



Press Release

TSX: SHLE

Source Energy Services Reports Strong Second Quarter Results

Calgary, Alberta – August 2, 2017 - Source Energy Services Ltd. (the “Company”) is pleased to announce Source’s (as defined in the Interim MD&A) second quarter 2017 results. These results should be read in conjunction with each of Source’s unaudited condensed consolidated interim financial statements and related notes for the three and six months ended June 30, 2017 and its corresponding management’s discussion and analysis for such period (the “Interim MD&A”), which are available on the Company’s SEDAR profile at www.sedar.com. These results should also be read in conjunction with Source’s audited combined annual financial statements and related notes as at and for the year ended December 31, 2016 and its corresponding management’s discussion and analysis, which are included in the Company’s long form final prospectus dated April 6, 2017 (the “Final Prospectus”), which is available on the Company’s SEDAR profile at www.sedar.com.

All financial figures are in Canadian dollars

Highlights

Three and Six months ended June 30, 2017 compared to the three and six months ended June 30, 2016

- **Strong second quarter results despite spring break up**
- **Adjusted EBITDA⁽¹⁾ of \$9.0 million for the second quarter an \$18.0 million increase from Q2 of last year**
- **Sand sales volumes increased 210% from sand sales volumes of Q2 last year**
- **Sand volumes for the six months ended June 30, 2017 now exceed full year 2016 volumes**
- **Wellsite solutions revenues were up 138% in the second quarter compared to Q2 last year**
- **Adjusted gross margins per metric tonne ⁽¹⁾ show a 19% increase over first quarter 2017 levels**
- **Blair mine acquisition was completed and the facility achieved targeted levels of production**
- **Terminal expansion projects in the Montney and the Duvernay are on schedule**
- **Construction of Source’s third Sahara unit is well advanced. Balance sheet strengthened as completion of the IPO allowed for the reduction of \$139.9 million of long term liabilities**

Brad Thomson, President and CEO said the following “I am pleased that the Source team has delivered a solid second quarter performance. Regardless of the fact we were operating during a period where seasonal challenges test the industry, Source continued to move record volumes of frac sand to the well site and we continued to expand the level of in-field services to meet the expectations of our customers.

The importance of our focus on logistics is being recognized by our customers and as a result, our Wellsite revenues grew by 58% from Q1 to Q2 of 2017. Going forward, Source will continue to focus on providing services that solve the numerous problems associated with moving increasingly large volumes of frac sand to remote locations in the WCSB.

The amount of frac sand used per well has continued to increase in the WCSB. To meet this growing demand, Source increased its production capacity by over 50% during the Quarter with the acquisition of a new mine, processing facility and unit train loading facility in Blair Wisconsin. In addition, Source continued to advance the development of three additional unit train frac sand terminals in the Montney, the Duvernay, and Deep Basin.”

Brad went on to say, “I am proud of the accomplishments of the Source team. In order to grow an exceptional business, you need to have an exceptional team. We’re fortunate at Source to have that.”

Business Outlook

With the continued strong economic results being realized by E&P companies operating in the Montney, Duvernay and Deep Basin areas of the WCSB, Source expects well completion activity to continue to show significant improvement over 2016. Canadian well completion sand intensities on average continue to lag the U.S. well completion sand intensities however the Canadian average is rising as U.S. style completions are being gradually adopted by Canadian E&P companies. Provided that commodity prices remain at similar levels to what they are today, and that E&P companies continue with their previously announced capital plans, significant improvement in sand sales compared to 2016 is expected to continue through the balance of 2017. Source also expects that activity levels and sand intensity levels will continue to rise in 2018.

Overview of Results

(\$000's, except MT and per unit amounts)	Three Months Ended 30-June		Six Months Ended 30-June	
	2017	2016	2017	2016
Sand Volumes (MT)	414,286	133,636	834,297	393,754
Sand Revenue	50,555	17,066	102,185	58,013
Wellsite Solutions	16,629	6,982	27,164	7,840
Terminal Services	1,475	1,049	3,743	2,579
Sales	68,659	25,097	133,092	68,432
Cost of Sales	55,420	25,755	108,575	60,004
Cost of Sales Depreciation	2,810	1,989	5,368	4,350
Cost of Sales	58,230	27,744	113,943	64,354
Gross Margin	10,429	(2,647)	19,149	4,078
Operating and General and Administrative Expenses	5,718	7,906	9,602	12,672
Depreciation	1,540	1,523	2,807	2,822
Income (loss) from operations	3,171	(12,076)	6,740	(11,416)
Other expense(income):				
Loss (gain) on asset disposal	(3)	1,460	(3)	1,460
Finance expense	9,409	4,902	18,888	8,402
Loss/ (gain) on derivative liability	(31)	-	(4,165)	-
Stock based compensation expense	3,870	-	3,870	-
Other income	(432)	(55)	(964)	(1,083)
Management Fees	-	636	417	814
Foreign exchange loss/ (gain)	(157)	569	524	878
Total other expense (income)	12,656	7,512	18,567	10,471
Income (loss) before income taxes	(9,485)	(19,588)	(11,827)	(21,887)
Current Income Tax	1,691	4	1,691	4
Deferred income tax	(2,340)	-	(2,680)	-
Net Income (loss)	(8,836)	(19,592)	(10,838)	(21,891)
Adjusted EBITDA ⁽¹⁾	8,959	(9,078)	16,204	(3,775)
Sand Revenue Sales/MT	122.03	127.71	122.48	147.33
Adjusted Gross Margin ⁽¹⁾				
Adjusted Gross Margin / MT ⁽¹⁾				

Note:

(1) Adjusted EBITDA and Adjusted Gross Margin are not defined under IFRS. See "Non-IFRS Measures" below.

Second Quarter Conference Call

Source is also pleased to announce its second quarter financial results will be released following the Toronto Stock Exchange market close on August 2, 2017. A conference call has been scheduled for 7:00 am MT (9:00 am ET) on August 3, 2017 for interested analysts, investors and media representatives.

The conference call dial-in numbers are:

- 1-888-231-8191 or 1-647-427-7450 Participant pass code: 48931778

The call will also be recorded and available for playback 120 minutes after the meeting end time, until September 7, 2017 using the following dial-in:

- 1-855-859-2056 Participant pass code: 48931778

ABOUT SOURCE ENERGY SERVICES

Source is a fully integrated producer, supplier and distributor of high quality Northern White frac sand primarily to the Western Canadian Sedimentary Basin. Source provides its customers with a full end-to-end solution through its Wisconsin mine assets, processing facilities, unit train capable rail assets, strategically located terminal network and “last mile” logistics capabilities. Source’s full service approach allows customers to rely on its logistics capabilities to increase reliability of supply and to ensure the timely delivery of their growing frac sand requirements. In addition to its transload terminal network and in-basin storage capabilities, Source has also developed Sahara, a proprietary wellsite mobile sand storage and handling system

NON-IFRS MEASURES

In this press release Source has used the terms Adjusted Gross Margin and Adjusted EBITDA which 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), gross margin and other measures of financial performance as determined in accordance with IFRS as an indicator of performance, but Source believes these measures are useful to both management and investors in providing relative performance and measuring changes in respect of Source as well as measuring Source’s financial performance in the context of the capital spending necessary to maintain and grow its assets. Except as otherwise indicated, these Non-IFRS measures are calculated and disclosed on a consistent basis from period to period. Specific adjusting items may only be relevant for certain periods. For additional information regarding Non-IFRS measures, including reconciliations to measures recognized by IFRS, please refer to the Interim MD&A, which is available online at www.sedar.com and through Source’s website at www.sourceenergyservices.com.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this press release constitute “forward-looking statements” or “forward-looking information” (collectively, “forward-looking statements”) within the meaning of applicable Canadian and United States securities laws relating to, without limitation, expectations, 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 “expects”, “estimates”, “forecasts”, “intends”, “anticipates”, “believes”, “plans”, “seeks”, “projects” or variations of such words and phrases, or state 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. 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 press release contains forward-looking statements pertaining, but not limited, to: expectations regarding the price of proppants and sensitivity to changes in such prices; outlook for operations; industry activity levels; industry conditions pertaining to the frac sand industry; increased sales volumes of sand following the first quarter of 2017; the need for third party sand purchases; the issuance of Common Shares in connection with certain obligations attributed to the Notes and Source’s objectives, strategies and competitive strengths.

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 press release, assumptions have been made regarding, among other things: proppant market prices; future oil, natural gas and natural gas liquids prices; future global economic and financial conditions; future commodity prices, demand for oil and gas and the product mix of such demand; levels of activity in the oil and gas industry in the areas in which Source operates; the continued availability of timely and safe transportation for Source’s

products, including without limitation, rail accessibility; the maintenance of Source's key customers and the financial strength of its key customers; the maintenance of Source's significant contracts or their replacement with new contracts on substantially similar terms and that contractual counterparties will comply with current contractual terms; operating costs; that the regulatory environment in which Source operates will be maintained in the manner currently anticipated by Source; future exchange and interest rates; geological and engineering estimates in respect of Source's resources; the recoverability of Source's resources; the accuracy and veracity of information and projections sourced from third parties respecting, among other things, future industry conditions and product demand; demand for horizontal drilling and hydraulic fracturing and the maintenance of current techniques and procedures, particularly with respect to the use of proppants; Source's ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the regulatory framework governing royalties, taxes and environmental matters in the jurisdictions in which Source conducts its business and any other jurisdictions in which Source may conduct its business in the future; future capital expenditures to be made by Source; future sources of funding for Source's capital program; Source's future debt levels; the impact of competition on Source; and Source's ability to obtain financing on acceptable terms.

A number of factors, risks and uncertainties could cause results to differ materially from those anticipated and described herein including, among others: the effects of competition and pricing pressures; risks inherent in key customer dependence; effects of fluctuations in the price of proppants; risks related to indebtedness and liquidity, including Source's leverage, restrictive covenants in Source's debt instruments and Source's capital requirements; risks related to interest rate fluctuations and foreign exchange rate fluctuations; changes in general economic, financial, market and business conditions in the markets in which Source operates; changes in the technologies used to drill for and produce oil and natural gas; Source's ability to obtain, maintain and renew required permits, licenses and approvals from regulatory authorities; the stringent requirements of and potential changes to applicable legislation, regulations and standards; the ability of Source to comply with unexpected costs of government regulations; liabilities resulting from Source's operations; the results of litigation or regulatory proceedings that may be brought against Source; the ability of Source to successfully bid on new contracts and the loss of significant contracts; uninsured and underinsured losses; risks related to the transportation of Source's products, including potential rail line interruptions or a reduction in rail car availability; the geographic and customer concentration of Source; the ability of Source to retain and attract qualified management and staff in the markets in which Source operates; labour disputes and work stoppages and risks related to employee health and safety; general risks associated with the oil and natural gas industry, loss of markets, consumer and business spending and borrowing trends; limited, unfavourable, or a lack of access to capital markets; uncertainties inherent in estimating quantities of mineral resources; sand processing problems; and the use and suitability of Source's accounting estimates and judgments.

Although Source has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in its forward-looking statements, there may be other factors, including those described under the heading "Risk Factors" in the Final Prospectus, 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 press release 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 press release. 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.

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