Q2 2026

Management's Discussion & Analysis

SOURCE ENERGY SERVICES

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2026

TSX: SHLE

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A"), dated July 29, 2026, reflects the operating and financial results of Source Energy Services Ltd. and its subsidiaries, collectively ("Source" or the "Company"), as at and for the three and six months ended June 30, 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 and six months ended June 30, 2026 and 2025, and the audited consolidated annual financial statements for the years ended December 31, 2025 and 2024, together with the accompanying notes (the "Financial Statements"). The Financial Statements and other information relating to Source, including the Annual Information Form ("AIF") 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.

Q2 2026 Highlights

As expected, second quarter activity levels remained slower than the prior year, as Source customers planned for a greater portion of program activity in the latter part of the year. For the three months ended June 30, 2026, Source achieved the following results:

- realized sand sales volumes of 831,234 MT, a 24% decrease from the second quarter of 2025;
- generated sand revenue of $107.8 million and total revenue of $137.1 million, decreases of 33% and 32%, respectively, compared to the second quarter of 2025;
- realized gross margin of $17.4 million and Adjusted Gross Margin(1) of $29.8 million, representing decreases of 53% and 39%, respectively, when compared to the three months ended June 30, 2025;
- reported net loss of $5.6 million, a reduction of $19.2 million from the second quarter of 2025;
- realized Adjusted EBITDA(1) of $18.5 million, a $16.7 million decrease from the same period in 2025;
- achieved 60% utilization across the eleven-unit Sahara fleet, with operating units in the United States achieving 100% utilization during the second quarter;
- successfully completed Canada's largest wet sand trial, which pumped over 71,000 MT of proppant for the pad; and
- renewed the Normal Course Issuer Bid (the "NCIB") through May 28, 2027 and repurchased 57,800 common shares under the program during the second 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

($000s, except MT and per unit amounts)	Three months ended June 30, 2026	2025	Six months ended June 30, 2026	2025
Sand volumes (MT)[1]	**831,234**	1,094,355	**1,702,815**	2,135,578
Sand revenue	**107,791**	161,472	**233,570**	324,375
Well site solutions	**28,272**	39,216	**61,663**	83,644
Terminal services	**1,054**	1,201	**2,107**	2,434
Sales	**137,117**	201,889	**297,340**	410,453
Cost of sales	**107,314**	153,280	**232,146**	315,649
Cost of sales – depreciation	**12,444**	11,873	**25,810**	21,275
Cost of sales	**119,758**	165,153	**257,956**	336,924
Gross margin	**17,359**	36,736	**39,384**	73,529
Operating expense	**8,019**	8,383	**14,271**	16,310
General & administrative expense	**3,902**	4,839	**7,131**	9,747
Depreciation	**6,091**	5,432	**12,844**	11,132
(Loss) income from operations	**(653)**	18,082	**5,138**	36,340
Other expense:				
Finance expense	**7,618**	7,177	**14,942**	14,041
Share-based compensation (recovery) expense	**(94)**	1,081	**(53)**	(3,878)
Loss on asset disposal	**264**	536	**348**	540
Other income	**(78)**	(575)	**(278)**	(715)
Other expense (recovery)[2]	**126**	277	**614**	(12,224)
Loss on sublease	**—**	—	**—**	13
(Gain) loss on debt modification	**(173)**	428	**(15)**	(490)
Foreign exchange (gain) loss[3]	**(563)**	754	**(768)**	493
Unrealized foreign exchange loss (gain)	**948**	(8,226)	**3,684**	(8,195)
Total other expense (income)	**8,048**	1,452	**18,474**	(10,415)
(Loss) income before income taxes	**(8,701)**	16,630	**(13,336)**	46,755
Current tax expense	**—**	2,449	**—**	5,226
Deferred tax (recovery) expense	**(3,108)**	613	**(4,445)**	4,362
Net (loss) income	**(5,593)**	13,568	**(8,891)**	37,167
Net (loss) earnings per share ($/share)	**(0.43)**	1.01	**(0.68)**	2.75
Diluted net (loss) earnings per share ($/share)	**(0.43)**	1.01	**(0.68)**	2.75
Adjusted EBITDA[4]	**18,523**	35,208	**44,838**	68,969
Sand revenue sales/MT	**129.68**	147.55	**137.17**	151.89

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 'Operating and Financial Results' and 'Contractual Obligations' below.
(3) The average Canadian to United States ("U.S.") dollar exchange rate for the three and six months ended June 30, 2026 was $0.7224 and $0.7256, respectively (2025 - $0.7225 and $0.7095).
(4) Adjusted EBITDA is not defined under IFRS, refer to 'Non-IFRS Measures' below.

Second Quarter 2026 Performance

Revenue for the quarter was impacted by lower activity levels in the Western Canadian Sedimentary Basin ("WCSB"), as ongoing economic uncertainty and lower natural gas prices drove Source customers to moderate capital spending which impacted sand revenue for the period. The lower WCSB activity levels also impacted volumes delivered for "last mile" logistics, decreasing revenue by $10.9 million compared to the same period last year. Additionally, second quarter revenue was impacted by a change in product sales mix, which contributed to a $17.87 per MT reduction in the average sand price realized, as Source sold more than 100,000 MT of mine gate sand compared to 2,000 MT in the second quarter of 2025, attributed to growth in the U.S. mine gate market with the recent movement in oil prices. The reduction in average realized sand price also reflects a 107% increase in domestic dry and wet sand sales compared to the second quarter of 2025, a shift that reflects customer demand patterns and is expected to continue.

Cost of sales, excluding depreciation, decreased by $46.0 million compared to the second quarter of 2025, primarily due to lower sales volumes realized. The decrease was further driven by a shift in sales mix toward domestic sand sales, which has a lower landed cost. This benefit was partly offset by higher than expected production costs per MT at the Peace River facility due to a slower than expected production ramp-up, resulting in incremental northern white sand volumes required to satisfy domestic commitments. Cost of sales, excluding depreciation, also benefited from lower production costs achieved at the Wisconsin mining facilities, and lower third-party sand purchases compared to the same period last year.

Gross Margin	**Three months ended June 30,**		**Six months ended June 30,**	
($000s, except MT and per unit amounts)	**2026**	2025	**2026**	2025
Gross margin	**17,359**	36,736	**39,384**	73,529
Cost of sales – depreciation	**12,444**	11,873	**25,810**	21,275
Adjusted Gross Margin(1)	**29,803**	48,609	**65,194**	94,804
Gross margin/MT	**20.88**	33.57	**23.13**	34.43
Adjusted Gross Margin/MT(1)	**35.85**	44.42	**38.29**	44.39
Percentage of mine gate sand volumes	**15%**	—%	**8%**	1%
Percentage of core product sand volumes sold	**85%**	100%	**92%**	99%
Sales mix impact of mine gate sales/MT	**2.96**	0.07	**1.79**	0.35

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

For the three months ended June 30, 2026, gross margin decreased by $19.4 million compared to the prior year period, primarily due to lower sales volumes, as noted above. Excluding margin from mine gate sand volumes, Adjusted Gross Margin was $38.81 per MT for the quarter compared to $44.49 per MT for the second quarter of 2025. Adjusted Gross Margin per MT was impacted by lower than anticipated production volumes at the Peace River mining facility, resulting in incremental northern white sand volumes required to satisfy domestic commitments. The reduction in Adjusted Gross Margin per MT was also attributed to incremental operating costs associated with the Peace River and Taylor terminal facilities. These impacts were partly offset by incremental margin generated from sand trucking assets compared to the second quarter in 2025.

Operating expense decreased by $0.4 million on a quarter-over-quarter basis, primarily due to lower variable incentive compensation expense. General and administrative expense also decreased by $0.9 million compared to the second quarter of 2025, driven by lower personnel costs.

Adjusted EBITDA decreased by 47%, or $16.7 million, to $18.5 million for the three months ended June 30, 2026. The decrease was primarily attributable to lower customer activity levels experienced during the second quarter of 2026 and operational challenges at the Peace River mining facility, as noted above. The second quarter of 2025 benefited from strong Source customer activity levels which drove record sand sales volumes for the period.

Liquidity and Capital Resources

Free Cash Flow	**Three months ended June 30,**		**Six months ended June 30,**	
($000s)	**2026**	2025	**2026**	2025
Adjusted EBITDA(1)	**18,523**	35,208	**44,838**	68,969
Financing expense paid	**(6,766)**	(6,710)	**(13,576)**	(13,516)
Capital expenditures, net of proceeds on disposal of property, plant and equipment and reimbursement of capital costs(2)	**(13,561)**	(7,623)	**(29,528)**	(14,693)
Payment of lease obligations	**(7,533)**	(6,321)	**(14,966)**	(12,595)
Income taxes paid	**—**	(2,912)	**—**	(4,604)
Free Cash Flow(1)	**(9,337)**	11,642	**(13,232)**	23,561

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 second quarter of 2026, Free Cash Flow decreased by $21.0 million compared to the second quarter of 2025, primarily due to lower activity levels realized and an increase in capital expenditures, as described below. Lease obligations increased slightly on a quarter-over-quarter basis, attributed to additional heavy equipment at the Peace River facility and the replacement of expiring yellow iron leases at the Wisconsin mining facilities completed last year.

On a year-to-date basis, Free Cash Flow decreased by $36.8 million compared to last year, also attributed to softened activity levels and increased capital expenditures, as well as incremental lease obligations for the Peace River and Wisconsin mining facilities, as noted above.

Capital expenditures	**Three months ended June 30,**		**Six months ended June 30,**	
($000s)	**2026**	2025	**2026**	2025
Terminal	**(124)**	1,028	**3,831**	1,236
Well site solutions	**116**	497	**116**	760
Production	**10,103**	2,553	**17,071**	5,816
Overburden removal	**4,365**	3,313	**8,321**	6,509
Other	**203**	871	**1,448**	1,101
Taylor facility and customer-funded equipment	**4,013**	3,059	**3,860**	6,819
Capital expenditures	**18,676**	11,321	**34,647**	22,241
Proceeds on disposal of property, plant and equipment and reimbursement of capital costs	***(1,102)***	*(639)*	**(1,259)**	*(729)*
Capital expenditures, net of proceeds on disposal of property, plant and equipment and reimbursement of capital costs	**17,574**	10,682	**33,388**	21,512
Growth capital(1)	**6,974**	2,779	**12,264**	3,433
Maintenance and sustaining capital	**7,689**	5,483	**18,523**	11,989
Capital expenditures, excluding the Taylor facility and customer-funded equipment	**14,663**	8,262	**30,787**	15,422
Taylor facility and customer-funded equipment	**4,013**	3,059	**3,860**	6,819
Capital expenditures	**18,676**	11,321	**34,647**	22,241

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 $13.6 million for the three months ended June 30, 2026, an increase of $5.9 million compared to the second quarter last year. Excluding construction for the Taylor facility and customer-funded equipment purchases, growth capital expenditures increased by $3.7 million, largely attributed to the ongoing enhancement of the Peace River facility, including debottlenecking activities and improvements to the wet processing plant and wash facilities.

Maintenance and sustaining capital expenditures increased by $2.2 million for the second quarter of 2026, compared to the same period in 2025, primarily due to an increase in overburden removal activities.

For the first half of 2026, capital expenditures net of proceeds on disposals and reimbursements and excluding expenditures related to the Taylor facility and customer-funded equipment purchases increased $14.8 million compared to the prior year. Growth capital expenditures net of proceeds on disposals and reimbursements increased by $8.3 million compared to the second quarter of 2025, primarily related to continued investment in Source's growth initiatives at Peace River, including facility enhancement, optimization initiatives and capacity improvement projects. Maintenance and sustaining capital expenditures increased by $6.5 million, reflecting increased investment at the Peace River mining facility, leasehold improvements for the new corporate head office and higher overburden removal activities.

Management continues to assess equipment and other assets required to service Source's operations to ensure optimal capacity and reliability on an ongoing basis. Capital expenditures during the period were funded through cash generated by operating activities, availability under the Company's credit facilities and funding provided by a customer, refer to 'Long-term debt' below.

Finance expense	**Three months ended June 30,**		**Six months ended June 30,**	
($000s)	**2026**	2025	**2026**	2025
Interest on Term Loan	**4,171**	4,551	**7,908**	8,665
Interest on ABL facility	**490**	100	**707**	121
Interest on credit facilities	**4,661**	4,651	**8,615**	8,786
Other interest income	**(230)**	(368)	**(434)**	(653)
Other interest expense	**49**	299	**104**	605
Interest on leases	**1,929**	1,726	**3,923**	3,405
Accretion	**885**	766	**2,236**	1,552
Other finance expense	**324**	103	**498**	346
Total finance expense	**7,618**	7,177	**14,942**	14,041

Finance expense was $7.6 million for the second quarter of 2026, an increase of $0.4 million compared to the same quarter last year. The increase was primarily driven by higher interest expense incurred on the ABL facility (as defined below), which was undrawn in the second quarter of 2025, and higher interest on lease obligations due to the addition of heavy equipment, as noted above. These increases were partly offset by lower interest expense on the Term Loan (as defined below), due to a lower average principal balance outstanding, and lower other interest expense compared to the second quarter of 2025.

Compared to the first half of 2025, finance expense increased by $0.9 million, the result of higher accretion expense, higher interest expense on lease obligations and higher interest incurred on the ABL facility, as noted above. These increases were partly offset by lower interest expense on the Term Loan and lower other interest expense.

Long-term debt

($000s)	**June 30, 2026**	**December 31, 2025**
Term Loan	**152,708**	153,309
ABL facility	**14,523**	—
Taylor Financing Facility	**21,290**	20,967
Other debt	**2,065**	—
Total long-term debt	**190,586**	174,276
Less: current portion	(16,894)	(11,690)
Long-term portion	**173,692**	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. The customer-funded equipment purchase arrangement 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. The Company had no mandatory repayment for the first quarter of 2026, and has a repayment of US$3.4 million payable on August 15, 2026 for the three months ended June 30, 2026 (three and six months ended June 30, 2025 - US$1.7 million and US$5.6 million, respectively).

Under the original Term Loan agreement, the Company could 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 included 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 six months ended June 30, 2026, Source completed amendments to the Term Loan which revised certain covenants and pricing terms. The maximum total leverage ratio thresholds were amended as follows:

- 3.00:1 for the fiscal quarter ending September 30, 2026;
- 2.75:1 for the fiscal quarter ending December 31, 2026;
- 2.50:1 for the fiscal quarter ending March 31, 2027;
- 2.00:1 for the fiscal quarter ending June 30, 2027; and
- 1.75:1 for the fiscal quarters thereafter.

The applicable margin on interest was amended as follows:

- 5.25% when the total leverage ratio is less than 2.00:1;
- 5.75% when the total leverage ratio is equal to or greater than 2.00:1 and less than 2.50:1; and
- 6.25% when the total leverage ratio is equal to or greater than 2.50:1.

In addition, the amendments revised the applicable call premium on amounts repaid (prior to June 20, 2028 - 5%, prior to December 20, 2028 - 3%). As at June 30, 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 June 30, 2026, $15.1 million was drawn on the ABL (less unamortized finance costs of $0.5 million for a net balance of $14.5 million) (December 31, 2025 - $nil), leaving $24.9 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%. As at June 30, 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 advanced funding for construction under a project financing structure (the "Taylor Financing Facility"), and received 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. During the six months ended June 30, 2026 the Company repaid $1.2 million under the facility (June 30, 2025 - $0.2 million).

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 June 30, 2026, $2.1 million was included in the current portion of long-term debt, representing advances of $6.4 million net of $4.3 million in repayments, as amounts owing are expected to be repaid within twelve months.

Standby letter of credit facility and deposits

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 June 30, 2026, amounts held on deposit totaled $3.1 million (December 31, 2025 - $3.0 million).

Business Outlook

Following a softer than expected first half, Source anticipates stronger customer activity levels for the remainder of the year, with full year 2026 customer activity levels slightly below those realized last year. While ongoing geopolitical uncertainty and commodity price volatility could create periodic fluctuations in customer activity and near-term demand levels, Source's long-term outlook remains unchanged. The recent movement in crude oil prices supported strong mine gate deliveries into the Lower 48 states during the second quarter, and Source expects this trend to continue in the near term. Despite recent challenges associated with scaling Source’s domestic sand platform, impacting production costs and efficiencies to date, operational performance at the Peace River facility has continued to improve and will drive increased production volumes for the remainder of 2026.

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 remains focused on expanding its logistics and well site service offerings in response to customer requests by leveraging its existing Western Canadian terminal network and infrastructure to provide customers with integrated service solutions and additional supply chain support.

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	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sand volumes (MT)	*963,539*	*767,712*	*1,041,223*	*1,094,355*	*665,006*	*906,903*	*871,581*	*831,234*
Sand revenue	142,236	117,658	162,903	161,472	100,265	135,342	125,779	107,791
Well site solutions	39,908	26,701	44,428	39,216	23,941	28,323	33,391	28,272
Terminal services	906	617	1,233	1,201	1,113	868	1,053	1,054
Sales	183,050	144,976	208,564	201,889	125,319	164,533	160,223	137,117
Cost of sales	139,768	110,957	162,369	153,280	95,016	130,379	124,832	107,314
Cost of sales - depreciation	9,613	8,630	9,402	11,873	10,676	10,731	13,366	12,444
Cost of sales	149,381	119,587	171,771	165,153	105,692	141,110	138,198	119,758
Gross margin	33,669	25,389	36,793	36,736	19,627	23,423	22,025	17,359
Operating expense	6,493	6,618	7,927	8,383	7,149	6,795	6,252	8,019
General & administrative expense	3,518	4,768	4,908	4,839	3,235	4,482	3,229	3,902
Depreciation	4,753	3,832	5,700	5,432	5,484	5,748	6,753	6,091
Income (loss) from operations	18,905	10,171	18,258	18,082	3,759	6,398	5,791	(653)
Other expense (income):								
Finance expense	8,217	9,054	6,864	7,177	6,568	9,795	7,324	7,618
Share-based compensation expense (recovery)	1,016	5,412	(4,959)	1,081	321	528	41	(94)
(Gain) loss on asset disposal	(862)	628	4	536	443	—	84	264
Gain on Sahara finance lease	(1,992)	(1,908)	—	—	—	—	—	—
Other income	(12)	(606)	(140)	(575)	(22)	(70)	(200)	(78)
Other expense (recovery)(1)	221	1,545	(12,501)	277	187	145	488	126
Loss on sublease	—	—	13	—	—	—	—	—
Loss (gain) on debt modification and extinguishment	—	2,917	(918)	428	(204)	(499)	158	(173)
Foreign exchange (gain) loss	(66)	(610)	(261)	754	(349)	(134)	(205)	(563)
Unrealized foreign exchange loss (gain)	—	—	31	(8,226)	3,529	(1,782)	2,736	948
Total other expense (income)	6,522	16,432	(11,867)	1,452	10,473	7,983	10,426	8,048
Income (loss) before income taxes	12,383	(6,261)	30,125	16,630	(6,714)	(1,585)	(4,635)	(8,701)
Income taxes	2,228	963	6,526	3,062	(497)	(3,716)	(1,337)	(3,108)
Net income (loss)	10,155	(7,224)	23,599	13,568	(6,217)	2,131	(3,298)	(5,593)
Net earnings (loss) per share ($/share)	0.75	(0.53)	1.74	1.01	(0.46)	0.16	(0.25)	(0.43)
Diluted net earnings (loss) per share ($/share)	0.74	(0.53)	1.74	1.01	(0.46)	0.16	(0.25)	(0.43)
Net income (loss)	10,155	(7,224)	23,599	13,568	(6,217)	2,131	(3,298)	(5,593)
Interest expense	6,281	6,655	5,835	6,308	5,394	8,671	5,799	6,409
Income taxes	2,228	963	6,526	3,062	(497)	(3,716)	(1,337)	(3,108)
Depreciation	4,753	3,832	5,700	5,432	5,484	5,748	6,753	6,091
Cost of sales - depreciation	9,613	8,630	9,402	11,873	10,676	10,731	13,366	12,444
Loss (gain) on debt modification and extinguishment	—	2,917	(918)	428	(204)	(499)	158	(173)
Finance expense (excluding interest expense)	1,936	2,399	1,029	869	1,174	1,124	1,525	1,209
Share-based compensation expense (recovery)	1,016	5,412	(4,959)	1,081	321	528	41	(94)
(Gain) loss on asset disposal	(862)	628	4	536	443	—	84	264
Loss on sublease	—	—	13	—	—	—	—	—
Unrealized foreign exchange loss (gain)	—	—	31	(8,226)	3,529	(1,782)	2,736	948
Other expense (recovery)(1)	221	1,545	(12,501)	277	187	145	488	126
Adjusted EBITDA(2)	35,341	25,757	33,761	35,208	20,290	23,081	26,315	18,523
Sand revenue sales/MT	147.62	153.26	156.45	147.55	150.77	149.24	144.31	129.68
Gross margin	33,669	25,389	36,793	36,736	19,627	23,423	22,025	17,359
Cost of sales - depreciation	9,613	8,630	9,402	11,873	10,676	10,731	13,366	12,444
Adjusted Gross Margin(2)	43,282	34,019	46,195	48,609	30,303	34,154	35,391	29,803
Gross margin/MT	34.94	33.07	35.34	33.57	29.51	25.83	25.27	20.88
Adjusted Gross Margin/MT(2)	44.92	44.31	44.37	44.42	45.57	37.66	40.61	35.85

Notes:

(1) Includes expenses and recoveries related to the incident at the Fox Creek terminal facility, costs and other one-time expenses, refer to 'Operating and Financial Results' below and 'Contractual Obligations' below.

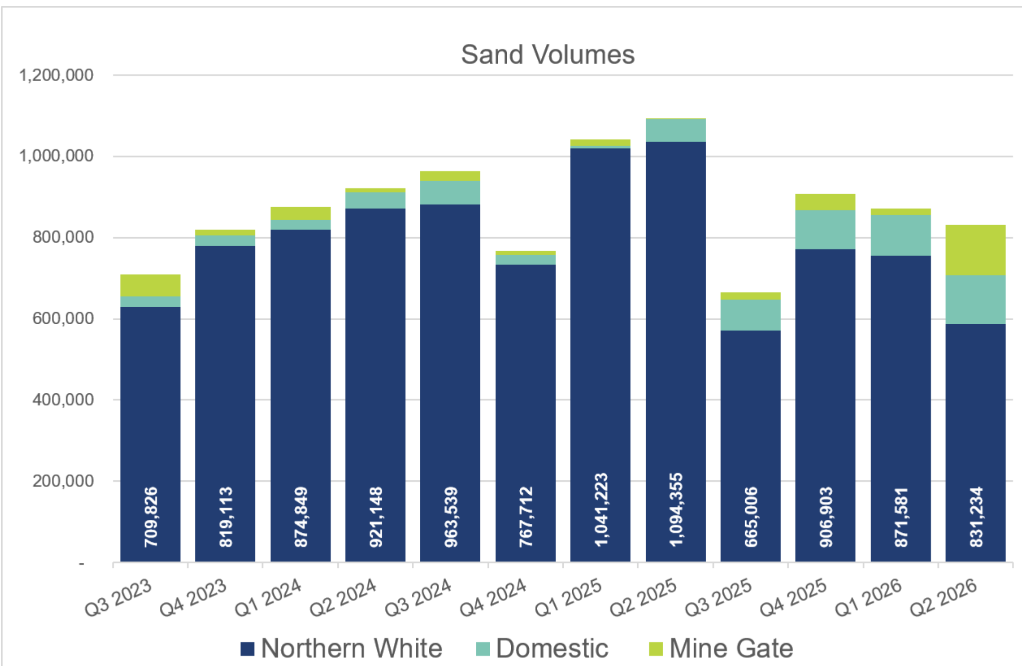
(2) Adjusted EBITDA and Adjusted Gross Margin (including on a per MT basis) are not defined under IFRS, refer to 'Non-IFRS Measures' below.

Operating and Financial Results

Sand revenue

For the three months ended June 30, 2026, Source realized sand sales volumes of 831,234 MT and sand revenue of $107.8 million, a reduction of $53.7 million compared to the second quarter of 2025, which reflected record sand sales volumes. Results for the second quarter of 2026 were impacted by lower activity levels in the WCSB, as customers maintained a disciplined approach to capital spending amid ongoing market uncertainty and weaker natural gas prices. Second quarter results were also impacted by a shift in product mix, including a 107% increase in domestic wet and dry sand sales, a shift that reflects the evolution of customer demand patterns and is expected to continue. Volumes from mine gate sales increased by more than 100,000 MT compared to mine gate volumes realized for the second quarter of 2025, and lowered average realized sand price by $12.34 per MT for the period. These factors resulted in a $17.87 per MT reduction in the average sand price realized price for the second quarter. The U.S. mine gate market has been impacted by the recent movement in oil prices and drove incremental demand during the period; however, 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.

For the six months ended June 30, 2026 Source generated sand revenue of $233.6 million, a $90.8 million decrease compared to the record first half of 2025, attributed to the lower customer activity levels in the WCSB, as described above. Average realized sand price decreased by $14.72 compared to the first half of last year, impacted by a shift in product mix, including significantly increased domestic dry and wet sand volumes and a higher proportion of finer-mesh sand. The sale of mine gate volumes lowered the average realized sand price by $6.67 per MT for the first half of the year, and the strengthening of the Canadian dollar further reduced the average realized sand price by $1.71 per MT relative to the first half of 2025.



Well site solutions revenue

Well site solutions revenue totaled $28.3 million for the three months ended June 30, 2026, a decrease of $10.9 million or 28% compared to the second 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 45% utilized during the second quarter, a 32% decrease compared to second quarter of 2025; however, Sahara units deployed in the U.S. remained fully contracted, maintaining 100% utilization during the quarter.

On a year-to-date basis, revenue from well site solutions decreased $22.0 million or 26% compared to the six months ended June 30, 2025. The decrease is largely attributed to the lower activity levels realized, resulting in a 26% decline in trucked volumes compared to the record volumes delivered to customer sites during the first half of 2025. Sahara utilization for the quarter was lower by 19% compared to the first half of last year, a reflection of lower overall activity levels.

Terminal services revenue

Terminal services revenue decreased $0.1 million and $0.3 million for the three and six months ended June 30, 2026, respectively, compared to the same periods in 2025, reflecting lower chemical elevation volumes.

Cost of sales

	Three months ended June 30,		Six months ended June 30,	
($000s)	**2026**	2025	**2026**	2025
Direct materials	**81,276**	117,321	**175,119**	239,574
People costs	**7,844**	6,774	**14,897**	12,746
Equipment costs	**1,760**	2,137	**3,547**	4,398
Transportation costs	**14,758**	26,523	**35,379**	57,812
Facility costs	**1,676**	525	**3,204**	1,119
Cost of sales	**107,314**	153,280	**232,146**	315,649
Cost of sales - depreciation	**12,444**	11,873	**25,810**	21,275

Cost of sales, excluding depreciation, decreased by $46.0 million for the three months ended June 30, 2026 compared to the second quarter of 2025, primarily reflecting lower sand sales volumes realized, as noted above. The decrease was further driven by a favourable shift in sales mix toward domestic sand sales, which has a lower landed cost. Cost of sales, excluding depreciation, also benefitted from lower production costs achieved at the Wisconsin mining facilities, and lower third-party sand purchases compared to the same period last year. These improvements were partly offset by higher production costs at the Peace River facility, as well as incremental costs associated with the ramp-up of wet sand sales volumes, higher trucking personnel costs and higher fuel costs at the Taylor terminal facility, which continues to operate on a temporary fuel supply until connection to the local power grid is completed.

For the six months ended June 30, 2026, cost of sales, excluding depreciation, decreased by $83.5 million compared to the same period in 2025, primarily due to lower sand sales volumes realized, lower overall production costs and third-party sand purchase costs, partly offset by higher personnel costs, incremental costs incurred at Peace River and the Taylor terminal fuel costs, as noted above. A strengthening of the Canadian dollar on U.S. dollar denominated components of cost of sales drove a decrease of $2.65 per MT to cost of sales, compared to the first half of last year.

Gross margin

	Three months ended June 30,		Six months ended June 30,	
($000s, except MT and per unit amounts)	**2026**	2025	**2026**	2025
Gross margin	**17,359**	36,736	**39,384**	73,529
Cost of sales – depreciation	**12,444**	11,873	**25,810**	21,275
Adjusted Gross Margin(1)	**29,803**	48,609	**65,194**	94,804
Gross margin/MT	**20.88**	33.57	**23.13**	34.43
Adjusted Gross Margin/MT(1)	**35.85**	44.42	**38.29**	44.39
Percentage of mine gate sand volumes	**15%**	—%	**8%**	1%
Percentage of sand volumes sold in the WCSB	**85%**	100%	**92%**	99%

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 $19.4 million and Adjusted Gross Margin decreased by $18.8 million for the three months ended June 30, 2026. Excluding gross margin from mine gate sand volumes, Adjusted Gross Margin was $38.81 per MT, compared to $44.49 per MT for the second quarter of 2025. Adjusted Gross Margin per MT was impacted by lower than anticipated production volumes at the Peace River mining facility, stemming from operational challenges attributed to the rapid scaling required to meet the accelerated growth in customer demand. As a result, higher-cost northern white sand volumes were required to satisfy domestic sand volume contract commitments. Changes in product and customer mix, including the incremental mine gate sales achieved, and higher fuel costs at the Taylor terminal, also contributed to the overall decrease in margin for the quarter. These impacts were partly offset by incremental margin generated from trucking operations compared to the same period in 2025.

On a year-to-date basis, gross margin decreased $34.1 million and Adjusted Gross Margin decreased by $29.6 million compared to the six months ended June 30, 2025. Excluding gross margin from mine gate sand volumes, Adjusted Gross Margin was $40.08 per MT, a 10% decrease from the first half of last year. The decrease reflects the cumulative impact of lower activity levels in the WCSB, a shift in product sales mix and increased operating costs, as noted above.

Operating and general & administrative expense

	Three months ended June 30,				Six months ended June 30,			
	2026		2025		**2026**		2025	
($000s)	**OPEX**	**G&A**	OPEX	G&A	**OPEX**	**G&A**	OPEX	G&A
People	**2,657**	**2,390**	3,098	3,441	**5,343**	**4,373**	6,373	6,917
Equipment	**915**	**4**	892	—	**1,313**	**7**	1,562	1
Facility	**509**	**12**	469	10	**1,054**	**25**	884	23
Selling and administrative	**3,938**	**1,496**	3,924	1,388	**6,561**	**2,726**	7,491	2,806
Operating and general & administrative expense	**8,019**	**3,902**	8,383	4,839	**14,271**	**7,131**	16,310	9,747

For the second quarter of 2026, total operating and general and administrative expense decreased by $1.3 million compared to the same period last year. During the three months ended June 30, 2026, operating expense decreased by $0.4 million, primarily due to lower people costs reflecting reduced variable incentive compensation expense.

During the six months ended June 30, 2026, operating expense decreased by $2.0 million from the first half of last year, largely 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, as noted above. Lower amounts incurred for repairs and maintenance costs for Source's rail car fleet also contributed to the reduction in operating expense.

General and administrative expense decreased by $0.9 million and $2.6 million, respectively, for the three and six months ended June 30, 2026, compared to the same periods in 2025, largely due to lower people costs driven by lower variable incentive compensation expense.

Share-based compensation

For the three and six months ended June 30, 2026, share-based compensation (recovery) expense changed by $1.2 million and $3.8 million, respectively, compared to the same periods in 2025, primarily due to the movement in Source's share price, with the change for the six months ended June 30, 2026 also reflecting the impact of the wind-up of certain share-based compensation plans that occurred in the first quarter of 2025.

Other expense (recovery)

Other expense was relatively flat on a quarter-over-quarter basis, and for the six months ended June 30, 2026, other expense (recovery) increased by $12.8 million compared to the first half of last year. 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.

(Gain) loss on debt modification

For the three and six months ended June 30, 2026 and 2025, Source revalued its long-term debt resulting from changes in expected cash flows and the movement in interest rates.

Foreign exchange

For the three and six months ended June 30, 2026, and 2025, Source was impacted by foreign exchange rate movement on the settlement of working capital items denominated in U.S. dollars, and payments made for the Term Loan.

Unrealized foreign exchange loss

For the three and six months ended June 30, 2026, unrealized foreign exchange loss increased by $9.2 million and $11.9 million, respectively, compared to the same periods in 2025, 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 of directors (the "Board") meetings to review financial information. Source evaluates and monitors its capital based on its current working capital, available bank line, projected cash flows provided by operating activities and anticipated capital expenditures. Source's management prepares annual capital expenditure and operating budgets which are approved by the Board and are regularly reviewed and updated as necessary.

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

Source's capital management policy has not changed during the six months ended June 30, 2026.

Cash and net working capital

($000s)	**June 30, 2026**	**December 31, 2025**
Current assets	**163,534**	204,719
Current liabilities	**(133,602)**	(156,376)
Net working capital	**29,932**	48,343
Current portion of long-term debt	**16,894**	11,690
Net working capital, excluding current portion of long-term debt	**46,826**	60,033

At June 30, 2026, total current assets less total current liabilities (net working capital) reflected a surplus of $29.9 million. Excluding the current portion of long-term debt, net working capital was $46.8 million, a decrease of $13.2 million compared to December 31, 2025. The decrease in net working capital, excluding the current portion of long-term debt, is primarily attributed to a reduction in total current assets, driven by lower cash balances and amounts outstanding for accounts receivable, attributed to lower activity levels for the second quarter and the timing of customer payments received. This was partly offset by lower amounts outstanding for accounts payable, also related to activity levels for the second quarter and the timing of payments made at the end of 2025.

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, 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 a refund of the $10.6 million of surtaxes paid to date since enactment of the reciprocal tariff.

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 any 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 June 30, 2026 are $12.7 million (December 31, 2025 - $26.7 million) and $27.0 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 and $0.7 million for the three and six months ended June 30, 2026, respectively ($0.6 million and $1.2 million for the three and six months ended June 30, 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 June 30, 2026 (December 31, 2025 - $1.6 million).

Source monitors its net foreign currency exposure on a regular basis. 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. The Company also has a foreign currency risk management policy, whereby it will hedge up to certain prescribed maximum amounts of its net U.S. dollar exposure on a monthly basis through the purchase of various instruments. As of July 29, 2026, the Company has U.S. dollar foreign exchange open dated forward contracts outstanding that mature during 2026, with notional amounts ranging from US$0.7 million to US$1.0 million per month at 1.4054 to 1.4136 per Canadian dollar.

Contractual obligations

Source has various commitments regarding lease agreements, IT software subscriptions and physical natural gas contracts. The leases expire between July 2026 and December 2050, 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	118,393	18,195	31,521	21,657	14,495	9,334	23,191
Other commitments	1,931	1,280	467	128	37	19	—
ABL facility[(1)]	15,052	15,052	—	—	—	—	—
Term Loan[(1)]	209,137	16,636	23,975	22,950	145,576	—	—
Taylor Financing Facility	25,681	1,713	4,801	4,801	4,801	9,565	—
Other debt	2,065	2,065	—	—	—	—	—

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 June 30, 2026, Source had issued and outstanding 13,019,955 common shares (December 31, 2025 - 13,080,255). As at July 29, 2026, Source had 13,006,855 common shares outstanding.

NCIB

On May 29, 2026, the Company renewed its NCIB, under which the Company is authorized to purchase up to a maximum of 996,288 common shares or $4.0 million. The NCIB terminates on the earlier of May 28, 2027 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. The renewal follows the conclusion of Source's previous NCIB which expired on May 12, 2026. Under the previous program, Source purchased 480,700 common shares for aggregate consideration of $6.2 million at a weighted average price per share of $12.99.

Source has also entered into an automated share purchase plan with an independent broker which permits Source to purchase common shares during its internal blackout period. All common shares purchased under the NCIB are returned to treasury for cancellation.

For the six months ended June 30, 2026, Source purchased 60,300 common shares for cancellation at a weighted average price per common share of $16.15, which includes transaction fees.

Off-Balance Sheet Arrangements

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

Transactions between Related Parties

During the six months ended June 30, 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 June 30, 2026. There were no material weaknesses in the design of the DC&P and the ICFR at June 30, 2026, and no changes in ICFR during the period beginning on January 1, 2026, and ended on June 30, 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 June 30, 2026, the fair value of the Term Loan was approximately $153.1 million and the fair value of the Taylor Financing Facility was approximately $21.4 million, determined using Level 3 inputs. The carrying amount of the other debt arrangement with a customer approximates its fair value as at June 30, 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 the amendments to IFRS 9 *Financial Instruments* and 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 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 June 30,		Six months ended June 30,	
($000s)	**2026**	2025	**2026**	2025
Net (loss) income	**(5,593)**	13,568	**(8,891)**	37,167
Add:				
Income taxes	**(3,108)**	3,062	**(4,445)**	9,588
Interest expense	**6,409**	6,308	**12,208**	12,143
Cost of sales – depreciation	**12,444**	11,873	**25,810**	21,275
Depreciation	**6,091**	5,432	**12,844**	11,132
(Gain) loss on debt modification	**(173)**	428	**(15)**	(490)
Finance expense (excluding interest expense)	**1,209**	869	**2,734**	1,898
Share-based compensation (recovery) expense	**(94)**	1,081	**(53)**	(3,878)
Loss on asset disposal	**264**	536	**348**	540
Loss on sublease	**—**	—	**—**	13
Unrealized foreign exchange loss (gain)	**948**	(8,226)	**3,684**	(8,195)
Other expense (recovery)[(1)]	**126**	277	**614**	(12,224)
Adjusted EBITDA	**18,523**	35,208	**44,838**	68,969
Financing expense paid	**(6,766)**	(6,710)	**(13,576)**	(13,516)
Capital expenditures, net of proceeds on disposal of property, plant and equipment and reimbursement of capital costs[(2)]	**(13,561)**	(7,623)	**(29,528)**	(14,693)
Payment of lease obligations	**(7,533)**	(6,321)	**(14,966)**	(12,595)
Income taxes paid	**—**	(2,912)	**—**	(4,604)
Free Cash Flow	**(9,337)**	11,642	**(13,232)**	23,561

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 ‘Operating and Financial Results’ 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 June 30,		Six months ended June 30,	
($000s)	**2026**	2025	**2026**	2025
Gross margin	**17,359**	36,736	**39,384**	73,529
Cost of sales – depreciation	**12,444**	11,873	**25,810**	21,275
Adjusted Gross Margin	**29,803**	48,609	**65,194**	94,804

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”, “grow”, “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; expectation that Western Canadian LNG projects will drive incremental demand for proppant in the WCSB; the belief that 2026 customer activity levels will be stronger for the remainder of the year, with customer activity levels slightly below those realized last year; expectations with respect to the mine gate deliveries into the

Lower 48 states; 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; 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; 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.