Q1 2026

Management's Discussion & Analysis

FOR THE THREE MONTHS ENDED MARCH 31, 2026

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A"), dated May 7, 2026, reflects the operating and financial results of Source Energy Services Ltd. and its subsidiaries, collectively ("Source" or the "Company"), as at and for the three months ended March 31, 2026, compared with the corresponding period in the prior year. This MD&A is provided to assist readers in understanding the Company's financial performance and position during the periods presented and significant trends that may impact the future performance of Source.

This discussion should be read in conjunction with Source's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2026 and 2025, together with the accompanying notes (the "Financial Statements"). The Financial Statements and other information relating to Source, including the Annual Information Form ("AIF") for the year ended December 31, 2025, are available under the Company's SEDAR+ profile at www.sedarplus.ca. The Financial Statements have been prepared in accordance with IFRS® Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise stated, all amounts are expressed in Canadian dollars.

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

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

About Source

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

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

Q1 2026 Performance Highlights

First quarter activity levels moderated relative to 2025 as ongoing economic uncertainty and lower commodity pricing for most of the period led Source customers to plan for more balanced activity levels throughout 2026. For the three months ended March 31, 2026, Source achieved the following results:

- realized sand sales volumes of 871,581 MT and sand revenue of $125.8 million, a decrease of 23% compared to the first quarter of 2025;
- generated total revenue of $160.2 million, a $48.3 million decrease from the first quarter of 2025;
- realized gross margin of $22.0 million and Adjusted Gross Margin(1) of $35.4 million, decreases of 40% and 23%, respectively, when compared to the three months ended March 31, 2025;
- reported net loss of $3.3 million, a reduction of $26.9 million from the first quarter of 2025;
- realized Adjusted EBITDA(1) of $26.3 million, a $7.4 million decrease from the same period in 2025;
- achieved 78% utilization across the eleven-unit Sahara fleet, with operating units in the United States achieving 100% utilization during the first quarter of 2026;
- accepted delivery of the first unit train at the Taylor transload facility;
- repurchased 2,500 common shares during the period under the Normal Course Issuer Bid (the "NCIB"), resulting in cumulative repurchases of 467,300 common shares under the program; and
- renewal of the NCIB, as approved by Source's board of directors (the "Board"), upon expiry of the existing program on May 12, 2026 and subject to Toronto Stock Exchange ("TSX") approval, subsequent to the end of the quarter.

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

Results Overview

($000s, except MT and per unit amounts)	Three months ended March 31, 2026	2025
Sand volumes (MT)[1]	**871,581**	1,041,223
Sand revenue	**125,779**	162,903
Well site solutions	**33,391**	44,428
Terminal services	**1,053**	1,233
Sales	**160,223**	208,564
Cost of sales	**124,832**	162,369
Cost of sales – depreciation	**13,366**	9,402
Cost of sales	**138,198**	171,771
Gross margin	**22,025**	36,793
Operating expense	**6,252**	7,927
General & administrative expense	**3,229**	4,908
Depreciation	**6,753**	5,700
Income from operations	**5,791**	18,258
Other expense:		
Finance expense	**7,324**	6,864
Share-based compensation expense (recovery)	**41**	(4,959)
Loss on asset disposal	**84**	4
Other income	**(200)**	(140)
Other expense (recovery)[2]	**488**	(12,501)
Loss on sublease	**—**	13
Loss (gain) on debt modification	**158**	(918)
Foreign exchange gain[3]	**(205)**	(261)
Unrealized foreign exchange loss	**2,736**	31
Total other expense (income)	**10,426**	(11,867)
(Loss) income before income taxes	**(4,635)**	30,125
Current tax expense	**—**	2,777
Deferred tax expense	**(1,337)**	3,749
Net (loss) income	**(3,298)**	23,599
Net (loss) earnings per share ($/share)	**(0.25)**	1.74
Diluted net (loss) earnings per share ($/share)	**(0.25)**	1.74
Adjusted EBITDA[4]	**26,315**	33,761
Sand revenue sales/MT	**144.31**	156.45

Notes:
(1) One MT is approximately equal to 1.102 short tons.
(2) Includes amounts related to the incident at the Fox Creek terminal facility and other one-time expenses, refer to 'First Quarter Results Review' and 'Contractual Obligations' below.
(3) The average Canadian to United States ("U.S.") dollar exchange rate for the three months ended March 31, 2026, was $0.7290 (2025 - $0.6968).
(4) Adjusted EBITDA is not defined under IFRS, refer to 'Non-IFRS Measures' below.

First Quarter 2026 Performance

Total revenue for the three months ended March 31, 2026 was $160.2 million compared to $208.6 million for the three months ended March 31, 2025, a decrease of $48.3 million. Despite a surge in oil prices late in the quarter, revenue for the period was impacted by planned lower activity levels across the Western Canadian Sedimentary Basin ("WCSB"), as broader economic uncertainty and lower commodity prices resulted in Source customers planning for more balanced activity levels across 2026. Average realized sand price decreased by $12.14 per MT compared to the first quarter of 2025, impacted by more than a fifteenfold increase in domestic sand sales volumes as well as a higher proportion of lower priced, finer-mesh sand sales, partly offset by incremental spot market sales.

Cost of sales, excluding depreciation, decreased by $37.5 million on a quarter-over-quarter basis, primarily due to lower sales volumes realized. Cost of sales, excluding depreciation, benefited from lower production costs incurred and a reduction in third-party sand purchases, partly offset by higher costs for transportation, compared to the first quarter last year. The shift in sales mix, attributed to increased domestic sand sales, favorably impacted cost of sales due to the lower landed cost of domestic sand. The strengthening of the Canadian dollar decreased cost of sales denominated in U.S. dollars by $5.12 per MT, compared to the first quarter of 2025.

Gross Margin	**Three months ended March 31,**	
($000s, except MT and per unit amounts)	**2026**	2025
Gross margin	**22,025**	36,793
Cost of sales – depreciation	**13,366**	9,402
Adjusted Gross Margin[1]	**35,391**	46,195
Gross margin/MT	**25.27**	35.34
Adjusted Gross Margin/MT[1]	**40.61**	44.37
Percentage of mine gate sand volumes	**2%**	2%
Percentage of core product sand volumes sold	**98%**	98%
Sales mix impact of mine gate sales/MT	**0.61**	0.63

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

For the three months ended March 31, 2026, gross margin decreased by $14.8 million compared to the prior year period, primarily due to lower sales volumes as noted above. Excluding margin from mine gate volumes, Adjusted Gross Margin was $41.22 per MT for the quarter compared to $45.00 per MT for the first quarter of 2025. The decrease reflected a shift in sales mix and incremental costs of $0.8 million for fuel at the Taylor terminal, while the connection to the electrical grid is being completed. These impacts were partly offset by the increase in domestic sand sales volumes compared to the first quarter of 2025. The strengthening of the Canadian dollar positively impacted Adjusted Gross Margin by $1.26 per MT for 2026, compared to the same period last year.

Operating expense decreased by $1.7 million on a quarter-over-quarter basis, primarily due to lower costs for variable incentive compensation, lower professional fees incurred and a decrease in rail car-related expenses during the period. General and administrative expense also decreased by $1.7 million for the quarter, compared to the first quarter of 2025, driven primarily by lower people costs attributed to reduced variable incentive compensation expense.

Adjusted EBITDA decreased by 22%, or $7.4 million, to $26.3 million for the three months ended March 31, 2026. The decrease was primarily attributable to lower customer activity levels experienced during the first quarter, as discussed above. The first quarter of 2025 benefited from record Source customer activity levels and settlement proceeds related to the incident at the Fox Creek terminal facility, as outlined below.

Liquidity and Capital Resources

Free Cash Flow	**Three months ended March 31,**	
($000s)	**2026**	2025
Adjusted EBITDA[1]	**26,315**	33,761
Financing expense paid	**(6,810)**	(6,806)
Capital expenditures, net of proceeds on disposal of property, plant and equipment and reimbursement of capital costs[2]	**(15,967)**	(7,070)
Payment of lease obligations	**(7,433)**	(6,274)
Income taxes paid	**—**	(1,692)
Free Cash Flow[1]	**(3,895)**	11,919

Notes:
(1) Adjusted EBITDA and Free Cash Flow are not defined under IFRS, refer to 'Non-IFRS Measures' below.
(2) Excludes capital expenditures related to the Taylor facility and customer-funded equipment purchases. Refer to 'Long-term debt' and 'Non-IFRS Measures' below.

For the first quarter of 2026, Free Cash Flow decreased by $15.8 million compared to the first quarter of 2025, primarily due to lower activity levels realized and an increase in capital expenditures, as described below. The increase in quarter-over-quarter lease obligations was largely driven by heavy equipment additions at the Peace River facility, and replacements for expiring yellow iron leases at the Wisconsin mining facilities completed last year at slightly higher rates.

Capital expenditures	**Three months ended March 31,**	
($000s)	**2026**	2025
Terminal	**3,955**	208
Well site solutions	**—**	263
Production	**6,968**	3,263
Overburden removal	**3,956**	3,196
Other	**1,245**	230
Taylor facility and customer-funded equipment	**(153)**	3,760
Capital expenditures	**15,971**	10,920
Proceeds on disposal of property, plant and equipment and reimbursement of capital costs	**(157)**	*(90)*
Capital expenditures, net of proceeds on disposal of property, plant and equipment and reimbursement of capital costs	**15,814**	10,830
Growth capital[1]	**5,290**	654
Maintenance and sustaining capital	**10,834**	6,506
Capital expenditures, excluding the Taylor facility and customer-funded equipment	**16,124**	7,160
Taylor facility and customer-funded equipment	**(153)**	3,760
Capital expenditures	**15,971**	10,920

Note:
(1) Excludes costs for construction of the Taylor terminal facility and customer-funded equipment purchases.

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

Capital expenditures, net of proceeds on disposals and reimbursements and excluding expenditures related to the Taylor facility and customer-funded equipment purchases, were $16.0 million for the three months ended March 31, 2026, an increase of $8.9 million compared to the first quarter last year. Excluding construction for the Taylor facility and customer-funded equipment purchases, growth capital expenditures increased by $4.6 million for the quarter, largely attributed to expenditures for the Peace River facility, including amounts related to dismantling the domestic sand processing assets acquired last year and debottlenecking activities.

Maintenance and sustaining capital expenditures increased by $4.3 million for the first quarter of 2026, compared to the same period last year, primarily due to various maintenance projects completed at the terminal facilities and the Wisconsin mining operations, leasehold improvements for the new corporate head office, which will be subsequently reimbursed by the landlord, and an increase in overburden removal for mining operations.

Management continues to assess equipment and other assets required to service Source's operations to ensure optimal capacity and reliability on an on-going basis. Capital expenditures during the period were funded through cash generated by operating activities during the quarter, availability under the Company's credit facilities and funding provided by a customer, refer to 'Long-term debt' below. Expenditures related to the Taylor terminal were funded through the Taylor Financing Facility (as defined below).

Finance expense	**Three months ended March 31,**	
($000s)	**2026**	2025
Interest on Term Loan	**3,737**	4,114
Interest on ABL facility	**218**	21
Interest on credit facilities	**3,955**	4,135
Other interest income	**(204)**	(285)
Other interest expense	**54**	306
Interest on leases	**1,994**	1,679
Accretion	**1,351**	786
Other finance expense	**174**	243
Total finance expense	**7,324**	6,864

For the three months ended March 31, 2026, finance expense increased by $0.5 million compared to the same period last year. The increase was mainly driven by higher accretion expense, higher interest for lease obligations due to the addition of heavy equipment, as noted above, and higher interest incurred on the ABL facility (as defined below), which was undrawn during the first quarter last year. These increases were partly offset by lower interest expense incurred on the Term Loan (as defined below), due to a lower average principal balance outstanding, and lower other interest expense compared to the first quarter of 2025.

Long-term debt

($000s)	**March 31, 2026**	**December 31, 2025**
Term Loan	**151,374**	153,309
ABL facility	**15,794**	—
Taylor Financing Facility	**21,849**	20,967
Other debt	**1,849**	—
Total long-term debt	**190,866**	174,276
Less: current portion	(12,549)	(11,690)
Long-term portion	**178,317**	162,586
Standby letter of credit facility	*US$13,500*	*US$13,500*

Total long-term debt outstanding increased compared to the year ended December 31, 2025, driven by advances on the ABL facility and an increase in the amount outstanding for the Taylor Financing Facility, slightly offset by repayments made on the Term Loan. An increase in other debt outstanding also contributed to the increase in total long-term debt outstanding, as noted below.

Term Loan

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

The Term Loan has a stated amortization of 5% per annum for amounts drawn on the facility, with 2% due on March 31 and September 30, respectively, and 1% due on June 30. The Term Loan also contains a quarterly mandatory repayment feature, equal to 50% of excess cash flows, payable 45 days after the first three fiscal quarters and 60 days after the fiscal year. Excess cash flows are defined as cash flows provided by operating activities (which includes an adjustment for cash taxes paid), less maintenance capital expenditures, amounts paid for lease obligations and amounts of interest or principal repayments on the Term Loan and ABL facility in the applicable fiscal quarter. No mandatory repayment is payable for the three months ended March 31, 2026 (three months ended March 31, 2025 - US$1.7 million).

The Company may repay all or a portion of amounts outstanding under the Term Loan, plus unpaid and accrued interest, subject to an applicable call premium on amounts repaid (prior to December 20, 2027 - 5%, prior to December 20, 2028 - 3% and thereafter – nil). Financial covenants include a total leverage ratio, a fixed charge coverage ratio of 1.20:1 and a current ratio of 1.25:1, tested each fiscal quarter.

During the three months ended March 31, 2026, Source completed amendments to the Term Loan agreement which revised the required total leverage ratio thresholds as follows:

- 3.00:1 for the fiscal quarter ended June 30, 2026;
- 2.25:1 for the fiscal quarters ended September 30, 2026 and December 31, 2026;
- 2.00:1 for the fiscal quarter ended March 31, 2027; and
- 1.75:1 for the fiscal quarters thereafter.

If the total leverage ratio exceeds 2:00:1, the applicable margin on interest for the Term Loan increases by 50 basis points. As at March 31, 2026, Source was in compliance with all covenants.

ABL facility

Source has a $40.0 million revolving asset-backed credit facility (the "ABL") with the Canadian Imperial Bank of Commerce which matures on December 20, 2027. The ABL facility is secured by a first lien charge on cash, the accounts receivable and inventory of the Company and a second lien charge on all other assets of the business, excluding assets related to the Taylor transload facility. The ABL facility may be drawn in Canadian or U.S. dollars and bears interest based on the bank's prime lending rate, base rate, Canadian Overnight Repo Rate Average or SOFR, plus an applicable margin, depending on the amount of excess availability. The amount available under the facility is subject to a borrowing base formula applied to accounts receivable and inventory. At March 31, 2026, $16.4 million was drawn on the ABL (less unamortized finance costs of $0.6 million for a net balance of $15.8 million) (December 31, 2025 - $nil), leaving $23.6 million of availability on the facility (December 31, 2025 - $40.0 million). The ABL facility includes a springing fixed charge ratio of 1.00:1 to be measured when the Company's excess availability is less than 10%. At March 31, 2026, Source was in compliance with all covenants.

Taylor Financing Facility

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

The financial performance of the Taylor facility, including capital expenditures drawn on the Taylor Financing Facility, are excluded from the financial covenants as prescribed under the Term Loan and the ABL facility.

Other debt

On February 19, 2026, the Company entered into an arrangement with a customer to support the purchase of sand trucking assets and specialized well site equipment. Under the terms of the arrangement, the customer provides upfront funding of up to $10.0 million which is repayable over a period of up to 24 months through per tonne credits applied to future sand purchases, with an option for the Company to repay amounts outstanding in cash. The customer holds a first lien charge on all equipment purchased under the arrangement until the advance is repaid in full. As at March 31, 2026, an outstanding balance of $1.8 million was included in the current portion of long-term debt as amounts owing are expected to be repaid within twelve months.

The Company has a US$13.5 million standby letter of credit facility. The Company also has an outstanding letter of credit, supported by a cash deposit, and surety bonds issued in respect of reclamation obligations related to its mining operations in Wisconsin. For the period ended March 31, 2026 amounts held on deposit totaled $3.1 million (December 31, 2025 - $3.0 million).

Business Outlook

Source anticipates most customers will maintain a flexible approach to their capital budget for the remainder of the year, a reflection of heightened geopolitical uncertainty and resulting impact on the commodity price environment. Despite a softer than expected first quarter, as Source customers planned for and deferred work to the latter part of the year, Source continues to expect full-year 2026 Canadian customer activity levels to be broadly consistent with 2025 activity levels. The recent movement in crude oil prices, driven by conflict in the Middle East, is supportive of a strong mine gate market for deliveries into the Lower 48 states.

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

Source believes the increased demand for natural gas, driven by LNG exports, increased natural gas pipeline export capabilities and power generation facilities, will drive incremental demand for Source's services in the WCSB. Source continues to see increased demand from customers that are primarily focused on the development of natural gas properties in the Montney, Duvernay and Deep Basin.

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

Operations Overview

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

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

Well site solutions revenue is comprised of revenue from "last mile" logistics (i.e., from a Source terminal to the well site), and well site service offerings including Sahara units. Source believes its "last mile" services benefit customers by managing overall logistics activity, increasing reliability of supply at the well site and increasing operational

efficiencies. Source also provides terminal services for certain well-completion products that are not produced by Source, primarily consisting of hydrochloric acid and other chemicals. The magnitude of terminal services revenue realized by Source generally follows completion activity trends in the WCSB.

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

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

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

Summary of Quarterly Results

($000s, except MT and per unit amounts)	2024			2025				2026
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Sand volumes (MT)	*921,148*	*963,539*	*767,712*	*1,041,223*	*1,094,355*	*665,006*	*906,903*	*871,581*
Sand revenue	140,056	142,236	117,658	162,903	161,472	100,265	135,342	125,779
Well site solutions	35,360	39,908	26,701	44,428	39,216	23,941	28,323	33,391
Terminal services	940	906	617	1,233	1,201	1,113	868	1,053
Sales	176,356	183,050	144,976	208,564	201,889	125,319	164,533	160,223
Cost of sales	134,214	139,768	110,957	162,369	153,280	95,016	130,379	124,832
Cost of sales - depreciation	9,500	9,613	8,630	9,402	11,873	10,676	10,731	13,366
Cost of sales	143,714	149,381	119,587	171,771	165,153	105,692	141,110	138,198
Gross margin	32,642	33,669	25,389	36,793	36,736	19,627	23,423	22,025
Operating expense	6,327	6,493	6,618	7,927	8,383	7,149	6,795	6,252
General & administrative expense	5,851	3,518	4,768	4,908	4,839	3,235	4,482	3,229
Depreciation	4,289	4,753	3,832	5,700	5,432	5,484	5,748	6,753
Income from operations	16,175	18,905	10,171	18,258	18,082	3,759	6,398	5,791
Other expense (income):								
Finance expense	8,633	8,217	9,054	6,864	7,177	6,568	9,795	7,324
Share-based compensation (recovery) expense	(1,032)	1,016	5,412	(4,959)	1,081	321	528	41
(Gain) loss on asset disposal	(47)	(862)	628	4	536	443	—	84
Gain on Sahara finance lease	—	(1,992)	(1,908)	—	—	—	—	—
Other income	(169)	(12)	(606)	(140)	(575)	(22)	(70)	(200)
Other expense (recovery)[1]	691	221	1,545	(12,501)	277	187	145	488
Loss on sublease	635	—	—	13	—	—	—	—
Loss (gain) on debt modification and extinguishment	49	—	2,917	(918)	428	(204)	(499)	158
Foreign exchange (gain) loss	(665)	(66)	(610)	(261)	754	(349)	(134)	(205)
Unrealized foreign exchange loss (gain)	—	—	—	31	(8,226)	3,529	(1,782)	2,736
Total other expense (income)	8,095	6,522	16,432	(11,867)	1,452	10,473	7,983	10,426
Income (loss) before income taxes	8,080	12,383	(6,261)	30,125	16,630	(6,714)	(1,585)	(4,635)
Income taxes	3,395	2,228	963	6,526	3,062	(497)	(3,716)	(1,337)
Net income (loss)	4,685	10,155	(7,224)	23,599	13,568	(6,217)	2,131	(3,298)
Net earnings (loss) per share ($/share)	0.35	0.75	(0.53)	1.74	1.01	(0.46)	0.16	(0.25)
Diluted net earnings (loss) per share ($/share)	0.26	0.74	(0.53)	1.74	1.01	(0.46)	0.16	(0.25)
Net income (loss)	4,685	10,155	(7,224)	23,599	13,568	(6,217)	2,131	(3,298)
Interest expense	6,284	6,281	6,655	5,835	6,308	5,394	8,671	5,799
Income taxes	3,395	2,228	963	6,526	3,062	(497)	(3,716)	(1,337)
Depreciation	4,289	4,753	3,832	5,700	5,432	5,484	5,748	6,753
Cost of sales - depreciation	9,500	9,613	8,630	9,402	11,873	10,676	10,731	13,366
Loss (gain) on debt modification and extinguishment	49	—	2,917	(918)	428	(204)	(499)	158
Finance expense (excluding interest expense)	2,349	1,936	2,399	1,029	869	1,174	1,124	1,525
Share-based compensation (recovery) expense	(1,032)	1,016	5,412	(4,959)	1,081	321	528	41
(Gain) loss on asset disposal	(47)	(862)	628	4	536	443	—	84
Loss on sublease	635	—	—	13	—	—	—	—
Unrealized foreign exchange loss (gain)	—	—	—	31	(8,226)	3,529	(1,782)	2,736
Other expense (recovery)[1]	691	221	1,545	(12,501)	277	187	145	488
Adjusted EBITDA[2]	30,798	35,341	25,757	33,761	35,208	20,290	23,081	26,315
Sand revenue sales/MT	152.05	147.62	153.26	156.45	147.55	150.77	149.24	144.31
Gross margin	32,642	33,669	25,389	36,793	36,736	19,627	23,423	22,025
Cost of sales - depreciation	9,500	9,613	8,630	9,402	11,873	10,676	10,731	13,366
Adjusted Gross Margin[2]	42,142	43,282	34,019	46,195	48,609	30,303	34,154	35,391
Gross margin/MT	35.44	34.94	33.07	35.34	33.57	29.51	25.83	25.27
Adjusted Gross Margin/MT[2]	45.75	44.92	44.31	44.37	44.42	45.57	37.66	40.61

Notes:

(1) Includes expenses and recoveries related to the incident at the Fox Creek terminal facility, costs and reimbursements under insurance claims and other one-time expenses, refer to 'First Quarter Results Review' below and 'Contractual Obligations' below.

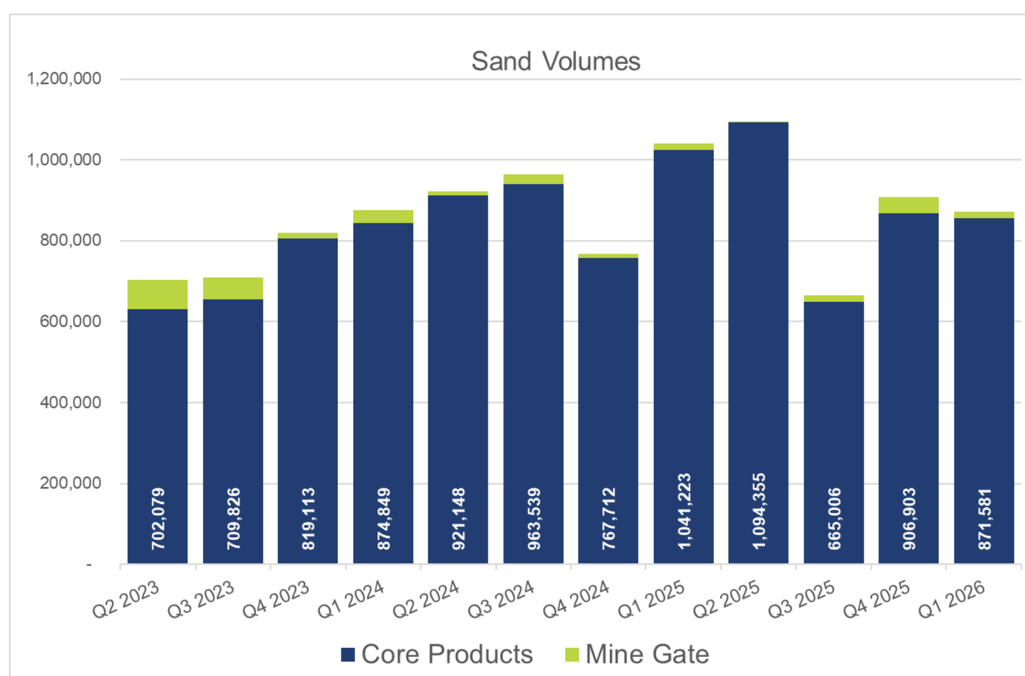
(2) Adjusted EBITDA and Adjusted Gross Margin (including on a per MT basis) are not defined under IFRS, refer to 'Non-IFRS Measures' below.

First Quarter Results Review

Sand revenue

For the three months ended March 31, 2026, Source generated sand sales volumes of 871,581 MT, a 16% decrease compared to Source's record-setting first quarter of 2025, and sand revenue of $125.8 million, a $37.1 million decrease from the same period in 2025. Results for the quarter were primarily impacted by market uncertainty and reduced activity levels across the WCSB, as certain Source customers planned to spread their completions more evenly throughout the year and deferred some additional completion jobs into the latter half of 2026. The decrease in quarter-over-quarter revenue was also driven by a shift in product mix, reflecting higher demand for lower-priced, finer-mesh sand as well as a fifteenfold increase in domestic sand sales volumes, compared to the first quarter last year.

Average realized sand price decreased by $12.14 per MT compared to the same period last year, reflecting the impact of product mix and incremental domestic sand sales volumes, as noted above. The strengthening of the Canadian dollar lowered average realized sand price by $3.86 per MT, and volumes from mine gate sales lowered average realized sand price by $1.02 per MT. The sale of lower-value mine gate sales contributes to a more balanced mesh demand profile which supports improved production efficiency and higher processing yields.



Well site solutions revenue

Well site solutions revenue totaled $33.4 million for the three months ended March 31, 2026, a decrease of $11.0 million or 25% compared to the first quarter of 2025. This decrease was driven by lower volumes delivered by "last mile" logistics, reflecting lower customer activity levels compared to the same period in 2025. Sahara units in Canada were 70% utilized during the first quarter, a 14% decrease compared to first quarter of 2025; however, Sahara units deployed in the U.S. remained fully contracted, maintaining 100% utilization during the quarter.

Terminal services revenue

For the three months ended March 31, 2026, terminal services revenue decreased by $0.2 million compared to the same period in 2025, due to a decrease in revenue from lower chemical elevation volumes realized.

Cost of sales

($000s)	Three months ended March 31, 2026	2025
Direct materials	**93,843**	122,254
People costs	**7,053**	5,971
Equipment costs	**1,787**	2,261
Transportation costs	**20,621**	31,289
Facility costs	**1,528**	594
Cost of sales	**124,832**	162,369
Cost of sales - depreciation	**13,366**	9,402

For the three months ended March 31, 2026, cost of sales, excluding depreciation, decreased by $37.5 million compared to the first quarter of 2025, attributed primarily to lower sand sales volumes realized, as noted above. Cost of sales, excluding depreciation, benefitted from lower production costs at both the Wisconsin and Peace River mining facilities, as well as a reduction in third-party trucking costs incurred, attributed to a higher proportion of volumes trucked by Source's trucking operations compared to the first quarter last year. The increase in domestic sand sales further reduced cost of sales, due to the lower landed cost of domestic sand compared to northern white sand. Lower costs for third-party sand purchases also contributed to the reduction in cost of sales, excluding depreciation, compared to the same period in 2025. These improvements were partly offset by incremental trucking personnel costs and higher fuel costs at the Taylor terminal facility, currently operating on a temporary fuel supply until connection to the local power grid is completed.

Significant components of cost of sales are denominated in U.S. dollars, including sand processing and rail transportation, and are therefore subject to exchange rate fluctuations. The impact of the movement in foreign exchange rates on U.S. dollar denominated components of cost of sales drove a decrease of $5.12 per MT to cost of sales, excluding depreciation, compared to the first quarter last year.

Gross margin

($000s, except MT and per unit amounts)	Three months ended March 31, 2026	2025
Gross margin	**22,025**	36,793
Cost of sales – depreciation	**13,366**	9,402
Adjusted Gross Margin[(1)]	**35,391**	46,195
Gross margin/MT	**25.27**	35.34
Adjusted Gross Margin/MT[(1)]	**40.61**	44.37
Percentage of mine gate sand volumes	**2%**	2%
Percentage of sand volumes sold in the WCSB	**98%**	98%

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

Gross margin decreased by $14.8 million and Adjusted Gross Margin decreased by $10.8 million for the three months ended March 31, 2026, attributed to the lower activity levels realized during the period, as noted above. Excluding gross margin from mine gate volumes, Adjusted Gross Margin was $41.22 per MT, compared to $45.00 per MT for the first quarter of 2025.

The first quarter was impacted by higher sales of lower priced, finer-mesh sand and incremental fuel costs of $0.8 million at the Taylor terminal, as described above, compared to the first quarter of 2025. However, these impacts were partly offset by the increase in lower-cost domestic sand volumes during the quarter, as well as a strengthening of the Canadian dollar, compared to the same period in 2025.

Operating and general & administrative expense

	Three months ended March 31, 2026		2025	
($000s)	**OPEX**	**G&A**	OPEX	G&A
People	**2,686**	**1,983**	3,276	3,475
Equipment	**398**	**3**	670	1
Facility	**545**	**14**	415	13
Selling and administrative	**2,624**	**1,229**	3,566	1,419
Operating and general & administrative expense	**6,252**	**3,229**	7,927	4,908

For the first quarter of 2026, total operating and general and administrative expense decreased by $3.4 million compared to the first quarter of 2025. Operating expense decreased by $1.7 million, primarily due to lower selling and administrative costs, attributed to decreased royalty expenses as a result of the drop in activity levels, and lower people costs reflecting reduced variable incentive compensation expense. Lower amounts incurred for repairs and maintenance costs for Source's rail car fleet also contributed to the reduction in operating expense compared to the same quarter last year.

General and administrative expense decreased by $1.7 million during the three months ended March 31, 2026, compared to the same period in 2025, largely due to lower people costs driven by lower variable incentive compensation expense.

Share-based compensation

For the three months ended March 31, 2026, share-based compensation expense decreased by $5.0 million compared to the same period last year, primarily due to the movement in Source's share price and the wind-up of certain share-based compensation plans that occurred in the first quarter of 2025.

Other expense (recovery)

For the three months ended March 31, 2026, Source recorded an expense of $0.5 million compared to a recovery of $12.5 million for the first quarter of 2025. During the first quarter of 2025, claims related to the incident at the Fox Creek terminal were settled which resulted in a net payment to Source of $11.2 million. Certain amounts payable and outstanding related to the incident were also written off during the period, refer to 'Contractual Obligations' below for additional information.

Loss (gain) on debt modification

For the three months ended March 31, 2026, Source revalued its long-term debt to reflect changes in expected cash flows and the movement in interest rates, resulting in a loss on debt modification of $0.2 million, compared to a gain of $0.9 million for the same quarter last year.

Unrealized foreign exchange loss

For the three months ended March 31, 2026, unrealized foreign exchange loss increased by $2.7 million compared to the same period last year, primarily attributed to the movement of foreign exchange rates on U.S. dollar denominated debt.

Capital Resource Management

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

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

Source's capital management policy has not changed during the three months ended March 31, 2026.

Cash and net working capital

($000s)	**March 31, 2026**	**December 31, 2025**
Current assets	**189,358**	204,719
Current liabilities	**(137,468)**	(156,376)
Net working capital	**51,890**	48,343
Current portion of long-term debt	**12,549**	11,690
Net working capital, excluding current portion of long-term debt	**64,439**	60,033

At March 31, 2026, total current assets less total current liabilities (net working capital) reflected a surplus of $51.9 million. Excluding the current portion of long-term debt, net working capital was $64.4 million, an increase of $4.4 million compared to December 31, 2025. The increase in net working capital, excluding the current portion of long-term debt, is primarily attributed to lower amounts outstanding for accounts payable due to the timing of payments made at the end of the year. This was partly offset by a reduction in total current assets, driven by lower cash balances and inventory on hand, partly offset by higher amounts outstanding for accounts receivable, attributed to increased activity levels realized during the first quarter of 2026.

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

Reciprocal tariff and remission order

Since the enactment of the reciprocal tariff by the Canadian government on March 4, 2025, Source had been working diligently with the Canadian government for relief of all surtaxes imposed on frac sand imported from the U.S. On June 26, 2025, Source received a Remission Order from the Government of Canada which determined that Source is eligible for relief of the surtax on sand at time of import and qualifies for refunds of all surtaxes paid to date since enactment of the reciprocal tariff. At March 31, 2026, amounts outstanding for accrued receivables and accrued liabilities include balances of approximately $10.6 million related to these tariff refunds. A repayment from the Canadian government is expected by the end of the second quarter.

Foreign currency risk

Source is exposed to currency price risk on sales denominated in U.S. dollars to the extent that the receipt of payment of the U.S. denominated accounts receivable is subject to fluctuations in the related foreign exchange rate. In addition, foreign currency risk exists on the cost of manufacturing and transporting inventory for sale to the extent that the payment of those costs are foreign denominated accounts payable and are subject to fluctuations in the foreign exchange rate.

Included in accounts receivable and accounts payable and accrued liabilities at March 31, 2026 are $38.4 million (December 31, 2025 - $26.7 million) and $26.5 million (December 31, 2025 - $24.8 million) denominated in foreign currency, respectively. The net effect of each 1% change in foreign exchange would have an impact on net income of $0.4 million for the three months ended March 31, 2026 ($0.5 million for the three months ended March 31, 2025). Source is also exposed to foreign exchange risk on debt denominated in U.S. dollars. The net effect of each 1% change in foreign exchange would impact long-term debt and net income by $1.6 million at March 31, 2026 (December 31, 2025 - $1.6 million).

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

Contractual obligations

Source has various commitments regarding lease agreements, IT software subscriptions and physical natural gas contracts. The leases expire between April 2026 and September 2046, the IT software subscriptions expire between September 2026 and May 2030, and the natural gas contracts expire through December 2027. The financial liabilities presented in Source's Financial Statements consist of the Term Loan, ABL facility, Taylor Financing Facility, other debt

arrangements and lease liabilities. Source's planned cash outflows relating to lease commitments and financial liabilities are outlined in the table below:

($000s)	Total	2026	2027	2028	2029	2030	2031 and beyond
Lease liabilities	123,568	27,073	30,830	21,170	14,115	8,177	22,203
Other commitments	2,457	1,738	556	125	19	19	—
ABL facility(1)	16,413	16,413	—	—	—	—	—
Term Loan(1)	212,727	17,821	23,977	22,968	147,961	—	—
Taylor Financing Facility	26,449	3,479	4,801	4,801	4,801	8,567	—
Other debt	1,849	1,849	—	—	—	—	—

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

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

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

Source had been pursuing claims against certain organizations in respect of damages related to the structural failure of assets at its Fox Creek terminal facility which occurred in May, 2019. During the first quarter of 2025 the claims between the parties were settled and the lawsuit was dismissed.

Outstanding Shares

The Company's share capital is not subject to external restrictions. As at March 31, 2026, Source had issued and outstanding 13,077,755 common shares (December 31, 2025 - 13,080,255). As at May 7, 2026, Source had 13,067,355 common shares outstanding.

NCIB

On May 13, 2025, the Company commenced an NCIB, under which the Company was authorized to purchase up to a maximum of 750,000 common shares or $5.0 million. The NCIB terminates on the earlier of May 12, 2026 and such earlier date as the maximum number of common shares are purchased or the NCIB is completed or terminated at the election of the Company. All common shares purchased under the NCIB are returned to treasury for cancellation. Concurrently, Source entered into an automated share purchase plan (the "ASPP") with an independent broker which permits Source to purchase common shares during its internal blackout period.

Source revised the ASPP to reflect an amended NCIB, approved by the TSX in October 2025, which increased the maximum number of shares eligible for repurchase to 1,189,458 common shares, or $15.6 million. For the three months ended March 31, 2026, Source purchased 2,500 common shares for cancellation at a weighted average price per common share of $15.20 which includes transaction fees.

Subsequent to the end of the quarter, the Board authorized the renewal of the NCIB, subject to approval by the TSX. Under the renewed NCIB, the Company would purchase the lesser of $4.0 million or 997,300 common shares of Source.

Off-Balance Sheet Arrangements

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

Transactions between Related Parties

During the three months ended March 31, 2026, there were no related party transactions.

Proposed Transactions

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

Controls and Procedures

The Company is required to comply with National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings*. The certificate for annual filings requires the Chief Executive Officer and the Chief Financial Officer to certify the design of Source's disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") as at March 31, 2026. There were no material weaknesses in the design of the DC&P and the ICFR at March 31, 2026, and no changes in ICFR during the period beginning on January 1, 2026, and ended on March 31, 2026, that have materially affected or are reasonably likely to materially affect Source's ICFR. The control framework used to design the Company's ICFR is the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. While the Company's certifying officers believe that the Company's DC&P and ICFR provide a reasonable level of assurance with regard to their effectiveness, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met and it should not be expected that the control system will prevent all errors or fraud.

Financial Instruments and Other Instruments

Risk management overview

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

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

Fair value of financial instruments

Financial assets and financial liabilities are not measured at their fair values when the carrying amount is a reasonable approximation of fair value due to their nature, short-term maturity or floating rate interest. At March 31, 2026, the fair value of the Term Loan was approximately $151.8 million and the fair value of the Taylor Financing Facility was approximately $21.6 million, determined using Level 3 inputs. The carrying amount of the other debt arrangement with a customer approximates its fair value as at March 31, 2026, due to the expected timing of disbursements and repayments.

Critical Accounting Estimates

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

Leases and right-of-use assets

The Company measures the lease liability and corresponding right-of-use asset at the present value of the lease payments, which are discounted using the Company's incremental borrowing rate when the interest rate implicit in the lease cannot be readily determined. Determining the incremental borrowing rate requires management judgment as it represents the rate the Company would incur to obtain financing for the purchase of a similar asset in comparable economic conditions.

Depreciation

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

Income taxes

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

Impairment and impairment reversal of non-financial assets

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

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

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

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

Newly adopted accounting policies

The adoption of IFRS 9 Financial Instruments, and corresponding amendments to IFRS 7 Financial Instruments: Disclosures, effective January 1, 2026, did not have a material impact on the Financial Statements.

Future accounting standard changes

The following accounting standard, issued by the IASB, is effective for fiscal years beginning on or after January 1, 2027:

Standard	Description of change
Presentation and Disclosure in Financial Statements - IFRS 18 replaces IAS 1	The new standard redefines financial statement presentation and disclosure requirements including a new structure for the statements of operations and comprehensive income, disclosure of management-defined performance measures, and enhanced principles on aggregation and disaggregation of financial information. The new standard is effective January 1, 2027.

The Company is in the process of assessing the impact of IFRS 18; however, given the new standard redefines presentation and disclosure for financial reporting, the Company expects the standard to have a material impact on its consolidated financial statements.

Non-IFRS Measures

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

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

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

use of Adjusted EBITDA in the calculation is more representative of the funds generated to pay down debt and other returns to investors.

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

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

Free Cash Flow represents, for the period presented, Adjusted EBITDA, adjusted for financing expense paid, capital expenditures (net of proceeds on disposal of property, plant and equipment and reimbursement of capital costs and excludes expenditures for the Taylor facility, which are funded through the Taylor Financing Facility, and customer-funded equipment purchases), payments for lease obligations, cash income taxes paid or recovered for the current taxation year and various non-cash operating activities. Free Cash Flow is considered a key non-IFRS measure as it reflects Source's ability to generate cash flows that can be used to pay down long-term debt or provide other forms of returns to investors. The reconciliation to the most comparable IFRS measure, net income, can be found in the table below.

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

Reconciliation of Adjusted EBITDA and Free Cash Flow to net (loss) income

	Three months ended March 31,	
($000s)	**2026**	2025
Net (loss) income	**(3,298)**	23,599
Add:		
Income taxes	**(1,337)**	6,526
Interest expense	**5,799**	5,835
Cost of sales – depreciation	**13,366**	9,402
Depreciation	**6,753**	5,700
Loss (gain) on debt modification	**158**	(918)
Finance expense (excluding interest expense)	**1,525**	1,029
Share-based compensation expense (recovery)	**41**	(4,959)
Loss on asset disposal	**84**	4
Loss on sublease	**—**	13
Unrealized foreign exchange loss	**2,736**	31
Other expense (recovery)[1]	**488**	(12,501)
Adjusted EBITDA	**26,315**	33,761
Financing expense paid	**(6,810)**	(6,806)
Capital expenditures, net of proceeds on disposal of property, plant and equipment and reimbursement of capital costs[2]	**(15,967)**	(7,070)
Payment of lease obligations	**(7,433)**	(6,274)
Income taxes paid	**—**	(1,692)
Free Cash Flow	**(3,895)**	11,919

Notes:

(1) Includes expenses and recoveries related to the incident at the Fox Creek terminal facility and other one-time expenses, refer to 'Contractual Obligations' and 'First Quarter Results Review' above.

(2) Excludes capital expenditures for the Taylor facility and customer-funded equipment purchases, refer to 'Long-term debt' above.

Reconciliation of gross margin to Adjusted Gross Margin

	Three months ended March 31,	
($000s)	**2026**	2025
Gross margin	**22,025**	36,793
Cost of sales – depreciation	**13,366**	9,402
Adjusted Gross Margin	**35,391**	46,195

Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements relating to, without limitation, expectations, intentions, plans and beliefs, including information as to the future events, results of operations and Source's future performance (both operational and financial) and business prospects. In certain cases, forward-looking statements can be identified by the use of words such as "approach", "anticipates", "ensure", "expects", "project", "future", "intends", "improve", "position", "believes", "continues", "impact", "estimate", "focus", "could", "should", "trend", "would", or variations of such words and phrases, or statements that certain actions, events or results "may" or "will" be taken, occur or be achieved. Such forward-looking statements reflect Source's beliefs, estimates and opinions regarding its future growth, results of operations, future performance (both operational and financial), and business prospects and opportunities at the time such statements are made, and Source undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or circumstances should change unless required by applicable law. Forward-looking statements are necessarily based upon a number of estimates and assumptions made by Source that are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Forward-looking statements are not guarantees of future performance.

In particular, this MD&A contains forward-looking statements pertaining, but not limited to: Source's continued focus on the integrated production and distribution of frac sand and the distribution of other bulk completion materials not produced by Source; Source's full-service approach which allows customers to rely on its logistics platform to increase reliability of supply and to ensure the timely delivery of frac sand and other bulk completion materials at the well site; expectation that customers will maintain a flexible approach to their capital budget and balanced activity levels in 2026; the expectation that Source will receive a refund by the end of the second quarter from the Government of Canada for approximately $10.6 million in respect to the surtaxes paid on frac sand imported from the U.S.; expectation that Western Canadian LNG projects will drive incremental demand for proppant in the WCSB; the belief that 2026 customer activity levels are to be broadly consistent with 2025 activity levels; Source's expected reimbursement from its landlord on leasehold improvements for the new corporate head office; management's continued assessment respecting Source's equipment and other assets required to service Source's operations; expectations with respect to sand revenue and mine gate sand sales and associated costs; the expectation that Source is anticipating improvement of Source's production efficiencies; expectations of maintaining a strong capital base; expectations that increased demand for natural gas, increased natural gas pipeline export capabilities and LNG exports will drive incremental demand for Source's services in the WCSB; continued increase in demand from customers primarily focused on the development of natural gas properties in Montney, Duvernay and Deep Basin; the belief that Source is well-positioned to capitalize on the increase in demand in northeastern British Columbia and take advantage of growing proppant demand and activity levels in the WCSB; expectations regarding the growing domestic sand production at the Peace River facility; Source's continued focus on increasing its involvement in the provision of logistic services for other items needed at the well site in response to customer requests to expand its service offerings and to further utilize its existing Western Canadian terminals to provide additional services; Source's focus on and expectations regarding increasing its involvement in the provision of logistics services for other well site items; the benefits that Source's "last mile" services provide to customers; other factors which will impact Source's activities from quarter-to-quarter including seasonality, commodity pricing and completion activity levels of E&P companies; reasons for increase in net working capital, expectations regarding funding for future working capital and capital expenditures; planned cash outflows relating to lease commitments and financial liabilities; the availability of any additional future funding; expectations on Source's ability to meet its capital needs; fluctuations in foreign currency; expectations regarding the outcome of any pending or threatened legal claims and proceedings; the Company's belief that the DC&P and ICFR provide a reasonable level of assurance with regard to their effectiveness; expectations respecting the impact of the adoption of accounting standards on Source's consolidated financial statements; the renewal of the NCIB; other business, legal and financial risks that may affect the Company; and the Company's intention to adopt the new accounting policy changes and the potential impacts on the Company financial statements.

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

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

A number of factors, risks and uncertainties could cause results to differ materially from those anticipated and described herein including, among others: the effects of competition and pricing pressures; the risk of ongoing geopolitical instability, including the Russia-Ukraine conflict and the U.S.-Iran conflict and consequences resulting from the same; volatility in crude oil; the timing and completion of the Government of Canada refunding the surtaxes paid by Source; the risk that the TSX may not approve the renewal of the NCIB on the timing and conditions expected, or at all; risks inherent in key customer dependence; effects of fluctuations in the price of proppants; risks related to indebtedness and liquidity, including Source's leverage, restrictive covenants in Source's debt instruments and Source's capital requirements; risks related to interest rate fluctuations and foreign exchange rate fluctuations; changes in general economic, financial, market and business conditions in the markets in which Source operates, including with respect to tariff and trade policy in North America, as well as globally; changes in the technologies used to drill for and produce oil and natural gas; Source's ability to obtain, maintain and renew required permits, licenses and approvals from regulatory authorities; the stringent requirements of and potential changes to applicable legislation, regulations and standards; the ability of Source to comply with unexpected costs of government regulations; liabilities resulting from Source's operations; the results of litigation or regulatory proceedings that may be brought by or against Source; the ability of Source to successfully bid on new contracts and the loss of significant contracts; uninsured and underinsured losses; risks related to the transportation of Source's products, including potential rail line interruptions or a reduction in rail car availability; the geographic and customer concentration of Source; the impact of extreme weather patterns and natural disasters; the impact of climate change risk; the ability of Source to retain and attract qualified management and staff in the markets in which Source operates; labor disputes and work stoppages and risks related to employee health and safety; general risks associated with the oil and natural gas industry, loss of markets, consumer and business spending and borrowing trends; limited, unfavorable, or a lack of access to capital markets; uncertainties inherent in estimating quantities of mineral resources; sand processing problems; implementation of recently issued accounting standards; the use and suitability of Source's accounting estimates and judgments; the impact of information systems and cyber security breaches; the impact of inflation on capital expenditures; and risks and uncertainties related to pandemics, including changes in energy demand.

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

Any financial outlook and future-oriented financial information contained in this MD&A regarding prospective financial performance, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action based on management's assessment of the relevant information that is currently available. Projected operational information contains forward-looking information and is based on a number

of material assumptions and factors, as are set out above. These projections may also be considered to contain future oriented financial information or a financial outlook. The actual results of Source's operations for any period will likely vary from the amounts set forth in these projections and such variations may be material. Actual results will vary from projected results. Readers are cautioned that any such financial outlook and future-oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein. The forward-looking information and statements contained in this document speak only as of the date hereof and have been approved by the Company's management as at the date hereof. The Company does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.