did not find any evidence of “recognized environmental concern” with the Blair Facility (Johnson and Romens, 2017).

Any waste materials generated during the washing or drying processes are to be utilized for mine reclamation. All reclamation will be carried out in accordance with Wisconsin mining statutes and permit stipulations.

Social and Community Plans

Source has established effective relationships with the communities surrounding the Blair Facility. The operations have a positive effect on local employment and economy. In addition to the payment of income

taxes and other local community taxes such as property taxes and royalties, Source supports, financially and otherwise, local community endeavors.

Capital and Operating Costs

Capital Costs

The Blair Facility's processing facilities are fully developed and should require no near-term major capital investment to maintain full commercial production.

Major mining equipment for the Blair Facility is leased and operated by Source.

Source intends to keep near-term capital expenditures at a minimum; however, the timing and amount of capital expenditures are largely discretionary and within Source's control.

Operating Costs

Source considers projected operating costs for the Blair Facility to be confidential and commercially sensitive. The QP has previously reviewed historical operating cost data provided by Source and found the costs to be reasonable and within industry norms. It is the QP's opinion that Source's financial data support the requirement that the mineral resource reported herein have "reasonable prospects for economic extraction".

Economic Analysis

Source falls under the producing issuer category. That is, Source generates: 1) gross revenue, derived from mining operations of at least CDN\$30 million for Source's most recently completed financial year; and 2) aggregate gross revenue, derived from mining operations, of at least CDN\$90 million in aggregate for Source's three most recently completed financial years.

Producing issuers may exclude the information required under Form 43-101F1 – *Technical Report*, Item 22 for technical reports on properties currently in production unless the technical report includes a material expansion of the current production. If the latter occurs, Source will present an economic analysis in future and more detailed reports.

PRESTON FACILITY

The information in this section of this AIF is related to the Preston Facility and is based upon the Preston APEX Report authored by the QP. The QP has verified the data disclosed, including sampling, analytical, and test data underlying the information contained in this AIF. Any reference to figures, tables, citations, or capitalized terms not defined in this AIF, below correspond to such items in the Preston APEX Report. For an explanation of certain technical terms used in this AIF, see "*Scientific and Technical Information*". Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Preston APEX Report, which is available for review under the Company's profile on the SEDAR+ website at:

<https://www.sedarplus.ca/home/>.

See "*Accessibility, Climate, Local Resources, Infrastructure and Physiography*" for information regarding access to Preston Facility.

Project Description, Location, and Access

Introduction to the Preston Facility

The Preston Facility includes 35 contiguous parcels totaling 790.16 acres (319.77 hectares) (Table 4.1; Figure 4.1). The parcels range in size from 0.25 acres to 40.00 acres. The mining area of the Preston Facility includes the active open pit mine faces, reclamation areas, the active mine infrastructure that includes, a wet processing plant and dry processing plant, conveyor system, rail load out, and rail car holding area.

Four land parcels within the general outline of the Preston Facility are still owned by individual landowners (Figure 4.1). To the best knowledge of the senior QP of the Preston APEX Report, these land parcels were kept because homesteads are built on the parcels and the parcels are not currently subject to silica sand mining. The four land parcels were removed from the resource estimation process.

Table 4.1: Description of Preston Facility Parcels

PARCEL (#)	PUBLIC LAND SURVEY SYSTEM	AREA (ACRES)	AREA (HECTARES)	DESIGNED REPRESENTATIVE	OWNERSHIP STATUS
024001600010	T21N-R7W-S8	12.14	4.91	CSP Property Holdings LLC	Owned by Source
024001680000	T21N-R7W-S8	2.59	1.05	CSP Property Holdings LLC	Owned by Source
024001770005	T21N-R7W-S8	12.00	4.86	CSP Property Holdings LLC	Owned by Source
024001920000	T21N-R7W-S9	6.00	2.43	CSP Property Holdings LLC	Owned by Source
024001930000	T21N-R7W-S9	40.00	16.19	CSP Property Holdings LLC	Owned by Source
024001950000	T21N-R7W-S9	40.00	16.19	CSP Property Holdings LLC	Owned by Source
024001970000	T21N-R7W-S9	12.53	5.07	CSP Property Holdings LLC	Owned by Source
024001970012	T21N-R7W-S9	1.11	0.45	CSP Property Holdings LLC	Owned by Source
024001980000	T21N-R7W-S9	40.00	16.19	CSP Property Holdings LLC	Owned by Source
024002000000	T21N-R7W-S9	10.00	4.05	CSP Property Holdings LLC	Owned by Source
024002010000	T21N-R7W-S9	10.00	4.05	CSP Property Holdings LLC	Owned by Source
024002021000	T21N-R7W-S9	20.00	8.09	CSP Property Holdings LLC	Owned by Source
024002030000	T21N-R7W-S9	40.00	16.19	CSP Property Holdings LLC	Owned by Source
024002040005	T21N-R7W-S16	37.67	15.24	CSP Property Holdings LLC	Owned by Source
024003990000	T21N-R7W-S17	1.68	0.68	CSP Property Holdings LLC	Owned by Source
024004120005	T21N-R7W-S16	1.35	0.55	CSP Property Holdings LLC	Owned by Source
206001010000	T21N-R7W-S7	0.25	0.10	CSP Property Holdings LLC	Owned by Source
206005500000	T21N-R7W-S8	34.73	14.05	CSP Property Holdings LLC	Owned by Source
206005510000	T21N-R7W-S8	23.40	9.47	CSP Property Holdings LLC	Owned by Source
206005520000	T21N-R7W-S8	40.00	16.19	CSP Property Holdings LLC	Owned by Source
206005530000	T21N-R7W-S8	40.00	16.19	CSP Property Holdings LLC	Owned by Source
206005540000	T21N-R7W-S8	40.00	16.19	CSP Property Holdings LLC	Owned by Source
206005550000	T21N-R7W-S8	40.00	16.19	CSP Property Holdings LLC	Owned by Source
206005560000	T21N-R7W-S8	32.85	13.29	CSP Property Holdings LLC	Owned by Source
206005570000	T21N-R7W-S8	40.00	16.19	CSP Property Holdings LLC	Owned by Source
206005580000	T21N-R7W-S8	40.00	16.19	CSP Property Holdings LLC	Owned by Source
206005590000	T21N-R7W-S8	40.00	16.19	CSP Property Holdings LLC	Owned by Source
206005600000	T21N-R7W-S8	20.00	8.09	CSP Property Holdings LLC	Owned by Source
206005610000	T21N-R7W-S8	39.43	15.96	CSP Property Holdings LLC	Owned by Source
206005620000	T21N-R7W-S9	14.33	5.80	CSP Property Holdings LLC	Owned by Source
206005630000	T21N-R7W-S16	18.11	7.33	CSP Property Holdings LLC	Owned by Source
206005640000	T21N-R7W-S16	22.79	9.22	CSP Property Holdings LLC	Owned by Source
206005650000	T21N-R7W-S16	3.42	1.38	CSP Property Holdings LLC	Owned by Source
206005660000	T21N-R7W-S16	6.79	2.75	CSP Property Holdings LLC	Owned by Source
206005670000	T21N-R7W-S17	7.00	2.83	CSP Property Holdings LLC	Owned by Source
TOTAL		790.16	319.77		

Notes:

(1) Shaded parcels include current Preston Facility operations and/or reclamation areas.

Figure 4.1: Contiguous Parcel Spatial Distribution at the Preston Facility. Also shown are the four parcels that are deeded to private landowners.

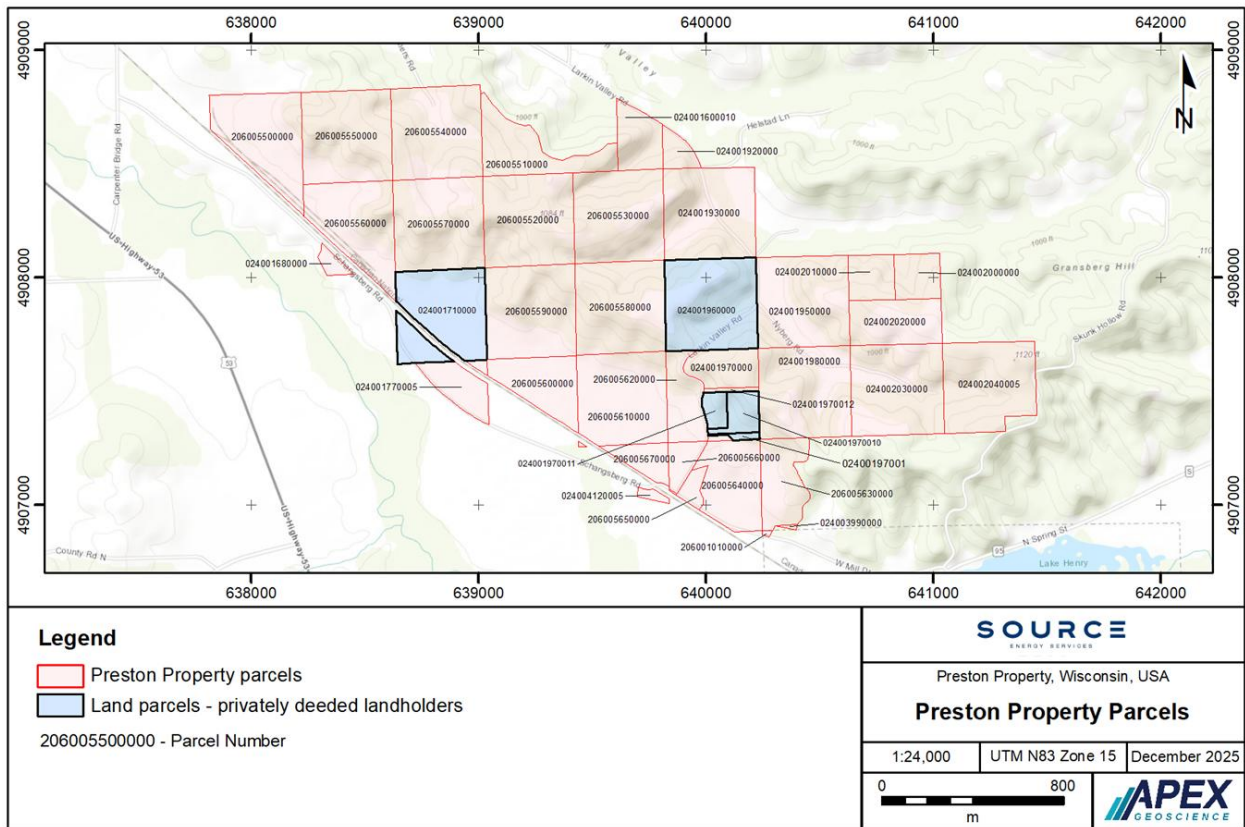
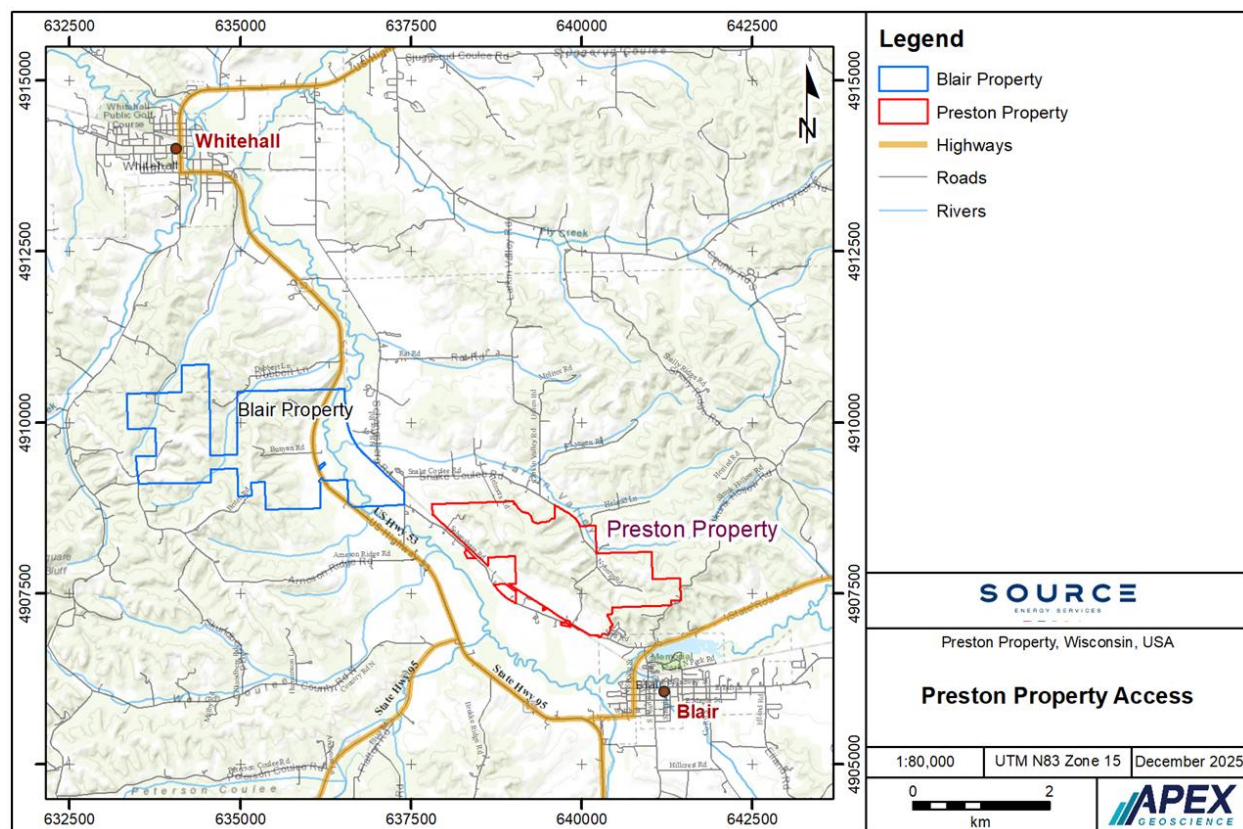


Figure 5.1: Access to the Preston Facility. The Blair Facility is shown to illustrate the proximity of the two mines (note the property boundaries are not contiguous, and each mine has their own independent mine infrastructure).



Property Location

The Preston Facility is located approximately 1.86 miles (3 km) northwest of the City of Blair in Trempealeau County, Wisconsin. The Preston Facility is more-or-less adjacent to the Blair Facility separated by approximately 1.86 miles (3 kilometres to the east across Highway 53 and the Trempealeau River). Because the dry processing plant and rail load out facility of the Preston Facility are located on the east side of Highway 53 and the Trempealeau River, the rail load out facility for the Blair Facility and the Preston Facility are both located approximately 0.81 miles (1.3 kms) apart on the same CN Railway.

Nature and Extent of Land Titles

The 35 land parcels encompassing the Preston Facility are currently deeded at the Trempealeau County Land Records Department to Source (Table 4.1).

Permitting and Environmental Approvals

With respect to annexation, Preferred Sands petitioned for “direct annexation”, to which the City of Blair responded by amending its annexation ordinance. The petition was filed on June 29, 2012, and the City of Blair approved the annexation on July 2, 2012. The annexed territory shall be:

1. permanently zoned as an “Industrial” zone pursuant to Section 46.04, City Code of Ordinances; and
2. granted a temporary Conditional Use Permit for mineral extraction pursuant to Section 46.05, City Code of Ordinances.

Pursuant to §66.0217(14)(a)1, Wis. Stat., the City of Blair agrees to pay annually to the Town of Preston, for five years, an amount equal to the amount of property taxes that the town levied on the annexed territory, as shown by the tax roll under Wisconsin Statutes §70.65 in the year in which the annexation is final. No royalties are required under the statutes of the annexation or the Conditional Use Permit governing the Preston Facility.

The Conditional Use Permit for non-metallic mineral extraction was approved by the City of Blair on October 24, 2012, and is valid for the life of mineral extraction activities on the subject property plus one year. Selected conditions of the Conditional Use Permit include:

- annual inspections by the Zoning Administrator to ensure compliance with the requirements of the Conditional Use Permit;
- hours of operation, including heavy trucking hours, are from 0600 to 2200 hours daily, seven days per week;
- noise from the mineral extraction operation shall not exceed 75 A-weighted decibels (“dBa”) for 10% of the time for a one-hour survey, and 70 dBa for 50% of the time for a one-hour survey; as measured between the property lines and existing residential structures; and
- blasting activities follow the Wisconsin Department of Safety and Professional Services Chapter SPS 305 licensing and SPS 307 for the use of explosive materials, and other state and federal regulations.

The Conditional Use Permit does not have mine-related isolation to water table restriction. The Conditional Use Permit is transferable to a new owner or operator upon compliance with the terms and conditions of the existing Conditional Use Permit. The Conditional Use Permit is available via the Department of Land Management, Trempealeau County at:

<http://www.trempealeaounty.com/tchome/landmanagement/Zoning/compzoningordinance.aspx>.

The Preston Facility follows and currently has an air permit, a fugitive dust control plan, a Wisconsin Pollutant Discharge Elimination System Permit and a storm water pollution prevention plan.

With respect to environmental work, RT Environmental Services Inc. of Radnor, Pennsylvania conducted a Phase 1 ESA of the Preston Facility (Brown, 2011). The study was reportedly conducted by an Environmental Professional and in accordance with the ASTM Environmental Assessment Standard E 1527-05. The assessment reported only minor recognized environmental conditions and concluded that there are no potential environmental liabilities so long as the following conditions are met:

- seeps, wetlands, impacted surface water, and erosion and sediment controls within the Preston Facility must be addressed as per meetings with, and standards of, the Wisconsin Department of Natural Resources;
- a spill prevention, control and countermeasure plan is prepared that addresses all current and future above ground storage tanks on the property;
- potable well water is tested for appropriate state and federal drinking water standards;
- retention ponds are properly cleaned out over the winter;
- air permits are kept current;
- a small creek on the east side of the property (adjacent to Larkin Valley Road) should be taken into consideration during any future site development; and
- consideration of asbestos-containing materials and/or lead-based paint materials when renovations are conducted on existing structures on the property, particularly those buildings built pre-1978 (Brown, 2011).

It should be noted that in December 2013, Preferred Sands was ordered to pay U.S.\$200,000 in forfeitures stemming from pollution and operational problems associated with the operation of the Preston Facility (Wisconsin News, 2013). In May 2012, heavy rain triggered a 2,100-foot (640 m) plume of sediment to cascade down a hill, through neighboring properties, across a road, through a farm field and ultimately washing into Larkin Valley Creek. The Wisconsin News (2013) news article noted that the

Wisconsin Department of Natural Resources reported that approximately 120,000 to 180,000 cubic yards of material was not properly stabilized, and therefore, was prone to wash away during the heavy rains. Knowledge of this information raises an historical example of a potential risk to mining at the Preston Facility, and Source should be aware that the stabilization of mine workings and/or waste material at the Preston Facility should be properly planned such that a similar sediment-laden storm run-off occurrence does not happen at the Preston Facility or at the boundaries of the Preston Facility.

In September 2017, an updated Phase 1 ESA was conducted for the Preston Facility by SEH, on behalf of Source in connection with its due diligence procedures with respect to the Preferred Acquisition (Lee and Olson, 2017). The assessment was completed in accordance with ASTM Standard Practice E 1527-13. The purpose of the ESA was to identify:

1. the presence or likely presence of any hazardous substances or petroleum products in, on, or at the Preston Facility; and/or
2. a past release of any hazardous substances or petroleum products that has occurred at or relating to the Preston Facility and has been addressed to the satisfaction of the applicable regulatory authority or meeting unrestricted use criteria established by a regulatory authority.

The ESA considered: asbestos-containing materials; biological agents; cultural and historic resources; ecological resources; endangered species; health and safety; indoor air quality related to releases of hazardous substances or petroleum products into the environment; industrial hygiene; lead-based paint; lead in drinking water; high voltage power lines; mold; radon; regulatory compliance; and wetlands. SEH also reviewed standard environmental record searches from county, state, and federal environmental databases (e.g., Wisconsin Department of Natural Resources, Wisconsin Remediation and Redevelopment Database).

The September 2017 ESA report identified: a farm dump, two historical spills and several *de minimis* conditions at the Preston Facility which are summarized in the Preston APEX Report (*'de minimis'* conditions are not recognized environmental conditions). SEH stated that the conclusions and recommendations in the ESA report are in accordance with generally accepted professional practice in Wisconsin.

To the best of the QPs' knowledge, there are no other factors or risks that may affect the access, land title, or the right or ability to perform work on the Preston Facility.

History

The Preston Facility was originally owned and operated by Winn Bay Sand LP ("**Winn Bay**"). It is not known when Winn Bay first acquired the Preston Facility; however, Winn Bay conducted exploratory drilling programs in 2009 and 2010, and initiated a silica sand production operation at the Preston Facility in 2011. In January 2012, Preferred Sands acquired all of the assets of Winn Bay for more than U.S.\$200 million, including mining locations in Preston, Wisconsin and Hanson Lake, Saskatchewan (Business Wire, 2012). Preferred Sands formally assumed all associated land titles and permits. At the Preston Facility, Preferred Sands conducted a 2012 auger drill program, and began operating the open pit mine and processing plant in February 2012.

The Winn Bay and Preferred Sands auger drillholes, which collectively include 25 holes, are summarized in Table 10.1 and Figure 10.1. All auger holes were drilled using air rotary auger rigs that were drilled vertically (-90°) with zero orientations. The diameter of the auger stem was generally 6 inches (15 cm). The Preferred Sands drilling was contracted out to Boart-Longyear Drilling Services (now Cascade Drilling, LP) ("**Boart**"). It is not known who was contracted to drill the Winn Bay drillholes.

Winn Bay drilled a total of 16 auger holes: B1 to B10, B12, B13, and B15 to B18; no information was provided for drillholes B11 and B14, and the QPs assume these holes were either not drilled or were aborted. Because the QPs are lacking information for B11 and B14, they have been omitted from the dataset compiled as part of the Preston APEX Report. The Winn Bay 2009 auger holes (B1 to B10) and 2010 auger holes (B12-B13, B15-B18) drilled a total of 882.0 feet (268.86 m) and 749.0 feet (228.30 m),

respectively. Of the 1,631.0 feet (497.16 m) total drilling, the Winn Bay holes intersected 1280.08 feet (390.17 m) of Wonewoc Formation sandstone. From the surface, the Wonewoc Formation was intersected at depths of between 2.95 and 68.90 feet (0.9 m and 21 m). Most of the Winn Bay holes were spatially collared in the western portion of the Preston Facility including those drilled within the current mine area.

The Preferred Sands 2012 auger drill program drilled an additional 1,226.97 feet (373.98 m) in 9 auger drillholes that intersected 810.99 feet (247.19 m) of Wonewoc Formation sandstone. From the surface, the Wonewoc Formation was intersected at depths of between 13.12 and 75.46 feet (4 and 23 m). These drillholes were collared throughout the eastern part of the property on which the Preston Facility is located. In general, the Winn Bay holes in the western part of the Preston Facility, have significantly less material overlying the Wonewoc Formation (overburden and/or Tunnel City Formation shale) than the Preferred Sands holes in the eastern part of the Preston Facility. The drillholes were not formally surveyed. APEX has adjusted the collar elevations to fit with LiDar obtained from the Trempealeau County Department of Land Records (Table 10). Drillhole collar elevations for some of the 2009-2010 "B-series" drillholes were not adjusted because the Wonewoc Formation is mined out around the main Preston Facility mine site.

There are rare drillhole intervals within the Wonewoc Formation that had poor to no recovery. Grain size particle distribution analyses was conducted throughout entire intersections of the Wonewoc Formation (n=25 drillholes including all Winn Bay and Preferred Sands drillholes). Sandstone samples were taken approximately every 5 feet (1.52 m), which correlates to the length of an auger stem. The gradation test work was completed at American in Chippewa Falls, Wisconsin. The sieve data are summarized and discussed in Section 14.2.1 in the Preston APEX Report.

Table 10.1: Summary of the 2009, 2010 and 2012 Auger Drill Programs Conducted at the Preston Facility.

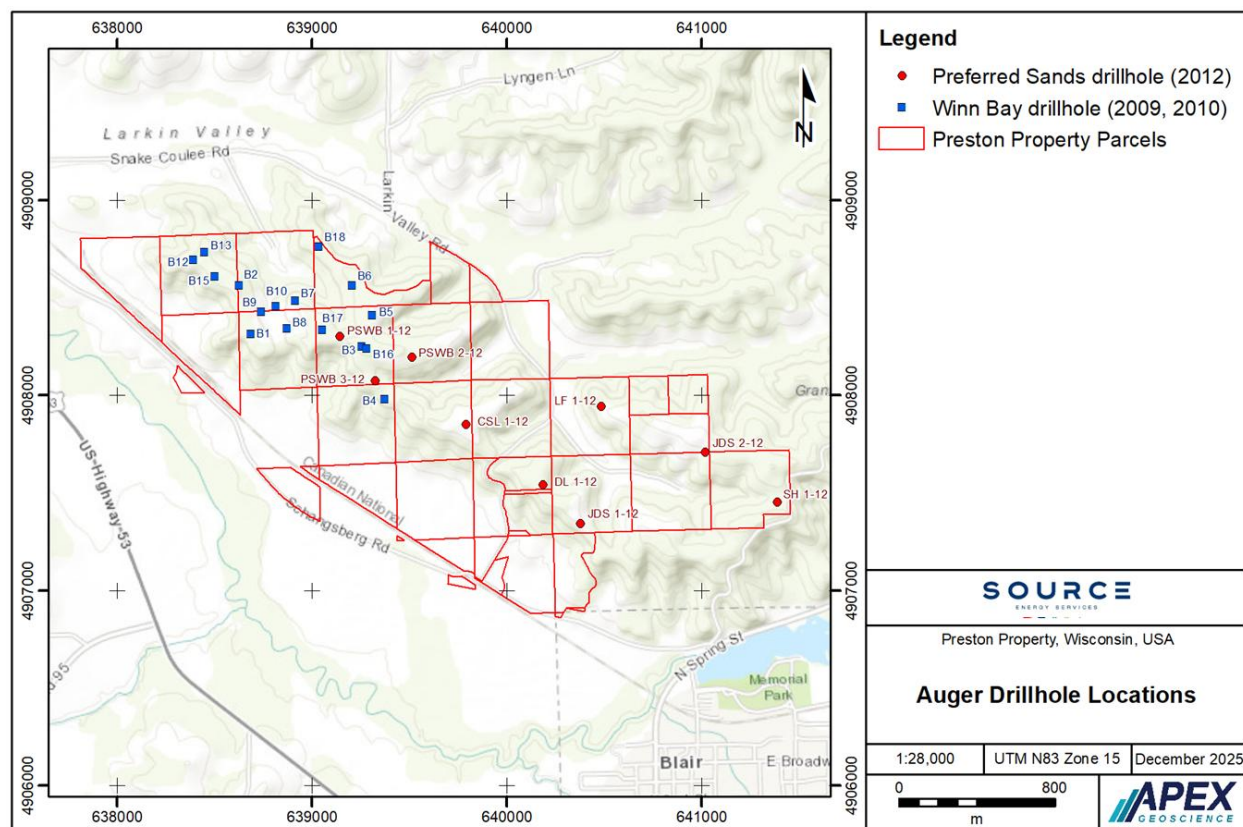
DRILLHOLE ID ⁽¹⁾	YEAR DRILLED	COMPANY	COLLAR COORDINATES (UTM, Zone 15, NAD83)			REVISED ELEVATION (m) ⁽²⁾	ELEVATION DIFFERENCE	END OF HOLE (m)	WONEWOC FORMATION		
			EASTING (m)	NORTHING (m)	ELEVATION (m)				FROM (m)	TO (m)	WIDTH (m) ⁽³⁾
B1	2009	Winn Bay Sand LP	638696	4908309	319.1	319.1	0.0	31.70	1.83	31.70	29.87
B2	2009	Winn Bay Sand LP	638633	4908557	321.6	321.6	0.0	32.92	3.35	32.92	29.57
B3	2009	Winn Bay Sand LP	639267	4908254	338.6	334.7	3.9	30.18	21.03	30.18	9.15
B4	2009	Winn Bay Sand LP	639388	4907986	317.0	317.6	-0.6	30.18	4.27	30.18	25.91
B5	2009	Winn Bay Sand LP	639317	4908416	334.1	327.3	6.7	19.51	14.94	19.51	4.57
B6	2009	Winn Bay Sand LP	639211	4908566	321.6	321.6	0.0	34.75	5.49	34.75	29.26
B7	2009	Winn Bay Sand LP	638921	4908482	320.3	320.3	0.0	30.18	3.05	30.18	27.13
B8	2009	Winn Bay Sand LP	638879	4908341	306.6	306.6	0.0	18.29	0.91	18.29	17.38
B9	2009	Winn Bay Sand LP	638747	4908422	301.1	301.1	0.0	15.24	0.91	15.24	14.33
B10	2009	Winn Bay Sand LP	638823	4908453	302.7	302.7	0.0	25.91	0.91	25.91	25.00
B12	2010	Winn Bay Sand LP	638395	4908684	287.7	287.7	0.0	35.97	5.49	35.97	30.48
B13	2010	Winn Bay Sand LP	638451	4908725	315.2	315.2	0.0	37.49	7.01	37.49	30.48

DRILLHOLE ID ⁽¹⁾	YEAR DRILLED	COMPANY	COLLAR COORDINATES (UTM, Zone 15, NAD83)			WONEWOC FORMATION					
			EASTING (m)	NORTHING (m)	ELEVATION (m)	REVISED ELEVATION (m) ⁽²⁾	ELEVATION DIFFERENCE	END OF HOLE (m)	FROM (m)	TO (m)	WIDTH (m) ⁽³⁾
B15	2010	Winn Bay Sand LP	638507	4908600	320.6	320.7	0.0	30.18	7.32	30.18	22.86
B16	2010	Winn Bay Sand LP	639291	4908243	332.8	334.2	-1.4	41.45	11.58	41.45	29.87
B17	2010	Winn Bay Sand LP	639063	4908337	326.1	334.1	-7.9	44.20	16.46	44.20	27.74
B18	2010	Winn Bay Sand LP	639037	4908762	313.9	313.9	0.0	39.01	2.44	39.01	36.57
DL 1-12	2012	Preferred Sands	640184	4907541	319.4	321.1	-1.7	36.88	14.02	36.88	22.86
JDS 1-12	2012	Preferred Sands	640378	4907342	324.9	316.3	8.6	41.45	23.16	41.45	18.29
JDS 2-12	2012	Preferred Sands	641017	4907709	327.1	329.8	-2.8	32.92	10.06	32.92	22.86
LF 1-12	2012	Preferred Sands	640482	4907943	314.9	315.8	-0.9	32.92	3.96	32.92	28.96
PSWB 1-12	2012	Preferred Sands	639143	4908303	328.3	331.7	-3.5	47.55	20.42	47.55	27.13
PSWB 2-12	2012	Preferred Sands	639513	4908197	324.6	330.0	-5.4	56.69	18.90	56.69	37.79
PSWB 3-12	2012	Preferred Sands	639322	4908075	317.3	319.3	-2.0	41.45	5.49	41.45	35.96
SH 1-12	2012	Preferred Sands	641386	4907453	323.1	327.5	-4.4	39.62	16.15	39.62	23.47
CSL 1-12	2012	Preferred Sands	639789	4907851	322.5	328.0	-5.5	44.50	14.63	44.50	29.87
Winn Bay Total Drilled								497.16			390.17
Preferred Sands Total Drilled								373.98			247.19
Total Sands Combined Drilling								871.14			637.36

Notes:

- (1) No information for drillholes B11 and B14
- (2) Adjusted collar elevations: from surveyed collar elevations to that of the LiDar
- (3) All auger holes ended while still in the Wonewoc Formation

Figure 10.1: Location of the 2009, 2010 and 2012 Auger Drill Programs Conducted at the Preston Facility.



Proppant characterization test work was conducted on 7 separate samples, which included two 20/40, two 30/50, two 40/70 and a single 50/140 (100 mesh) fractions from the Wonewoc Formation at the Preston Facility. These samples all represent finished product samples, and therefore, it is not possible to specify which drillhole and/or depth the samples are derived from. The proppant characterization results are presented and discussed under “*Mineral Processing and Metallurgical Testing*”.

In addition to the auger drill programs, there has been considerable mine development at the Preston Facility (from 2011 to present). Areas that include:

- active mine area;
- reclaimed industrial land use area (area of current mine and/or rail infrastructure); and
- total reclaimed area has been mapped out in detail because they relate to those areas where the Wonewoc Formation has been mined and no longer exists, and hence, are removed during the resource estimation process.

Historical Resource Estimates

In March 2017, Boyd provided an independent audit of the proppant sand reserve estimates, on behalf of Preferred Sands, for the Preston Facility for the year ending 2016 (Jandrasits et al., 2017; Stanish et al., 2017). Source and the QPs are not treating this historical mineral resource estimate as a current mineral resource. Accordingly, the historical estimate presented here should not be relied upon, particularly considering the preparation of the NI 43-101 resource estimate Preston APEX Report.

As part of due diligence testing of the quality of the Preston Facility sand, Boyd conducted proppant characteristic testing of a composite sample prepared by Preferred Sands; the analyses were completed at PropTester in Cypress, Texas. The results show that the Preston Facility Wonewoc Formation sand

meets the recommendations set forth in International Standards ISO 13503-2:2006/Amd.1:2009E for sieve size fractions, sphericity, roundness, acid solubility, turbidity and crush classification (Table 6.1).

Table 6.1: Sand Quality Results for the Preston Facility.

API/ISO CHARACTERISTIC	Sand Product by Mesh Size							
	20/40		30/50		40/70		100 MESH	
	RESULT	API STANDARD	RESULT	API STANDARD	RESULT	API STANDARD	RESULT	API STANDARD
Sphericity	0.9	≥0.6	0.9	≥0.6	0.8	≥0.6	0.8	≥0.6
Roundness	0.8	≥0.6	0.8	≥0.6	0.8	≥0.6	0.7	≥0.6
Crush resistance (000 psi)	7k	-	8k	-	9k	-	10k	-
Acid solubility (%)	1.4	≤2.0	1.4	≤2.0	1.2	≤3.0	2.1	≤3.0
Turbidity (NTU)	11	≤250	12	≤250	10	≤250	18	≤250

The Jandrasits et al. (2017) resource/reserve estimations were conducted on two separate areas within the Preston Facility: the active mine, and the east expansion. These authors concluded that the active mine consists of 43 million tons of measured resources, which yields 29 million tons of proven reserves. The measured resource is described as the *in-situ* raw sand material that will be mined to produce the product. The proven reserve is described as the saleable portion of the resource that is recovered following mining and processing. The proven reserve tonnage comprises approximately 67% of the measured resource and reflects an estimated product yield for a suite of 20/140 mesh product.

The historical resource was estimated “using Preferred Sands existing SurvCADD model, with select modifications made by Boyd to provide a more accurate and current representation of the subject property”. For example, the resource estimations were adjusted to remove those tons that were mined from July 1, 2014, through to December 31, 2016. The June 30, 2014 “base reserve estimate” was reported in Boyd Report No. 3741.0; this report was not available to the QPs and may contain additional estimation procedures.

Jandrasits et al. (2017) does cite CIM Mineral Resources and Mineral Reserves Best Practice Guidelines nomenclature for resource classification and does make note that a resource cannot be further classified as a reserve unless the resource can be demonstrated to be recovered economically in accordance with Modifying Factors relative to mining methods, processing techniques, economics, and markets, as well as legal, environmental, social and governmental regulation issues. Jandrasits et al. (2017) disclosed that the preparation of the reserve estimate relied on sales and production information provided by Preferred Sands and that the QPs had not independently verified the data.

In addition, Jandrasits et al. (2017) reported that they did not warrant the conclusions and findings of the reserve estimate but consider them reasonable and realistic of the Preston Facility estimated sand reserve holdings as of December 31, 2016.

The resource model and estimation presented to Preferred Sands by Jandrasits et al. (2017) is relevant in that it was prepared and calculated by a reputable company that is intimately familiar with, and knowledgeable about, the properties and the geology and resource potential of the Wonewoc Formation. The resource estimate, however, does not use methodologies or terminology outlined in CIM Definition Standards.

Consequently, Source commissioned APEX to prepare the Preston APEX Report that replaces and supersedes all historical resource estimation work for the Preston Facility and is compliant with CIM Definition Standards.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

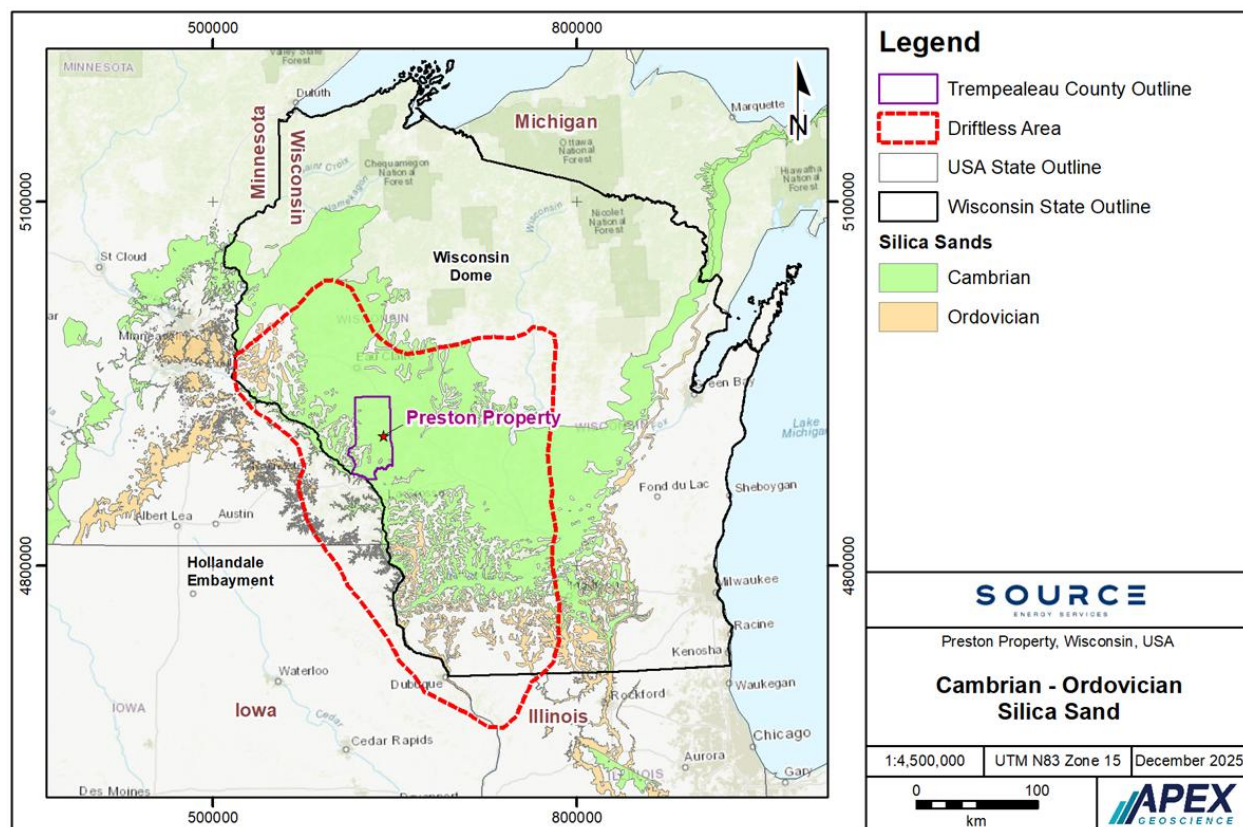
The Preston Facility is located near the City of Blair in the Trempealeau County area of west-central Wisconsin. The closest large cities are Eau Claire to the north and La Crosse to the south. Other nearby communities include: Preston, Taylor, Arcadia, Independence, Hixton, and Galesville. The Preston Facility is located approximately 1.86 miles (3 km) northwest of the City of Blair, Wisconsin and is located directly east of paved State Highway 53 (0.93 miles (1.75 km) east). The Preston Facility can then be accessed via paved secondary roads to the mine address: N33005 Helmers Road, Blair. The Preston Facility is more-or-less adjacent to the Blair Facility (approximately 1.86 (3 km) to the east across Highway 53).

Geological Setting, Mineralization and Deposit Types

Regional Geology, Local and Property Geology

In the general vicinity of the Preston Facility, silica sand units include the Cambrian Wonewoc and Jordan formations (Ostrom, 1966, 1970, 1987; Mudrey et al., 1987). These silica sand units are divided by the Eau Claire Formation and Tunnel City Group (also known as the Lone Rock Formation), which can be differentiated from the silica sand by their variable lithologies including: mudstone; intercalated mudstone and sandstone; very fine to fine grained sandstone; and cemented sandstone.

Figure 7.1: Surface Exposures of Silica Sand Source Units in the Upper Midwest U.S. The polygons outline the Ordovician St. Peter sandstone (light yellow) and the combined Cambrian sandstone (green), which includes the Jordan, Wonewoc, and Mount Simon formations. The approximate positions of the Wisconsin Dome, Hollandale Embayment and the Driftless Area are also shown.



Cambrian Mount Simon Formation

The Mount Simon Formation is the earliest representation of the Sauk sequence (Sloss, 1963), and directly overlies Proterozoic crystalline basement rocks (Morey, 1972). The Mount Simon type section is located near the City of Eau Claire, Wisconsin, and comprise a 234-foot section (71 m) of mostly medium to coarse grained sandstone with high-angle cross-stratification. From its erosional boundary in northern Wisconsin and southeastern Minnesota, the Mount Simon thickens southward to more than 2,000 feet (610 m) in central-northcentral Iowa and 2,600 feet (790 m) in northeastern Illinois (Young, 1992).

In the northwest quadrant of Wisconsin, the Mount Simon Formation contains three informal quartzose sandstone sub-units (Mudrey et al., 1987), including:

- an uppermost sandstone that is quartzose, feldspar-bearing, white to light gray to pale brown, medium to coarse grained, angular, medium bedded, locally lenticular bedded, and at least 170 feet (52 m) thick;
- a second sandstone horizon that is quartzose, pale yellow orange to pale gray orange, very fine grained, thin to medium bedded, angular, limonite cemented, and 125 feet (38 m) thick; this unit is underlain by a 60 foot (18 m) thick, gray to pale-orange, silty shale; and
- a basal sandstone unit that is quartzose, very pale orange, very fine to fine grained, subangular to sub-rounded, and at least 115 feet (35 m) thick; this subunit is known only in the northwestern Wisconsin subsurface.

The unit is overlain by very fine to fine grained sandstone and shale of the Eau Claire Formation.

Cambrian Wonewoc Formation

The Wonewoc Formation sandstone, which is the subject of the Preston APEX Report, overlies the Eau Claire Formation and is observed in Wisconsin, Michigan, Illinois, Indiana, Minnesota, Iowa and in northeastern Nebraska (Clayton and Attig, 1990; Runkel et al., 1998); effectively throughout the area known as the Hollandale Embayment (Figure 7.1). The reference section for the Wonewoc Formation sandstone is near the village of Wonewoc in Juneau County, Wisconsin.

The Wonewoc Formation is characterized by a stratigraphically complex cratonic sheet of sandstone that was deposited from a continuously abundant supply of quartzose sand in a slowly and uniformly subsiding low-relief basin (Hollandale Embayment) under fluctuating sea level conditions during the Sauk II and Sauk III subsequences (Palmer, 1981; Runkel et al., 1998). The Wonewoc Formation sandstone varies in thickness from 50 to 150 feet (15 to 46 m) and is principally medium to coarse grained quartzose sandstone with high-angle cross-stratification. It is divided into two major lithofacies - the Ironton Member and Galesville Member; however, the two members are commonly classified together as the Wonewoc Formation sandstone because lithostratigraphic studies have shown that it is difficult to consistently distinguish the two formations. Mudrey et al. (1987) characterized the two sub-members as:

- Ironton Member - a quartzose, white to brown with iron staining, medium to coarse grained, sub-rounded, poorly sorted, wavy-bedded, vertically burrowed, calcite-cemented, 16 to 59 feet (5 to 18 m) thick sandstone, and the underlying; and
- Galesville Member - a quartzose, white, fine-to medium grained, rounded to sub-rounded, well-sorted, thick-bedded, cross-bedded, poorly cemented, 16 to 59 feet (5 to 18 m) thick sandstone with bedding units 10 to 16 feet (3 to 5 m) thick.

The Wonewoc Formation is overlain by the Tunnel City Group (Ostrom, 1966, 1970, 1987), which varies in thickness from 140 to 180 feet (43 to 55 m) and is divided into two sub-formations: the Mazomanie Formation and the Lone Rock Formation (Mossler, 2008). The Mazomanie Formation is dominantly white to yellowish gray, fine to medium grained, cross-stratified, generally friable, quartz sandstone. Some beds contain brown, intergranular dolomite as cement. Skolithos burrows and sandstone intraclasts are common in discrete horizons. The Lone Rock Formation underlies the Mazomanie Formation. It consists of pale yellowish green, very fine to fine grained glauconitic, feldspathic sandstone and siltstone, with thin, greenish-gray shale partings. Thin beds with dolomitic intraclasts are common.

Cambrian Jordan Formation

The Jordan Formation sandstone was named for the city of Jordan, Wisconsin and consists of two distinct, intercalated quartzose sandstone members that are summarized by Mudrey et al. (1987) as:

- the uppermost Van Oser Member, which is a quartzose, white to brown to yellow or orange, fine to medium grained, poorly sorted, medium to thin bedded, cross bedded, with calcite-cemented nodules, is iron cemented in places, may be locally interbedded with the underlying unit, and is 30 to 49 feet (9 to 15 m) thick; and
- the lower Norwalk Member is a quartzose, white, fine-grained, rounded, moderately-sorted, medium-bedded sandstone with a trace of garnet, and a thickness of 49 to 59 feet (15 to 18 m). In the western Wisconsin, the Norwalk is a fine to very fine grained feldspathic sandstone (Ostrom, 1987; Runkel, 2000).

The Van Oser and Norwalk members are characterized as the “quartzose” and “feldspathic” lithofacies, respectively, and as such, they are interpreted as high energy, marine intertidal sand deposited as the sea shallowed, and a low energy, below wave base, marine deposits (Runkel, 1994).

Pleistocene Surficial Geology

The Preston Facility occurs within an unglaciated region of west-central and southwestern Wisconsin that is referred to as the “Driftless Area” (see Figure 7.1). The thickness of the overburden at the Preston Facility varies from as little as 5 to 10 feet (1.5 to 3 m) to as much as 50 feet (15 m). Auger drill programs show that the area is covered by a thin veneer of overburden that is characterized by brown clay to brown fine-grained clay-sand with traces of gravel.

Local Geology

Bedrock underlying Trempealeau County consists of Cambrian sandstone, shale and sandy dolomite, overlain by Ordovician dolomite and sandstone. Cambrian rock units include: Elk Mound Group (Mount Simon, Eau Claire and Wonewoc Formations), the Tunnel City Group (undifferentiated) and the Trempealeau Group (St. Lawrence and Jordan Formations).

The overburden material consists of unconsolidated Pleistocene brown sandy silty clay, to brown fine to medium sand with silt and gravel and locally Cambrian age limestone and shale of the Tunnel City Formation. The lower Eau Claire-Wonewoc (Galesville Member) contact marks the end of one transgressive/regressive sequence and the beginning of a major transgressive sequence associated with the Wonewoc Formation. The Wonewoc transgression is defined by high-energy conditions with a noticeable lack of clay, silt, very fine sand, and a total lack of fossils. Above the Galesville Member, the Wonewoc (Ironton Member) formed in an alternating high and low energy environment seaward of the beach front. Ironton Member sandstone is well sorted, clean, medium to coarse grained quartzarenite. The uppermost Ireton Member ends in a sharp contact with the Lone Rock Formation of the Tunnel City Group. The lithology of the Lone Rock Formation is easily distinguished from the underlying Wonewoc Formation in that the Lone Rock comprises fine-grained glauconitic, thin-bedded shale units.

Property Geology

The geology of the Preston Facility as observed by the senior QP during 2017 and 2018 site inspections is summarized as follows:

- The position of the Wonewoc Formation is consistent with this unit being situated within topographic ridges of a rugged landscape that is associated with the Driftless Area of southwestern Wisconsin.
- The Wonewoc Formation within the open pit excavation is dominated by clean, white to rusty sand with minor, thin, continuous clay-mudstone bands that are likely associated with intertidal and/or transitions in marine, near-marine and non-marine deposition. The basal portions of the Wonewoc comprise slightly finer sand than the middle or upper portions of the silica sand unit.

- Overall observation of the mine pit face(s) is that the Wonewoc is locally stratigraphic uniform (the Wonewoc stratigraphy was observed at three different mine face sites located throughout the mine site area).
- The overburden and the current mine faces is minimal (0 to 2 m in thickness). It consists of dark grey to reddish dark grey, clay-rich sandy till with abundant pebbles and minor cobbles; the basal portion of the Tunnel City Group was not observed at the mine site, but does occur on the elevated portions of the eastern part of the Preston Facility where it consists of mudstone and fine-grained sandstone and siltstone (distinguished by its higher component of mudstone in comparison to the underlying Wonewoc Formation).
- The Wonewoc Formation silica sand was also observed in archived auger clippings from auger drillholes: PSWB1-12, PSWB2-12, PSWB3-12 and CSL1- 12; here the auger return material was composed of white to slightly iron-stained medium to coarse grained silica sand.
- The basal portion and lowermost contact of the Wonewoc Formation was not observed (in outcrop or in auger return material).

Mineralization

As per Trempealeau County Zoning Ordinance documentation, “Industrial Sand” is defined as

“... a high purity silica sand or silicon dioxide (SiO₂). It is nearly pure quartz, very well rounded, of uniform particle shape and size, having a high compressive strength, and meeting size gradation standards for its various uses. Industrial sand is sold for any of the following uses: glassmaking, metal casting, metal production, chemical production, paint and coatings, ceramics and refractories, moldings, abrasives, and otherwise preparing sand for uses other than construction.

It is most commonly used by the oil and gas industry as a proppant for the hydraulic fracturing of shale for the exploration, drilling, production, and recovery of oil and gas (i.e., frac sand).

This sand is classified as 212322 Industrial Sand Mining according to the NAICS (North American Industry Classification System), and as 1446 Industrial Sand, and 1481 Non-metallic Mineral Services except fuels, according to the SIC (Standard Industrial Classification) System.”

Paleozoic age bedrock layers of quartzose sandstone in the central mid-continent of North America are known as some of the most mineralogically pure sandstone on Earth with greater than 95% of the sand grains consisting of silicon dioxide (SiO₂). Whole rock chemical analysis (x-ray fluorescence) of the Wonewoc Formation sandstone, which was conducted by the Department of Natural Resources (Brown, 2012), shows that the Wonewoc silica sand consists of:

▪ silicon dioxide (SiO ₂)	99.20-99.70%
▪ aluminum oxide (Al ₂ O ₃)	0.10-0.19%
▪ calcium oxide (CaO)	0.08-0.21%
▪ iron oxide (Fe ₂ O ₃)	0.06-0.03%;
▪ potassium oxide (K ₂ O)	0.05-0.14%;
▪ sodium oxide (Na ₂ O)	0.002-0.003%;
▪ magnesium oxide (MgO)	0.01-0.02%; and
▪ titanium oxide (TiO ₂)	<0.01%.

In addition to being composed mostly of quartz, a mineral known for being of high-strength and relatively inert, the grains are especially well-rounded, well-sorted, coarse-grained and poorly cemented. The advanced level of textural maturity in Cambrian quartz grains, including the Wonewoc Formation, remains more uncertain, but is believed to be related to chemical weathering that may have preferentially dissolved plagioclase and similarly unstable minerals, and a long history of abrasion in marine conditions and wind abrasion (Morey, 1972; Odom, 1975, 1978; Dott et al., 1986; Runkel, 1998; Dott, 2003) (see “Deposit Types”).

Lastly, grain size is an important factor in determining the value of a silica sand deposit because, for example, the 20/40 mesh sand fraction typically has a relatively high value because of its demand for

specific hydrofracturing procedures, and the 20/40 fraction is relatively scarce in silica sand deposits elsewhere on the continent (Beckwith, 2011). Runkel and Steenberg (2012) synthesized grain size data from Ostrom (1971) and Thiel (1957) for the Jordan, Wonewoc, Mount Simon and St. Peter Formations from throughout Wisconsin; Figure 7.5 in the Preston APEX Report shows that:

- the St. Peter Formation sandstone has a relatively small percentage of 20/40 mesh sand and contains the highest proportion of sand finer than 100 mesh;
- the Wonewoc and Mount Simon Formation sandstones generally have a diminished coarser fraction compared to the Jordan; and
- the St. Peter, Jordan and Wonewoc have similar 40/70 mesh contents.

Despite the relatively finer grain size in comparison to the Jordan Formation, the Wonewoc Formation sandstone can be mined for multiple markets including those oil and gas hydrofracking plays that are asking for a smaller proportion of coarser grained silica sand (Brown, 2014).

Deposit Types

The best deposits of frac sand are characterized by super-mature marine shoreline sandstone deposits that have a long history of reworking, were never deeply buried, and underwent diagenesis that reduced or removed cements (Winfree, 1983; Dott et al., 1986; Dott, 2003). The depositional environment and factors to increase mineralogical maturity must include multiple cycles of mechanical reworking that enhance roundness, sphericity and sorting of grains (Benson and Wilson, 2015). The most prospective settings for the accumulation of mineralogical and mechanically competent frac sand, therefore, occur in marine shoreline, marine shoreface, marine intertidal and deltaic settings, and coastal aeolian environments (e.g., Winfree, 1983; Dott et al., 1986; Dott, 2003; Hickin et al., 2010). A well-documented example of a geological setting that has produced high-quality frac sand occurred during the Cambrian in central mid-continental North America (Minnesota, Wisconsin, and Iowa). This setting coincides with the Preston Facility areas, which are the focus of the Preston APEX Report. A general summary of Cambrian silica sand deposit type is presented in the following text.

The Cambrian Period was characterized by a major transgressive event that was bracketed between two ice ages, one during the late Proterozoic and the other during the Ordovician. With the retreat of Proterozoic ice, the sea level rose significantly, and extensive sequences of Cambrian marine sedimentary rocks (sandstone, shale and fossil-bearing limestone) show that much of the world was covered by shallow epeiric seaways. The North America Craton was almost completely drowned in Late Cambrian time by what came to be known as the Sauk transgression, and subsequently, the central mid-continent is characterized by a series of sedimentary rock depositional cycles known as the Sauk sequence (Sloss, 1963; Palmer, 1981).

The Precambrian surface had significant and variable relief prior to deposition of Sauk sedimentary rocks. In northern Wisconsin, the Wisconsin Dome (with its southward extending arch) and nearby regions of the Canadian Shield represented a vast upland area composed of Precambrian igneous and metamorphic rocks. In contrast to the Wisconsin dome upland, a broad lowland area named the Hollandale Embayment developed during the Upper Cambrian and extended across southeastern Minnesota and eastern Iowa, and was situated directly southwest of the Wisconsin Dome (Austin, 1969, 1970) (Figure 7.1). For long periods of time, broad positive features such as the Wisconsin Dome were subject to weathering and shed significant volumes of detrital sediment, including eroded Precambrian granite and metamorphic rock, and Late Precambrian Keweenawan volcanic rock to the Cambrian epeiric seaway and shorelines that covered the Hollandale Embayment.

The sand, silt and clay sized particles were carried by wind and in rivers across the cratonic interior to the oceanic shoreline where shallow ocean currents formed a texturally graded shelf (Runkel, 1998, 2007). On this shelf the coarsest sand, composed mostly of quartz grains, was deposited in shoreface deposits where currents were strongest. Finer-grained, feldspathic sand, silt and clay sized particles were carried seaward to deeper water. Fluctuations in sea level caused the shoreface settings to relocate resulting in quartzose sand being deposited for hundreds of miles/kilometres.

While the shoreface setting naturally modifies the textural maturity of the quartz grains, an advanced level of the super-mature Cambrian quartz grains in central mid-continental North America remains uncertain. The physical maturity of the Cambrian sands could not have been achieved solely by fluvial transport, but probably involves other factors such as:

- a long history of abrasion in marine conditions (Odom, 1975, 1978) along with wind abrasion, which is far more effective at rounding grains than abrasion in water (Dott et al., 1986); and
- chemical weathering in the cratonic interior, which is believed to have preferentially dissolved plagioclase and similarly unstable minerals, creating a source area that is dominated mineralogically by quartz (Morey, 1972; Runkel, 1998; Dott, 2003).

Much of the silica sand mining in central mid-continental North America occurs in the Driftless Area (Syverson and Colgan, 2004), which is defined as an area of Wisconsin that was untouched by the advance of the Wisconsin ice sheets (pre-35,000 to 10,000 years before present; Syverson and Colgan, 2004; Syverson and others, 2011) (Figure 7.1). Because the area is largely devoid of surficial deposits, the Cambrian silica sand strata is accessible to surface mining. In addition, post-glacial processes have resulted in the exposure of near-surface silica sand source units in incised terrains (e.g., rivers and hillsides) such that some silica sand deposits are amenable to surface and/or side-entry mining.

Lastly, geological models and concepts applied in the investigation of silica sand in Wisconsin generally involve: delineation of areas underlain by prospective rock units (i.e., Cambrian Mount Simon, Wonewoc and Jordan Formations; and the Ordovician St. Peter Formation); auger drilling or trenching to determine potential deposit dimensions and to obtain representative sample material for evaluation; and physical and chemical parameter testing of the sand unit to determine its potential for petro hydraulic fracturing applications. General proppant test parameters include sand size fraction percentages, roundness, sphericity, crush strength, and silica content. Standard measurement properties of proppants used in hydraulic fracturing and gravel-packing operations is defined in accordance with ISO 13503-2:2006/ Amd.1:2009E (International Standards, 2009).

Exploration

As part of preparation for the Preston APEX Report and a mineral resource estimate at the Preston Facility, the senior QP (on behalf of Source) collected 11 Wonewoc Formation silica sand samples from the open pit/excavation at the Preston Facility, and from archival auger return material from Preston Facility for density test work. The samples, and their sample locations, include:

- RE17-SES-BL001: top of current mine face;
- RE17-SES-BL002: base of current mine face;
- RE17-SES-BL003: archived sample from auger hole PSW 2-12 (86-91');
- RE17-SES-BL004: archived sample from auger hole PSW 1-12 (106-113');
- RE17-SES-BL005: archived sample from auger hole PSW 3-12 (115-118');
- RE17-SES-BL006: archived sample from auger hole PSW 3-12 (65-72');
- RE17-SES-BL007: archived sample from auger hole CSL 1-12 (111-116');
- RE17-SES-BL008: archived sample from auger hole PSW 1-12 (83.5-91');
- RE17-SES-BL009: archived sample from auger hole CSL 1-12 (81-93');
- RE17-SES-BL010: archived sample from auger hole PSW 3-12 (35-40'); and
- RE17-SES-BL011: archived sample from auger hole CSL 1-12 (66-71').

Bulk Density Test Work

The senior QP personally collected all 11 bulk Wonewoc Formation silica sand samples from the mine site and the archived auger drillhole sample inventory. The samples were labelled, bagged, tied, placed in a plastic bag and delivered personally to FracTAL in St. Paul, Minnesota. The samples were analyzed for bulk density measurements on July 31, 2017. Density measurements were conducted by the QPs because of the limited number of density test work results as conducted by Preferred Sands on the

Preston Facility, and to convert the volume of the Wonewoc Formation silica sand estimated in the Preston APEX Report to metric tonnes.

The results of the density analyses are presented in Table 9.1 and yielded minimum, maximum and average values of 1.57, 1.64 and 1.60 g/cm³, respectively. The results of the 11 density analyses can be assessed using the average percent relative standard deviation (also known as the % coefficient of variation or average RSD%); the results of the analyses yielded an average RSD% of 1.5%, which demonstrates the low overall variation in the density between these bulk silica sand samples.

The density measurements from the Preston Facility are slightly higher than those average density values that were collected and measured by the senior QP at Source's other Wisconsin Wonewoc Formation silica sand mines: Sumner Facility = 1.57 g/cm³ (n=13 samples; Eccles et al., 2015) and Blair Facility = 1.55 g/cm³ (n=12 samples; Eccles et al., 2017). Nevertheless, the bulk density value of 1.60 g/cm³ from the Preston Facility samples is realistic. Because Wonewoc is bulk mined at the Preston Facility, the bulk density value of 1.60 g/cm³ is used to convert the volumes to metric tonnes in the Preston APEX Report.

In addition to the bulk density samples (n=11), three bulk silica sand samples were taken from the 'bottom', 'middle' and 'top' portions of the Wonewoc Formation at the current mine face. The three samples were tested individually for their particle size distribution at FracTAL to see how the bulk sand gradation varies horizontally within the Wonewoc Formation at the Preston Facility. The results of this test work are presented in Figures 9.1 and 9.2 of the Preston APEX Report, which show the middle portion of the Wonewoc has a slightly higher modal abundance of coarse sand (particularly 35 and 45/60 fractions), while the bottom portion has slightly more abundant fine sand (particularly the 100/140 and pan fractions).

Table 9.1: Bulk Density Sample Results from Wonewoc Formation Samples Taken During the QP Site Visit to the Preston Facility.

SAMPLE ID	SAMPLE SITE	COLLAR COORDINATES				DENSITY (g/cm ³)	DENSITY (g/cm ³)
		EASTING (m)	NORTHING (m)	FROM (m)	TO (m)		
RE17-SES-BL001	Top portion of mine face	638688	4908279	/	/	99.5	1.59
RE17-SES-BL002	Bottom portion of mine face	638630	4908330	/	/	99.0	1.58
RE17-SES-BL003	Drillhole PSWB 2-12	639513	4908197	26.21	27.74	101.6	1.63
RE17-SES-BL004	Drillhole PSWB 1-12	639143	4908303	32.31	34.44	98.8	1.58
RE17-SES-BL005	Drillhole PSWB 3-12	639322	4908075	35.05	35.97	98.0	1.57
RE17-SES-BL006	Drillhole PSWB 3-12	639322	4908075	19.81	21.95	98.2	1.57
RE17-SES-BL007	Drillhole CSL 1-12	639789	4907851	33.83	35.36	100.4	1.61
RE17-SES-BL008	Drillhole PSWB 1-12	639143	4908303	25.45	27.74	102.8	1.64
RE17-SES-BL009	Drillhole CSL 1-12	639789	4907851	24.69	28.35	101.4	1.62
RE17-SES-BL010	Drillhole PSWB 3-12	639322	4908075	10.67	12.19	100.7	1.61
RE17-SES-BL011	Drillhole CSL 1-12	639789	4907851	20.12	21.64	100.5	1.61
						MINIMUM	98.0
						MAXIMUM	102.8
						AVERAGE	100.1
						STANDARD DEVIATION	1.5
						%RSD	1.5

Drilling

Historical drill programs were conducted at the Preston Facility in 2009, 2010 and 2012, and open pit excavations at the Preston Facility have been ongoing since 2011. This work, which was conducted by Winn Bay and Preferred Sands is considered historical and are therefore presented under “History”. Source has yet to conduct auger drill programs at the Preston Facility.

Sampling, Analysis, and Data Verification

Sample Preparation, Analyses and Security

Auger returns from the 2009, 2010 and 2012 auger test hole programs (all auger holes, n=25) were analyzed for particle size/gradation analysis. The drill cutting samples were recovered from the auger rigs air discharge exhaust by bagging representative handfuls of auger returns for approximately every 5 feet (1.5 m) of auger drilling. The samples were hand-mixed and sent for gradational test work. The samples were collected in plastic bags, sealed with duct tape and delivered to the laboratories for test work. In some instances (e.g., drillholes PSWB1-12, PSWB2-12, PSWB3-12 and CSL1-12), a sample split was collected for archival purposes; these samples were stored in a Sea-Can container at another Preferred Sands mine site near the Town of Bloomer, Wisconsin, which is located approximately 24.85 miles (40 km) north of the City of Eau Claire, Wisconsin.

All proppant characterization samples, as performed by Preferred Sands, were conducted on splits of final products. Consequently, the samples cannot be linked to any specific auger borehole or depth. Only the general comment can be made that the proppant characterization work was completed on bulk processed material from within the mine site.

A total of 391 samples from the Preston Facility were analyzed for particle size/gradation analysis. These data were used to form the 'assay' database for the resource estimation presented in the Preston APEX Report. The particle size/gradation analyses, including those samples that were collected by the senior QP, were analyzed by independent third-party consultants: American Engineering (Chippewa Falls, Wisconsin); AMEC (Mississauga, Ontario); FracTAL (Saint Paul, Minnesota and a subsidiary of Summit); PropTester (Cypress, Texas); and Stim-Lab (Duncan, Oklahoma). The laboratories are independent third-party consultants that include certified Professional Engineers and cite recognized ASTM specifications for laboratory preparation, analysis, and reporting (i.e., ISO 17025:2005 in North America offering ISO 13503-2, ISO13503-5, API RP19C, and API RP56 tests for sand, resin-coated sand, and engineered ceramic proppants).

The particle size/gradation analysis followed analytical procedures that generally included: drying the sample; sieving out the >8 mesh fraction; washing and drying the sample; and sieving the resulting sample using the sieve test procedure outlined in ASTM E11 (ASTM, 1995). The resulting sieve results are typically reported in the following mesh size fractions: 12 (1.820 mm), 16 (1.270 mm), 18 (1.080 mm), 20 (925 µm), 25 (775 µm), 30 (660 µm), 35 (550 µm), 40 (471 µm), 45 (396 µm), 50 (337 µm), 60 (283 µm), 70 (242 µm), 100 (174 µm), 140 (126 µm), 200 (91 µm) and Pan (or <91 µm).

Some of the gradational data in this dataset of 391 records are missing select mesh fractions, which can be summarized as follows:

- 137 analyses from the 2009 Winn Bay drillholes are missing the 12, 16, 45 and 60 mesh fractions;
- 108 analyses from the 2010 Winn Bay drillholes are missing the 12, 25, 35, 45 and 60, 100, 140 and 200 mesh fractions; and
- The gradation analysis from the 2012 Preferred Sands drillholes (n=146 analyses) comprise a complete set of mesh fractions as listed above.

In addition to the particle size/gradation analyses, a smaller subset of samples and their respective size fractions (n=7) was analyzed for proppant test work following the specifications of ISO 13503-2:2006/Amd.1:2009E (International Standards, 2009). This test work was conducted at PropTester (proppant characterization) and Stim-Lab (conductivity and permeability), the results of which are presented herein under "*Mineral Processing and Metallurgical Testing*".

In addition to this historical lab work, the senior QP coordinated the collection of 3 bulk silica sand samples from the 'bottom', 'middle' and 'top' portions of the Wonewoc Formation at the current mine face. The 3 samples were tested individually for their particle size distribution at FracTAL to see how the bulk sand gradation varies horizontally within the Wonewoc Formation at the Preston Facility. These 3 samples were then amalgamated, and three grain size fractions (20/40, 40/70 and 70/140) were selected for further test work at FracTAL.

With respect to proppant characterization test work at PropTester, the samples were dried, weighed and washed through a 200-mesh sieve. The sample retained on the sieve was then dried and reweighed. The percent loss was calculated from the material that washed through the sieve. The 20/40, 30/50, 40/70 and 50/140 size fractions were isolated for testing, which includes:

- bulk density: the unit mass of an untapped or unsettled proppant that will occupy a specific known volume; e.g., how many grams per cubic centimeter. Bulk density includes both the mass of the proppant and the mass of air occupying the interstitial spaces between proppant particles;
- sphericity and roundness ("Krumbein shape factors"): sphericity is the measure of how spherical a given proppant particle is. Roundness is the measure of the lack of sharp edges or angularity.

Proppants must be highly spherical and well-rounded to maximize interstitial space between adjacent proppant particles to allow passage of oil, gas, condensate, etc., through the proppant pack;

- acid solubility: a mass loss (gravimetric) test method that determines the degree of solubility of natural sand in a 12:3 blend of hydrochloric and hydrofluoric acids. The technique measures the resistance of potential proppant contaminants to acid attack, which may negatively affect proppant performance;
- turbidity: a method using transmittance or reflectance of light to measure the number of fines that are <200 mesh in diameter, including clay, silt, proppant fines, etc. A fixed mass of proppant is added to a fixed mass of deionized water, agitated, and the water is drawn off and measured in a turbidity meter; and
- crush resistance: a measurement of the strength of a mass of screened, fines-free dry proppant to force applied over a fixed cross-sectional area, providing an equivalent stress to the proppant under test. The mass of proppant introduced to the crush cylinder is a function of its bulk density and the specified loading of 4.0 pounds per cubic foot. The load is applied in a controlled rate and held at the final test stress level for 2.0 minutes. The mass is re-screened to determine the number of fines generated by the applied stress, and the highest stress attained without producing more than 10.0% fines is the "K Number". (e.g., if a Crush Resistance test yields 9.78% fines at 10,000 psi and 10.44% fines at 11,000 psi, the K Number (K=1000) of that proppant would be "10K," because the generated fines were below 10.0% at 10,000 psi (10K psi) and exceeded 10% at 11,000 psi).

The conductivity and permeability test work completed at Stim-Lab used the following methodology. The cells are loaded at 64 g and placed in the press with the closure pressure set to 500 psi. Two per cent potassium chloride (KCl) is flowed through the cell to saturate the proppant pack and remove any residual air. The internal pressure of the system is brought to 400 psi and checked for leakage. The closure pressure of the system is then set to 1400 psi (1,000 psi absolute stress). Flow is initiated through the cells and an initial room temperature conductivity reading is taken for each cell in the series. An initial absolute stress of 1,000 psi is applied for a minimum of 12 hours and a maximum of 24 hours at the required test temperature. Back pressure is maintained at 400 psi. After the initial stress of 1,000 psi and time is achieved, the stress is raised to 2,000 psi and maintained for 50 hours. Subsequent test stresses are raised in 2,000 psi increments at 100 psi/min. All subsequent test stresses are also maintained for 50 hours at the given stress. Conductivity is measured at 2,000, 4,000, 6,000, and 8,000 psi closure stress at 150°F. The raw data is monitored in real time saving one point every 10 seconds. The relevant data collected is as followed: Flow rate (mL/min), ΔP (psi), and temperature (°F). These are used with the conductivity equation to arrive at the calculated conductivity value. The permeability is calculated from the conductivity value and the width at the given time using the referenced equation: $\text{Conductivity } (kWf) = 26.78\mu Q/(\Delta P)$.

The laboratories that carried out the test work are independent laboratories. The analytical methods carried out by the laboratory is standard and routine in the field of silica sand and proppant characterization test work, and are pursuant to International Standard ISO 13503-2. The senior QP has reviewed the adequacy of the sample preparation, security and analytical procedures and found no significant issues or inconsistencies that would cause one to question the validity of the data.

A limitation of the current exploration database, however, is a general omission of Quality Assurance - Quality Control ("QA-QC") work. In 2009, Winn Bay conducted duplicate grain size sieve analysis on 3 separate sample splits from drillholes B1, B4 and B6 at AMEC. A comparison between the 3 separate duplicate analyses is presented in Figure 12.1 of the Preston APEX Report and can be described as having good to excellent correlation. The 3 duplicate analyses can also be assessed using the RSD%. Except for the pan (i.e., -200 mesh) and the +20 mesh fractions, which are end-run sieves and can therefore comprise various sized materials, the comparative duplicate analysis yielded an average RSD% of 8.1%. As an estimate of precision/reproducibility of the analytical results, RSD% values below 30% indicate very good data quality.

Data Verification

The drilling, logging, sampling and test work processes employed during the 2009, 2010 and 2012 auger test drilling and sampling programs was conducted by independent, recognized and established third-party consultants (e.g., Boart). It is not known who was contracted to drill the Winn Bay drillholes. Regardless of year or contractor, the auger programs generally adopted the same auger methodology. Truck-mounted air rotary auger rigs were used to drill vertical (-90°) auger holes with zero orientations. The diameter of the auger stem was generally 6 inches (15 cm).

Data verification procedures applied by the QP include reviewing the original hardcopy drillers notes, drill logs and laboratory certificates; and comparing this information against the electronic datasets. Any inconsistencies between the drill logs and analytical data were flagged and reviewed. Four data records had negative values; and 3 samples were collected from intervals with unspecified geology. Accordingly, these 7 data records were removed from the assay dataset that was used in the resource estimations. In addition to reviewing the datasets, the QP was able to connect and discuss the exploration program completed by Preferred Sands with their company geologist. The QP was unable to connect with the original Winn Bay property owners.

A limitation of the data verification process is that the QP was not present at the time of the drilling or sample collection. However, it is the opinion of the Senior QP, that the auger programs and auger return material provides sufficient material to assess the Wonewoc Formation at the Preston Facility. Hence, the historical auger program results are relevant and fitting to be used for geological and resource estimate modelling in the Preston APEX Report.

With respect to proppant characterization, PropTester and Stim-Lab are independent laboratories and accredited to ISO 17025:2005 in North America offering all ISO 13503-2, ISO13503-5, API RP19C, and API RP56 tests for sand, resin-coated sand, and engineered ceramic proppants. While data from these laboratories is generally acceptable, it is the senior QP's experience that very little to no QA-QC work has been conducted on the Cambrian silica sand units - throughout Wisconsin - due to the lateral continuity of the formations, both stratigraphically and with respect to their proppant quality. Having said this, a comparison of the three duplicate samples tested by Winn Bay from auger drillholes B1, B4 and B6 shows that the uniformity of the grain size distribution between the duplicate samples is good to excellent.

The QPs have reviewed all geotechnical and geochemical data and the senior QP has found no significant issues or inconsistencies that would cause one to question the validity of the data. The hardcopy review (i.e., original source of information review) conducted by the senior QP confirmed that the data was generated with proper procedures, has been accurately transcribed from the original source and is suitable for use in the Preston APEX Report. Lastly based on previous experience with the Wonewoc Formation silica sand in Barron and Trempealeau counties (Eccles et al., 2015, 2017), and the senior QP's research of silica sand sampling and analytical protocols, the senior QP is satisfied to include these data in resource modelling, evaluation, and estimations as part of the Preston Facility Indicated and Inferred Silica (Frac) Sand Resource estimate presented in the Preston APEX Report.

Mineral Processing and Metallurgical Testing

International Standards ISO 13503-2:2006/Amd.1:2009E provides the specifications for the measurement of properties of proppants used in hydraulic fracturing operations. Paleozoic age bedrock layers of quartzose sandstone in the central mid-continent of North America are known as some of the most mineralogically pure sandstone on Earth with greater than 95% of the sand grains consisting of silicon dioxide (SiO₂). Whole rock chemical analysis (x-ray fluorescence) of the Wonewoc Formation sandstone, which was conducted by the Department of Natural Resources (Brown, 2012), shows the Wonewoc silica sand consists of: 99.20-99.70% silicon dioxide (SiO₂). Consequently, the Wonewoc Formation is known for having few deleterious minerals.

To test this theory, the overall strength of the sand is directly related to its high SiO₂ content, and Preferred Sands has conducted proppant test work on a total of 4 samples from the Preston Facility.

These samples were analyzed at PropTester. In addition, three samples of various size fractions from drillhole PSWB1-12 were analyzed at Stim-Lab for conductivity and permeability. All PropTester samples were collected as finished sand products; consequently, it is not known which drillhole or stratigraphic depth the samples come from (only that the samples represent the bulk mining process). Lastly, a single amalgamated sample from the entire active mine face was collected during the senior QP's site visit; this sample was analyzed for proppant characterization test work at FracTAL.

Fracturing Proppant Sizes

The size fractions tested includes: 20/40, 30/50, 40/70 and 50/140 (or 100 mesh). The results of the proppant characterization test work are summarized in Table 13.1 and in the following text. The results of the proppant conductivity and permeability measurements are presented in Figure 13.1 of the Preston APEX Report.

Table 13.1: Summary of Proppant Characterization Test Work Completed at the Preston Facility.

A. Proppant Test Work Conducted by Preferred Sands

SAMPLE ID	LABORATORY	GRAIN SIZE FRACTION	DATE	REPORTED	BULK DENSITY (g/cm ³)	KRUMBEIN SHAPE FACTOR	KRUMBEIN SHAPE FACTOR	MEAN PARTICAL DIAMETER (mm)	MEDIAN PARTICAL DIAMETER (mm)	CRUSH RESISTANCE (to 10% psi) ⁽¹⁾										ACID SOLUBILITY (12.3 HCL-HF)	TURBIDITY TEST (FTU) ⁽²⁾
										4,000 (psi)	5,000 (psi)	6,000 (psi)	7,000 (psi)	8,000 (psi)	9,000 (psi)	10,000 (psi)	11,000 (psi)	12,000 (psi)	13,000 (psi)		
800-13-03-24-02	PropTester	30/50	25-Mar-13		1.53	0.70	0.70	0.459	0.45	/	/	/	/	9.61	12.09	/	/	/	/	1.20	34.00
800-13-03-24-02	PropTester	40/70	25-Mar-13		1.53	0.70	0.70	0.33	0.33	/	/	/	/	/	9.57	11.26	/	/	/	1.60	36.00
800-12-04-24-02	PropTester	50/140	23-Apr-12		1.54	0.80	0.80	0.22	0.21	/	/	/	/	/	/	/	/	4.70	11.20	1.20	32.00
		(100 mesh)																			
100-12-06-34-36	PropTester	20/40	27-Jun-12	/	/	/	/	/	/	/	/	/	8.80	11.60	/	/	/	/	/	/	/

B. Proppant Test Work Conducted by Source (Associated with July 2017 Qualified Person Site Inspection).

SAMPLE ID	LABORATORY	GRAIN SIZE FRACTION	DATE	REPORTED	BULK DENSITY (g/cm ³)	KRUMBEIN SHAPE FACTOR	KRUMBEIN SHAPE FACTOR	MEAN PARTICAL DIAMETER (mm)	MEDIAN PARTICAL DIAMETER (mm)	CRUSH RESISTANCE (to 10% psi) ⁽¹⁾										ACID SOLUBILITY (12.3 HCL-HF)	TURBIDITY TEST (FTU) ⁽²⁾
										4,000 (psi)	5,000 (psi)	6,000 (psi)	7,000 (psi)	8,000 (psi)	9,000 (psi)	10,000 (psi)	11,000 (psi)	12,000 (psi)	13,000 (psi)		
RE17-SES-BL012	FracTAL	20/40	08-Aug-17		1.51	0.80	0.80	0.54	0.52	/	/	9.80	13.60	/	/	/	/	/	/	0.20	43.00
RE17-SES-BL012	FracTAL	40/70	08-Aug-17		1.48	0.80	0.70	0.32	0.32	/	/	/	/	9.30	12.10	/	/	/	/	0.40	30.00
RE17-SES-BL012	FracTAL	70/140	08-Aug-17		1.45	0.80	0.70	0.23	0.24	/	/	/	/	/	7.90	10.10	/	/	/	0.40	40.00

Notes:

- (1) PSI is pounds per square inch
- (2) NTU = nephelometric turbidity unit; FTU = formazine turbidity unit
- (3) (highlighted in gray) Highest stress level in which the proppant generates no more than 10% crushed material, rounded to the nearest 1,000psi (or K-value)

International standards for proppant specification (ISO 13503-2; 2009-11-01)

- Average sphericity of 0.6 or greater
- Average roundness of 0.6 or greater
- Maximum acid solubility of grains <30/50 is 3.0% and for grains ≥30/50 is 2.0%
- Turbidity shall not exceed 250 NTU (FTU)

Sphericity and Roundness

Sphericity is a measure of how close the grain is to a sphere, and roundness is a measure of the relative sharpness of grain corners. ISO 13503-2:2006/Amd.1:2009E states that sphericity and roundness for proppant is 0.6 or greater, and recommends sphericity and roundness for high-strength proppant is 0.7 or greater.

Three sample fractions were analyzed for Krumbein shape factors at PropTester (Table 13.1). The 30/50, 40/70 and 50/140 fractions all have sphericity shape factors of greater than 0.7 meeting the criteria for high-strength proppant; the 50/140 fraction as roundness and sphericity measurements of 0.8.

A single sample collected by the senior QP that is representative of the active mine face was analyzed for Krumbein Shape Factors within the 20/40, 40/70 and 70/140 size fractions at FracTAL. These fractions have a roundness of 0.8 (all three fractions), and sphericities of 0.7 (40/70 and 70/140 fractions) and 0.8 (20/40 fraction), both of which meet the criteria for high-strength proppant.

Acid Solubility

Acid solubility provides an indication of the number of undesirable contaminants in a sand sample by determining its solubility when soaked in a hydrochloric-hydrofluoric acid (HCL-HFL) solution. ISO 13503-2:2006/Amd.1:2009E states that the acid soluble material in proppants shall not exceed 2.0 and 3.0 for proppant larger than or equal to the 30/50 and smaller than 30/50 mesh fractions, respectively.

Three samples, which included 30/50, 40/70 and 50/140 size fractions, from the Preston Facility were tested at PropTester (Table 13.1). Acid solubility results of less than 1.60 met the acid solubility ISO specification.

A single sample collected by the senior QP that is representative of the active mine face was analyzed for acid solubility within the 20/40, 40/70 and 70/140 size fractions at FracTAL. This sample has a 20/40, 30/50 and 40/70 fractions that satisfy the acid solubility ISO specification (i.e., 0.4 for proppant larger than or equal to 30/50, and 0.2 for proppant smaller than 30/50 mesh fractions).

Maximum Proppant Turbidity

Turbidity is the measurement of the amount of clay and silt sized particles contained in sand sample by placing it in water and measuring the overall turbidity of the liquid. ISO 13503-2:2006/Amd.1:2009E states that the turbidity of all fracturing proppants shall not exceed 250 nephelometric turbidity units (NTU).

A single sample collected by the senior QP that is representative of the active mine face was analyzed for turbidity within the 20/40, 40/70 and 70/140 size fractions at FracTAL. All Preston Facility samples (n=3 from Preferred Sands and n=3 from the QP sample) easily satisfy this specification with turbidities of <43 NTU (Table 13.1).

Maximum Crush Material

Crush resistance is determined by subjecting a sand sample to specific pressures for a designated amount of time and measuring the resulting number of fines (percent by weight). As per ISO 13503-2:2006/Amd.1:2009E, determination of the highest stress level at which proppant generates no more than 10% crushed material, rounded down to the nearest 6.9 MPa (1,000 psi), represents the maximum stress that the material can withstand without exceeding 10% crush (International Standards, 2009).

The crush resistance, “k” value for the various size fractions from the Preston Facility (Table 13.1) include:

- (a) the 20/40 fractions resulted in a 6k-7k crush resistance (n=2 sample fractions);
- (b) the 30/50 fractions resulted in an 8k crush resistance (n=1 sample fractions);
- (c) the 40/70 fractions resulted in an 8k-9k crush resistance (n=2 sample fractions);
- (d) the 50/140 (100 mesh) fraction resulted in 12k crush resistance (n=1 sample fractions); and

(e) The 70/140 fraction resulted in an 9k crush resistance (n=1 sample fractions).

A single sample collected by the senior QP that is representative of the active mine face was analyzed for turbidity within the 20/40, 40/70 and 70/140 size fractions at FracTAL. Results of this testing yielded 6k, 8k and 9k crush resistance for the 20/40, 40/70 and 70/140 size fractions, respectively. The fine 70/140 fraction nearly yielded a higher crush resistance of 10k (i.e., was 10.4% at 10k).

These “k” values are typical for Cambrian Wonewoc Formation sandstone in western Wisconsin. For example, Brown (2012) cited 20/40, 30/50 and 40/70 crush resistance values of 6k, 7k and 10k, respectively. All fractions meet this general comparison. Because the overall strength of the sand correlates directly with high SiO₂ content, the Wonewoc Formation at the Preston Facility has a negligible amount of deleterious minerals.

Conductivity and Permeability

Long-term conductivity is a measure of the hydraulic fracture’s ability to allow flow. Long-term permeability is a measure of a porous medium’s ability to flow measured in Darcys, or fractions. Proppant slurries are pumped into the induced fracture to keep it open so that the hydrocarbon production from the well can be significantly enhanced. Consequently, the conductivity and permeability of the carried proppant is of importance as it provides the long-term conductivity of the fracture and the pore space for the oil/gas to flow.

The long-term conductivity and permeability tests in Figure 13.1 of the Preston APEX Report show how the proppant might react to propping open the fracture space over increasingly higher stress. For example, at a closure pressure of 2,000 and 8,000 psi, the 20/40 sand conductivities of 4,252 and 838 mD-ft respectively, which represents a 19.7% loss in conductivity over this pressure interval. Permeability variation in this same interval has a 21.4% loss in permeability.

The long-term conductivity and permeability of the Preston Facility sand is equivalent or better to Wisconsin proppant sand as viewed by the senior QP in marketing material made publicly available by several Wisconsin-based proppant companies (e.g., Badger Mining Corp., 2017; Hi-Crush Partners LP, 2017; U.S. Silica Holdings, Inc., 2017). However, it is worth pointing out to the reader that to properly utilize long-term conductivity data to compare proppant technologies (either to select a proppant or to determine if proppants are interchangeable), one needs to be sure that they understand the potential effects of differences in the way the data is collected and presented.

Mineral Resource Estimates

Statistical analysis, 3-D modeling and resource estimation was prepared by Mr. Black, M.Sc. P. Geo., under the direct supervision of Mr. Eccles, who is a Qualified Person as defined by NI 43-101 and is the senior author of the Preston APEX Report. Mineral resource modelling and estimation was carried out using a 3-D block model based on geostatistical applications using commercial mine planning software MICROMINE (v20.5).

The resource has been estimated within a 3-D geological model of the Wonewoc Formation. The upper contact of Wonewoc Formation is either in contact with the overlying Tunnel City Group or Pleistocene surficial deposits, or has been cut by the topography surface defined by 3.3 feet (1 m) resolution LiDar data. The resource is calculated using a block model with a size of 164 feet by 164 feet (50 m by 50 m) in the horizontal directions and 9.84 feet (3 m) in the vertical direction. Each parent block is sub-blocked to a size of 32.8 feet by 32.8 feet (10 m by 10 m) in the horizontal directions and 3.3 feet (1 m) in the vertical direction. The size fractions of interest are estimated at each parent block using inverse distance squared. A nominal density of 1.60 g/cm³ is applied to all Wonewoc blocks, which was based on 11 representative density samples of Wonewoc Formation from the Preston Facility. The inferred resource is constrained within the Wonewoc Formation, and to a depth of 181.69 feet (55.38 m) below surface.

Using a lower cutoff of the +70 sand fractions being greater than 60% in total abundance, the Preston Indicated and Inferred Silica (Frac) Sand Resource estimate predicts total (i.e., global) resources of:

- 7.29 million short tons (6.61 million metric tonnes) of silica sand of indicated classification; and
- 35.27 million short tons (31.99 million metric tonnes) of silica sand of inferred classification;

is present at the Preston Facility (Tables 14.5 and 14.6). Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no guarantee that all or any part of the Mineral Resource will be converted into a Mineral Reserve.

The open pit mining of the Preston Facility, which includes open pit mine cuts, mine infrastructure and reclaimed areas, is located within the Indicated Mineral Resource area, and therefore, lends credibility to its economic viability. These areas, which represent previously mined out Wonewoc Formation sandstone, have been excluded from the Preston Facility Indicated Silica (Frac) Sand Resource estimate presented in the Preston APEX Report.

The Preston Facility Indicated and Inferred Silica (Frac) Sand Resource estimates in Tables 14.5 and 14.6 are also presented in selected proppant size fraction distributions of 20/40, 30/50, 40/70, 70/140 and 50/140 mesh. The estimated tonnages of the individual fractions are as follows:

Indicated Mineral Resource:

- 20/40 mesh fraction: 2.22 million short tons (2.01 million metric tonnes);
- 30/50 mesh fraction: 3.05 million short tons (2.77 million metric tonnes);
- 40/70 mesh fraction: 2.80 million short tons (2.54 million metric tonnes);
- 70/140 mesh fraction: 1.40 million short tons (1.27 million metric tonnes); and
- 50/140 mesh fraction: 2.63 million short tons (2.38 million metric tonnes).

Inferred Mineral Resource:

- 20/40 mesh fraction: 11.17 million short tons (10.13 million metric tonnes);
- 30/50 mesh fraction: 14.99 million short tons (13.60 million metric tonnes);
- 40/70 mesh fraction: 13.20 million short tons (11.97 million metric tonnes);
- 70/140 mesh fraction: 5.89 million short tons (5.34 million metric tonnes); and
- 50/140 mesh fraction: 11.74 million short tons (10.65 million metric tonnes).

Table 14.5: The 2025 Preston Facility Indicated Silica (Frac) Sand Resource Estimate. The bold highlighted main Preston Facility Indicated Silica (Frac) Sand Resource Estimate is reported for the Wonewoc Formation as a total (global) volume and tonnage using a nominal bulk density of 1.60 g/cm³ and a cutoff of the +70 sand fractions being greater than 60%. The Table also presents selected proppant size distributions of 20/40, 30/50, 40/70, 70/140 and 50/140 mesh.

CLASSIFICATION	SIZE FRACTION	VOLUME (m ³)	TONNES (1,000 kg)	TONS (907.2 kg)
Wonewoc Formation Indicated Mineral Resource Estimation	20/40	1,260,000	2,010,000	2,220,000
	30/50	1,730,000	2,770,000	3,050,000
	40/70	1,590,000	2,540,000	2,800,000
	70/140	790,000	1,270,000	1,400,000
	50/140	1,490,000	2,380,000	2,630,000
INDICATED TOTAL		4,130,000	6,610,000	7,290,000

Note 1: Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no guarantee that all or any part of the Mineral Resource will be converted into a Mineral Reserve. The estimate of Mineral Resources may be materially affected by metallurgical, geological, environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues.

Note 2: The weights are reported in metric tonnes (1,000 kg or 2,204.6 lbs) and United States short tons (2,000 lbs or 907.2 kg).

Note 3: Numbers may not add up due to rounding of the resource values percentages (rounded to the nearest 10,000 units).

Note 4: The product size fractions overlap and are not cumulative.

Note 5: The 'total' volume and weights are estimated on a global basis and represent the main Preston Facility Indicated Silica (Frac) Sand Resource.

Note 6: The Preston Facility estimation of the individual sieve size fractions was completed and reported using a cutoff of the +70 sand fractions being greater than 60%.

Note 7: Densities used: Wonewoc Formation (1.60 g/cm³; Preston APEX Report); Surficial deposits (1.37 g/cm³; from Eccles et al., 2015); Tunnel City Group (1.57 g/cm³; from Eccles et al., 2015). Bulk densities are utilized to convert volume (cubic metres) to tonnages.

Table 14.6: The 2025 Preston Facility Inferred Silica (Frac) Sand Resource. The bold highlighted main Preston Facility Inferred Silica (Frac) Sand Resource is reported for the Wonewoc Formation as a total (global) volume and tonnage using a nominal bulk density of 1.60 g/cm³ and a cutoff of the +70 sand fractions being greater than 60%. The Table also presents selected proppant size distributions of 20/40, 30/50, 40/70, 70/140 and 50/140 mesh.

CLASSIFICATION	SIZE FRACTION	VOLUME (m ³)	TONNES (1,000 kg)	TONS (907.2 kg)
Wonewoc Formation Inferred Mineral Resource Estimation	20/40	6,330,000	10,130,000	11,170,000
	30/50	8,500,000	13,600,000	14,990,000
	40/70	7,480,000	11,970,000	13,200,000
	70/140	3,340,000	5,340,000	5,890,000
	50/140	6,660,000	10,650,000	11,740,000
INFERRED TOTAL		20,000,000	31,990,000	35,270,000

Note 1: Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no guarantee that all or any part of the Mineral Resource will be converted into a Mineral Reserve. The estimate of mineral resources may be materially affected by metallurgical, geological, environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues.

Note 2: The weights are reported in metric tonnes (1,000 kg or 2,204.6 lbs) and United States short tons (2,000 lbs or 907.2 kg).

Note 3: Numbers may not add up due to rounding of the resource values percentages (rounded to the nearest 10,000 units).

Note 4: The product size fractions overlap and are not cumulative.

Note 5: The 'total' volume and weights are estimated on a global basis and represent the main Preston Facility Inferred Silica (Frac) Sand Resource.

Note 6: The Preston estimation of the individual sieve size fractions was completed and reported using a cutoff of the +70 sand fractions being greater than 60%.

Note 7: Densities used: Wonewoc Formation (1.60 g/cm³; Preston APEX Report); Surficial deposits (1.37 g/cm³; from Eccles et al., 2015); Tunnel City Group (1.57 g/cm³; from Eccles et al., 2015). Bulk densities are utilized to convert volume (cubic metres) to tonnages.

The Preston 2025 Indicated and Inferred Silica Sand Resource, which is focused on the Wonewoc Formation, is overlain by, or intercalated with the following waste rock:

- 9.33 million short tons (8.46 million metric tonnes) of Pleistocene surficial deposits and/or Tunnel City Group sedimentary rocks.

- 6.78 million short tons (6.15 million metric tonnes) of waste Wonewoc Formation, defined as Wonewoc sand that did not satisfy the cutoff of +70 sand fractions being greater than 60% in total abundance.

Other Considerations and Uncertainties

With respect to uncertainty in the Mineral Resource estimations, during the validation process, the QPs noted there is some local over and under estimation. This is due to the limited number of sample points available for the estimation, and is therefore, an expected result. It is concluded that overall, the estimated block size fractions compare well with the composite size fractions. In addition, multiple sources of uncertainty in the variography are present. Sources of uncertainty are related to: drilling being preferentially completed along a direction of Azimuth 118° to 298°; cyclicity within the various size fractions (common in geological settings with a repeated deposition cycle); and the data density relative to the interpreted range of spatial correlation for each size fraction is insufficient to confidently resolve the variogram. These uncertainties make it difficult to model the individual size fractions spatial continuity with confidence. Considering the available data, the QPs are confident in the quality of the Mineral Resource estimate.

Additional auger drilling is required in the Preston Facility Silica (Frac) Sand Resource area where there are gaps in APEX's geological data model, and it is expected that overburden would increase in overall volume in comparison to the estimate provided in the Preston APEX Report. Accordingly, the reader is cautioned that additional auger drill testing to advance the number of data and understanding of the Wonewoc Formation – particularly in the Inferred Preston Silica Sand Resource area – will result in improved resource estimations.

Mining Methods

Introduction

The Preston Facility is an existing surface mining operation that has been continuously operated since 2011. See Section 14 of the Preston APEX Report to review the Preston Facility Indicated and Inferred Silica (Frac) Sand Resource estimates. Figure 16.1 provides an overview of the Preston Facility mine infrastructure including processing facilities, storage areas, waste areas, and other significant infrastructure features. A summary of the proposed 3-year mine plan at the Preston Facility is presented in Figure 16.2.

Silica sand is liberated from the Wonewoc Formation sandstone to the extent practical using medium-sized earthmoving equipment and conventional surface mining techniques.

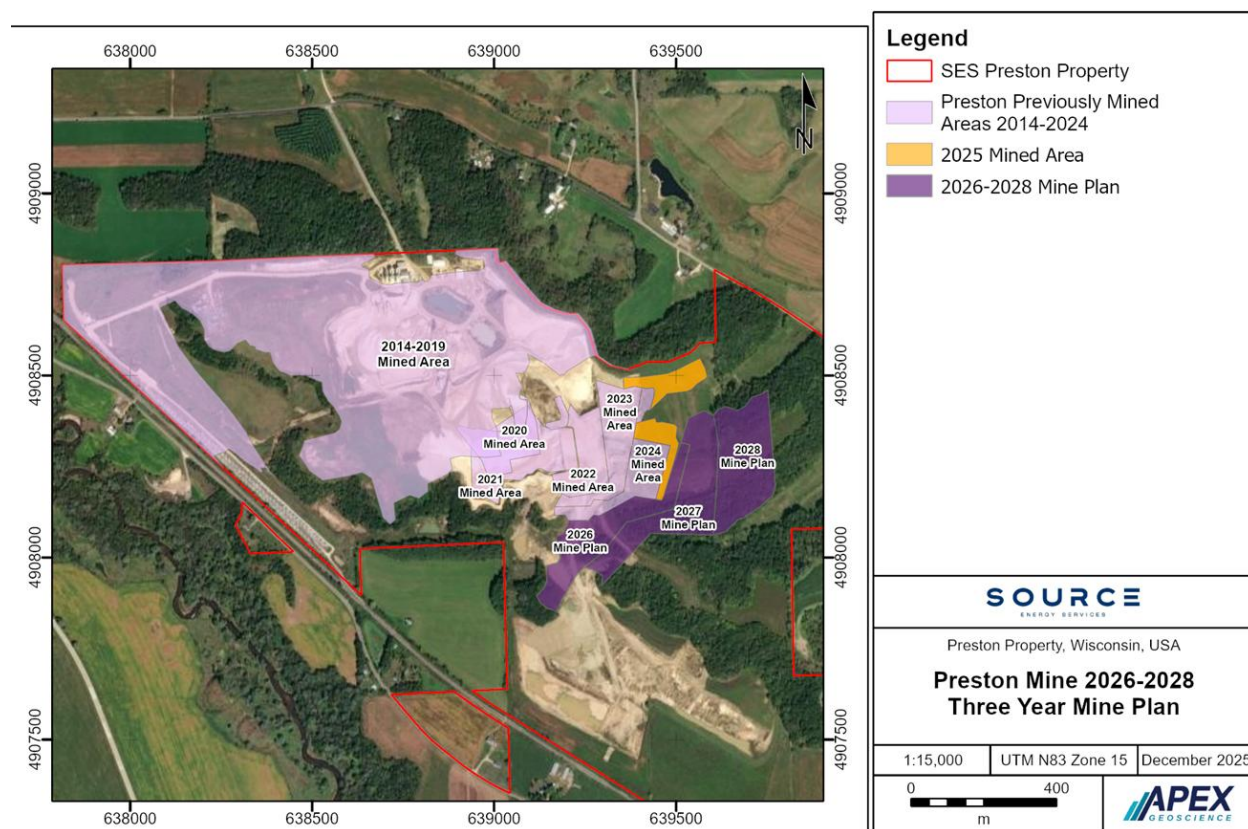
Table 16.1. Historical 2014 to 2025 production of ROM sand from the Preston Facility is 22.49 million short tons (20.41 million metric tonnes).

YEAR	Short Tons ('000)		Metric Tonnes ('000)	
	ROM PRODUCTION	FINISHED PRODUCT	ROM PRODUCTION	FINISHED PRODUCT
2014	1,766	1,001	1,603	908
2015	1,978	921	1,795	836
2016	1,781	689	1,616	625
2017	1,466	945	1,330	858
2018	2,012	783	1,826	711
2019	2,086	785	1,893	712
2020	1,985	645	1,801	586
2021	1,572	659	1,426	598
2022	1,728	645	1,568	585
2023	2,433	735	2,208	667
2024	1,918	871	1,740	790
2025	1,769	831	1,605	754
TOTAL	22,494	9,510	20,412	8,630

Figure 16.1: Overview of the Significant Infrastructure at the Preston Facility Mine Site. The illustration includes the location of the active mining area, wet and dry processing facilities, product storage areas, waste storage areas, reclamation areas, rail loading terminal, rail car holding yard and proposed direction of future surface mining.



Figure 16.2: Three-Year Mine Plan at the Preston Facility.



As Source has only recently taken over the Preston Facility, it is not possible to provide a definitive statement on expected mine life. Based on historical production rates and the mineral resources reported herein, it is possible that the Preston Facility could continue at the current operational capacity for over 20 years; however, Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. As such, there is no guarantee that all or any part of the Mineral Resource will be extracted by Source.

Mining Operations

Within the boundaries of the Preston Facility, the Wonewoc Formation generally exhibits a shallow depth, flat attitude, and consistent thickness. These characteristics favor conventional surface mining techniques. Since the target sandstone formation does not extend below the water table, the quarry is “dry mined” using truck and shovel mining methods. Mining occurs on a single bench which exposes the entire thickness of the target sandstone stratum.

Surface mining operations at the Preston Facility generally consist of the following steps:

1. **Overburden/Waste Removal** – The target Wonewoc Formation is generally overlain by a thin layer of overburden material generally consisting of soils – topsoil (A-horizon) and subsoil (B-horizon) – which must be removed prior to excavation of the sand. In elevated portions of the Preston Facility, the Tunnel City Group overlies the Wonewoc Formation and must also be removed prior to excavation of the sand. The overburden is generally left in place as long as practical in order to minimize soil erosion and contain potential storm water run-off. The soil A- and B-horizons are stripped separately and stored in areas of future mining for use in final reclamation. Once the soils are removed, any remaining overburden is excavated and used for mine reclamation and pit backfilling.

2. Sandstone Excavation – Once the overburden has been removed, the sand can be excavated. At the Preston Facility, the Wonewoc Formation is cemented (sandstone); therefore, drilling and blasting is required to liberate the sand for removal and processing. Drilling, loading, and detonation of the blast holes is performed by certified outside contractors. The blasted material is bulk-loaded onto haul trucks and transported to the nearby crusher plant for further processing.
3. Reclamation – Post-mining rehabilitation of the disturbed land is required under Wisconsin Administration Code NR 135 (see Section 4.4 of the Preston APEX Report). The reclamation procedure at the Preston Facility occurs concurrently with mining (as space allows) and adheres to the following general plan:
 - (a) Earthwork moving and grading of finer sand, silt, and mudstone that has been separated during the washing process is conducted to mimic the original topography of the land.
 - (b) This base is followed by placement of B-horizon subsoil.
 - (c) The B-horizon subsoil is overlain by the A-horizon topsoil to complete the reclamation plan.
 - (d) Following site grading, fertilizer and seed mix are sown in accordance with the State of Wisconsin Department of Transportation Standards. The steps are to follow Best Management Practices and Technical Standards as specified by the Wisconsin Department of Natural Resources.

Mining operations at the Preston Facility are generally scheduled to provide sufficient feed material for the wet processing plant which does not run during the coldest winter months. As such, full-time mining operations are typically conducted from March through November (weather pending).

Engineering and Planning

In commercial mining terms, the quantities of overburden waste and sand mined each year at the Preston Facility operation are considered modest. Mine engineering and planning requirements for the chosen mining method, under expected operating conditions, should not prove overly onerous.

The primary mine planning consideration is the safe, economical, and regular supply of raw sand feed to the wet processing plant during its operating season. Overburden removal and reclamation activities are accomplished as required and do not appear to hinder sand mining to any appreciable degree. Large stockpiling capacity at the crushing plant can help alleviate ROM sand supply fluctuations caused by minor disruptions in mining activities. Additional stockpiling in-pit may also be available.

Geotechnically, the Wonewoc Formation sandstone is relatively competent such that slumping or collapsing has not been a detriment to the mining process. Mining benches are typically less than 40 feet (12.19 m) in height and have wall angles of less than 70 degrees.

Excessive inflow of water into the pit is not expected. As such, dewatering before or during mining activities should be manageable with drainage ditches and sumps. On-site water ponds can be used to hold any excessive ground or storm water.

Recovery Methods

Processing operations located on the Preston Facility wash, dry, and sort/size the ROM sand to yield a product that is of sufficient quality for hydraulic fracturing (i.e., frac sand).

Generally, this process includes:

1. Crushing the ROM sandstone to manageable sizes for the wet processing plant, without causing damage to the individual grains within the rock.
2. Separating the crushed ROM material by size, shape, and density – thereby removing contaminants – in the wet processing plant. The wet processing plant generally produces 8/50 and 40/70 sized work-in-process (WIP) material.

3. Drying and further sorting the wet plant work-in-process (WIP) material in the dry processing plant. The dry processing plant typically produces 20/40, 30/50, 40/70, and 100 (70/140) mesh products.

To accomplish these tasks at the Preston Facility, the major processing assets consist of the following:

- crushing plant;
- wet processing plant with a nameplate capacity of 450 short tph (approximately 408 metric tonnes per hour); and
- dry processing plant with a nameplate capacity of 180 short tph (approximately 163 metric tonnes per hour).

Operation of the crushing/wet processing plant is weather dependent and generally runs from March through November. The dry processing plant operates year-round. During their respective operating seasons, the processing facilities operate 24 hours a day.

Quality control measures, including laboratory sampling, are in place at various stages throughout the wet and dry processing operations.

Historical 2014-2025 production from the Preston Facility's processing plants is reported to include production of over 9.51 million short tons (approximately 8.63 million metric tonnes) of finished product consisting of 20/40, 30/50, 40/70, and 100 (70/140) frac sands (Table 17.1).

Table 18.1: Historical (2014-2025) Wet Plant and Dry Plant Production from the Preston Facility.

A. Wet Plant

YEAR	Short Tons ('000)			Metric Tonnes ('000)		
	WET PLANT FEED	WIP PRODUCT	WET PLANT YIELD (%)	WET PLANT FEED	WIP PRODUCT	WET PLANT YIELD (%)
2014	1,782	1,104	62%	1,617	1,002	62%
2015	1,858	1,393	75%	1,686	1,264	75%
2016	1,891	1,217	64%	1,716	1,104	64%
2017	1,920	1,124	59%	1,742	1,020	59%
2018	2,115	1,101	52%	1,919	999	52%
2019	2,128	1,051	49%	1,931	954	49%
2020	2,004	883	44%	1,818	801	44%
2021	1,842	879	48%	1,672	798	48%
2022	1,774	879	50%	1,610	798	50%
2023	2,405	1,227	51%	2,182	1,113	51%
2024	1,908	1,183	62%	1,731	1,074	62%
2025	1,759	1,091	62%	1,596	990	62%
TOTAL	23,386	13,132	56%	21,221	11,917	56%

B. Dry Plant

YEAR	Short Tons ('000)			Metric Tonnes ('000)		
	DRY PLANT FEED	WIP PRODUCT	DRY PLANT YIELD (%)	DRY PLANT FEED	WIP PRODUCT	DRY PLANT YIELD (%)
2014	1,160	1,001	86%	1,053	908	86%
2015	1,144	921	81%	1,038	836	81%
2016	939	689	73%	852	625	73%
2017	1,218	945	78%	1,105	858	78%
2018	1,151	783	68%	1,044	711	68%
2019	1,238	785	63%	1,124	712	63%
2020	1,008	645	64%	915	586	64%
2021	1,032	659	64%	936	598	64%
2022	936	645	69%	849	585	69%
2023	1,159	735	63%	1,052	667	63%
2024	1,307	871	67%	1,186	790	67%
2025	1,199	831	69%	1,088	754	69%
TOTAL	13,491	9,510	70%	12,243	8,630	70%

Project Infrastructure

Being an existing, standalone mining operation, all project infrastructure is in place at the Preston Facility including, utilities, pipelines, crushing and conveying facilities, wet and dry processing facilities, office and maintenance facilities, and roads.

Beyond the processing facilities, which are described in “*Recovery Methods*”, other key infrastructure at the Preston Facility include:

- six storage silos store up to 15,000 short tons (approximately 13,600 metric tonnes) of sand products between four 3,000-ton silos and two 1,500-ton silos;
- four conveyors, which operate in a single continuous line, carry the sand a total of 2,250 feet (686 m) from the dry processing plant to the rail loading facility;
- rail loading facility, which has the capacity to load 5 rail cars per hour; and
- The rail car holding yard that comprises: 3 partial holding ladders; 3 joined holding ladders; and 1 tie line to the main CN line. The holding alley will hold 240 rail cars.

Three-phase power to the site is supplied by Xcel Energy Inc. Fuel for the operation of the dry processing plant is natural gas supplied by WE Energies. Propane stored on site is available as a back-up fuel source for the drying operations. Process water for the operation is sourced from three wells drilled on the property. Most of the process water is recycled in the plants. Well water is also utilized for makeup water and other tasks such as fugitive dust control on the roadways and other operational needs.

Environmental Studies, Permitting and Social or Community Impact

Permitting and Environmental Studies

The Preston Facility has an environmental management plan based on regulatory requirements, and company policies and procedures. The Preston Facility is fully permitted for on-going mining and sand processing production. A complete discussion of permitting and environmental approvals is presented in “*Permitting and Environmental Approvals*”, and summarized in point form in the text that follows:

- The City of Blair approved the annexation of the Preston Facility on July 2, 2012. The annexed territory shall be: 1) permanently zoned as an ‘Industrial’ zone pursuant to Section 46.04, City

Code of Ordinances; and 2) granted a temporary Conditional Use Permit for mineral extraction pursuant to Section 46.05, City Code of Ordinances.

- The Conditional Use Permit for non-metallic mineral extraction was approved by the City of Blair on October 24, 2012 and is valid for the life of mineral extraction activities on the subject property plus one year. Selected conditions of the Conditional Use Permit include: annual inspections, hours of operation, noise and blasting activities.
- The Conditional Use Permit does not have mine-related isolation to water table restriction.
- No royalties are required under the statutes of the Annexation or Conditional Use Permit.
- An annual road use agreement for 2022 was granted by the Town of Preston and the City of Blair for Source to haul sand to and from the Preston Facility operation site via: Carpenter Bridge Road, Snake Coulee Road and Helmers Road. Among other items, the agreement stipulates that no more than 10 trucks can be used to haul sand materials within any 24-hour period.
- The operation follows and currently has an air permit, a fugitive dust control plan, a Wisconsin Pollutant Discharge Elimination System Permit and a storm water pollution prevention plan.
- RT Environmental Services Inc. of Radnor, PA conducted a Phase 1 ESA of the Preston Facility (Brown, 2011). The assessment reported only minor recognized environmental conditions and concluded that there are no potential environmental liabilities so long as the conditions outlined in section 4.3 are met.

Social and Community Plans

Source has established effective relationships with the communities surrounding the Preston Facility. The operations have a positive effect on local employment and economy. In addition to the payment of income taxes and other local community taxes such as property taxes and royalties, Source supports, financially and otherwise, local community endeavors.

Capital and Operating Costs

Capital Costs

The Preston Facility is fully developed and should require no near-term major capital investment to maintain full commercial production.

Source intends to keep near-term capital expenditures at a minimum; however, the timing and amount of capital expenditures are largely discretionary and within Source's control.

Operating Costs

Source considers projected operating costs for the Preston Facility as confidential and commercially sensitive. The QP has reviewed the historical operating cost data provided by Source and found the costs to be reasonable and within industry norms. Furthermore, it is the QP's opinion that Source's financial data supports the requirement that the Mineral Resource reported herein have "reasonable prospects for economic extraction".

Economic Analysis

Source falls under the producing issuer category. That is, Source generates:

1. gross revenue, derived from mining operations, of at least CDN\$30 million for Source's most recently completed financial year; and
2. total gross revenue, derived from mining operations, of at least CDN\$90 million in aggregate for Source's three most recently completed financial years.

Producing issuers may exclude the information required under Form 43-101F1 – *Technical Report*, Item 22 for technical reports on properties currently in production unless the technical report includes a material expansion of the current production. If the latter occurs, Source will present an economic analysis in the future and more detailed reports.