



Press Release

TSX: SHLE

**Source Energy Services Ltd. Announces Acquisition
of Preferred Sands' Wisconsin Mine, Processing Facility and Canadian Frac Sand
Assets
as well as \$90 Million in Equity Financings and an Expected Increase in its
Revolver Limit Under its Credit Facilities**

NOT FOR DISTRIBUTION TO UNITED STATES NEWS WIRE SERVICES OR DISSEMINATION IN THE UNITED STATES

Calgary, Alberta – October 17, 2017 - Source Energy Services Ltd. (the “Company” or “Source”) is pleased to announce that it has entered into an asset purchase agreement (the “Acquisition Agreement”) to acquire (the “Acquisition”) a Northern White proppant mine in Blair, Wisconsin (the “Blair II Facility”), two large frac sand terminals located in Chetwynd, and Fort Nelson, British Columbia and exploration rights to more than 3,600 acres of land in the Peace River Valley of Alberta (the “Peace River Sand Deposit”), from certain affiliates of Preferred Proppants, LLC (“Preferred”). The consideration for the Acquisition includes U.S.\$80 million in cash, subject to closing and post-closing adjustments. The Company will host a conference call on October 17, 2017 at 3:00 p.m. MST (5:00 p.m. ET).

Transaction Highlights

- **Increases Source’s expected 2018 Northern White proppant production capacity to 4.8 million metric tonnes per annum (“mmtpa”) including the addition of 1.0 mmtpa of low-cost production from the Blair II Facility;**
- **Enables expected enhanced margins on acquired assets by redirecting volumes through Source’s integrated mine to wellsite model;**
- **Provides additional frac sand that can be used to continue to expand Source’s offering;**
- **Increases the coverage of Source’s WCSB terminal network by adding two large scale frac sand terminals in British Columbia;**
- **Secures an opportunity to develop a local frac sand mine and processing facility suited for supplying sand to the Montney region; and**
- **Provides significant cash flow per share accretion in 2018 while reducing Source’s debt leverage ratios.**

The Acquisition is consistent with Source’s strategy of expanding its Northern White proppant processing capacity and its integrated terminal network, to meet the increasing proppant needs of its customers in the WCSB. The Acquisition will immediately expand Source’s logistics network and increase the Company’s ability to provide reliable and timely delivery of proppant to its customers.

Brad Thomson, President and CEO of Source stated, “The Acquisition provides Source with a package of assets that nicely complements our existing facilities and immediately enables us to increase the level of service we provide to our customers. From the production facilities at Blair to the rail assets and the

western Canadian terminals, the entire Preferred package fits like a glove. With this acquisition, we'll continue to meet the growing demand we're witnessing in the WCSB. We're excited about the Acquisition and the opportunity to work with the employees that will be joining us from Preferred."

The Acquisition is subject to closing of the Offerings (as defined below) and customary commercial closing conditions and is expected to close on or about November 7, 2017. These conditions are described in the Acquisition Agreement which will be filed on Source's SEDAR profile at www.sedar.com in conjunction with this press release.

Transaction Rationale

Expansion of Source's Frac Sand Production and Distribution Capabilities

- The Blair II Facility is a producing CN-Rail connected mine with 1.0 mmtpa capacity located adjacent to Source's current facility in Blair, Wisconsin (the "Blair I Facility"). The Blair II Facility adds approximately 32.3 million metric tonnes of Inferred Mineral Resources (effective October 16, 2017), on over 790 acres of land. This resource does not have any royalty payment obligations, providing Source with a low cost supply of feed stock. See "*Scientific and Technical Information*".
- Large scale proppant terminal in Chetwynd, British Columbia (720,000 metric tonnes of annual throughput capacity) and Fort Nelson, British Columbia (360,000 metric tonnes of annual throughput capacity) increases Source's WCSB terminal network. The acquisition of these terminals enables Source to reduce or defer capital spending that was planned for 2017 and 2018.

Immediate Value Enhancement Opportunity

- Opportunity to enhance those margins realized by Preferred by redirecting Blair II Facility production volumes through Source's integrated mine to wellsite distribution chain.
- Low cost mine with potential to realize cost savings by integrating the Blair II Facility with Source's Blair I Facility.

Strategically Located Terminal in Northern Montney

- Leading upstream players operating in the region include ARC Resources, Encana and Tourmaline.
- Source has identified opportunities to place the majority of the Preferred volumes in Canada at attractive margins.
- Minimizes trucking distance to an active play, thereby reducing costs to Source customers.

Highly Accretive and Financially Prudent

- The Acquisition is expected to provide significant accretion in cash flow per share, in 2018.
- The Acquisition is also expected to be immediately accretive, based on key operational metrics.
- Deleveraging transaction, with the majority of the purchase price being funded by equity financings.
- Market capitalization and float increase to \$521mm and \$281mm from \$431mm and \$191mm, respectively.

Canadian Domestic Deposit Provides Potential Additional Product Line

- With control of the Peace River Sand Deposit, Source believes it could quickly develop an additional product line to address a niche part of the Canadian market.
- Historically, Source has provided logistics services to customers utilizing this type of domestic frac sand, but with this Acquisition, Source will have an opportunity to self-supply orders for this product.

Transaction Financing

Source is financing the Acquisition through a combination of a \$25.1 million public bought deal equity financing, a \$65.0 million concurrent private placement equity financing with certain accredited investors, and draws on its credit facilities. Prior to the closing of the Acquisition, Source expects to increase its revolver limit under its credit facilities from \$35 million to \$70 million and add The Bank of Nova Scotia as one of its lenders. Approximately \$20 million of the revolver limit will be utilized to finance the Acquisition.

In connection with the Acquisition, Source has entered into an agreement with a syndicate of underwriters (the "Underwriters") including Scotiabank as sole bookrunner, and BMO Capital Markets as co-lead underwriter, to issue 3,000,000 common shares on a bought deal basis at a price of \$8.35 per common share (the "Offering Price") to raise gross proceeds of \$25.1 million (the "Public Offering"). The Underwriters have also been granted an option by the Company to purchase up to an additional 450,000 common shares at the Offering Price (the "Over-Allotment Option"), exercisable from time to time, in whole or in part, for a period of 30 days from the closing of the Public Offering to cover over-allotments and for market stabilization purposes, if necessary.

Separately, the Company has received commitments from certain accredited investors to subscribe for 7,785,000 common shares on a private placement basis at a price of \$8.35 per common share for gross proceeds of \$65.0 million (the "Private Placement" and together with the Public Offering, the "Offerings"). The closing of the Private Placement is subject to the concurrent closing of the Public Offering. The closing of the Public Offering is subject to the concurrent closing of the Private Placement, and the closing of the Offerings is also subject to the satisfaction of all conditions precedent (but for the payment of the purchase price) of the Acquisition.

The Company intends to use the net proceeds from the Offerings to finance a portion of the purchase price for the Acquisition and, if the Over-Allotment Option is exercised, the net proceeds therefrom will be used to fund Source's ongoing capital investment program and for general corporate purposes.

In connection with the Acquisition, Source has agreed to enter into a production payment agreement (the "PPA") pursuant to which, commencing on commercial production, Source will pay Preferred a production payment of U.S.\$1.50 per metric tonne plus any applicable taxes in respect of any frac sand removed from the Peace River Sand Deposit until the earlier of: (a) a cumulative total of U.S.\$20 million of payments have been paid by Source; (b) Source pays Preferred a one-time payment of U.S.\$4 million prior to March 31, 2018; or (c) 99 years from the date of the PPA.

The Public Offering will be made pursuant to a short form prospectus to be filed in each of the provinces and territories of Canada. The common shares may also be placed in the United States with certain qualified institutional buyers in transactions exempt from registration under the United States Securities Act of 1933, as amended, and applicable state securities laws. Closing of the Offerings and the Acquisition is expected to occur on November 7, 2017 and is subject to customary closing conditions, including applicable regulatory approvals and approval of the Toronto Stock Exchange.

The securities offered under the Offerings have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or the securities laws of any state of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons absent registration or pursuant to an available exemption from the registration requirements of the U.S. Securities Act and any applicable state securities laws. This news release does not constitute or form a part of any offer to sell or the solicitation of any offer to buy any securities in the United States or any other jurisdiction outside of Canada nor will there be any sale of securities in any province, state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under applicable securities laws.

Advisors

Scotiabank is acting as exclusive financial advisor to Source in connection with the Acquisition. Norton Rose Fulbright Canada LLP is acting as Source's legal advisor in connection with the Acquisition. Stikeman Elliott LLP is acting as Source's legal advisor in connection with the Offerings. Blake, Cassels & Graydon LLP is acting as legal advisor to Scotiabank and the other Underwriters and agents in connection with the Offerings. Ernst and Young LLP were also engaged by Source in the conduct of its due diligence activities.

Conference Call and Webcast Details

The Company will host a conference call on October 17, 2017 at 3:00 p.m. MST (5:00 p.m. ET) to discuss the Acquisition and the Offerings.

The conference call dial-in numbers are:

- 1-888-231-8191 or 1-647-427-7450 Participant passcode: 2486769

An accompanying presentation will be filed on Source's SEDAR profile at www.sedar.com in conjunction with this press release.

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.

SCIENTIFIC AND TECHNICAL INFORMATION

Further details with respect to the scientific and technical information contained in this press release are available in a National Instrument 43-101 Technical Report titled "Technical Report, Indicated and Inferred Resources Estimates for Source Energy Services Ltd.'s Blair Property, Wisconsin" dated October 16, 2017 prepared by APEX Geoscience Ltd. ("APEX") and authored by Roy Eccles, M. Sc P. Geol, Steven Nicholls, BA.Sc, MAIG and Warren Black, M. Sc. G.I.T. of APEX, which will be filed on Source's SEDAR profile at www.sedar.com in conjunction with this press release.

Source has not based its production decisions and ongoing mine production on Mineral Reserve estimates, preliminary economic assessments, pre-feasibility studies or feasibility studies. As a result, there may be an increased uncertainty of achieving any particular level of recovery of minerals or the cost of such recovery and historically projects without any Mineral Reserves have increased uncertainty and risk of failure.

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: statements with respect to the use of proceeds from, and the expected date of closing of, the Public Offering and the Private Placement; the expected timing and closing of the Acquisition and the anticipated sources of financing thereof; the expected benefits of the Acquisition; outlook for operations and the assets acquired in connection with the Acquisition; increased activity in the WCSB; and the expected production capacity of Source in 2018.

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: the satisfaction of all conditions to the completion of each of the Public Offering, the Private Placement and the Acquisition within the anticipated timeframe; Source’s ability to successfully complete the Acquisition and integrate the purchased assets; the ability of Source to execute on its growth strategy; proppant market prices; future oil, natural gas and natural gas liquids prices; future global economic and financial conditions; future commodity prices, demand for oil and gas and the product mix of such demand; levels of activity in the oil and gas industry in the areas in which Source operates; the 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 failure or delay to receive regulatory approvals, consents and notifications and stock exchange approvals in connection with the Public Offering, the Private Placement or the Acquisition; difficulty in recognizing the benefits of the Acquisition; 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.

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

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 Source's final long form prospectus dated April 6, 2017, 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.

The closing of the Offerings and the Acquisition could be delayed if Source is not able to obtain the necessary approvals and consents, as applicable, on the timelines it has planned. The Offerings and the Acquisition will not be completed at all if these approvals and consents are not obtained or some other condition to closing is not satisfied. Accordingly, there is a risk that the Offerings and the Acquisition will not be completed within the anticipated time or at all.

FOR FURTHER INFORMATION PLEASE CONTACT:

Source Energy Services Ltd.

Brad Thomson, Chief Executive Officer
(403) 262-1312 (ext. 225)

Derren Newell, Chief Financial Officer
(403) 262-1312 (ext. 233)