

Source Energy Services Completes Refinancing of Senior Credit Facility, Amends Senior Secured Note Indenture and Makes the Payment of Cash Interest

Calgary, Alberta (October 17, 2022) **TSX: SHLE** – Source Energy Services Ltd. (together with its affiliates, “Source” or the “Company”) is pleased to announce it has closed a new revolving asset backed senior credit facility (the “ABL”) with a syndicate comprised of FGI Worldwide LLC (“FGI”) and CIT Northbridge Credit, as advised by CIT Asset Management LLC (“CIT”), providing access to funding of approximately CAD \$75 million (USD \$55 million), and has made the August 15, 2022 cash interest payment on its 10.5% senior secured first lien notes due March 15, 2025 (the “Senior Notes”).

This new ABL facility provides Source with a lower cost of borrowing, less restrictive covenants and an improved liquidity profile. This will allow Source to capitalize on anticipated increasing activity levels in 2023 (and beyond) and focus on generation of free cash flow and reduction of the outstanding principal amount of its Senior Notes. The Company has also entered into a supplemental indenture to the indenture that governs its Senior Notes (the “Supplemental Indenture”) which permits Source to execute the new ABL credit facility.

The ABL facility includes financial covenants which are less restrictive than Source’s prior credit facility and align with Source’s longer-term goals. The covenants take into account Source’s current operating environment, utilizing inputs which reflect only current year operating results and beyond. Key financial covenants of the facility include:

- a fixed charge coverage ratio of 1:15:1 tested monthly and prior to a distribution based on trailing 12-month inputs starting January 1, 2022;
- maximum capital expenditures in a fiscal year equal to the lesser of \$13.5 million or 35% of trailing 12-month EBITDA, commencing January 1, 2022;
- a minimum level of the average of the prior three months trailing twelve months of earnings before interest, tax, depreciation and amortization calculated at each fiscal calendar month equal to CAD \$25.0 million for October 31, 2022 to December 31, 2022; and
- a minimum level of excess availability that begins at CAD \$3.0 million and rises to CAD \$5.0 million by March 31, 2023.

The new ABL facility bears interest at the Secured Overnight Financing Rate (“SOFR”), plus applicable margin, and 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. The ABL facility matures on the earlier of October 14, 2025 or six months prior to the maturity of the Senior Notes, with amounts available under the ABL subject to a borrowing base formula applied to accounts receivable and inventory. Additional terms of the Supplemental Indenture include a limit on capital expenditures incurred beyond overburden removal, mine development and maintenance activities, and limits on incurrences of additional debt and liens by Source.

With the payment of the August 15, 2022 cash interest payment for the Senior Notes and the execution of the Supplemental Indenture, all prior events of default under the indenture have been cured and waived.

The Company’s advisors in connection with the transaction were Canaccord Genuity and its legal advisors were Norton Rose Fulbright Canada LLP. FGI and CIT’s legal advisors were Blank Rome LLP and Blake Cassels & Graydon LLP. A committee of the holders of the Senior Notes was advised by Bennett Jones LLP.

ABOUT SOURCE ENERGY SERVICES

Source is a company that focuses on the integrated production and distribution of high quality 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, its “last mile” logistics capabilities and Sahara, a proprietary wellsite 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 wellsite.

ABOUT FGI

FGI (www.FGIWW.com) is a global leader in the commercial finance and services industry, equipping small and medium enterprises with the tools they need to safely grow their business. FGI's two principal business units, FGI Finance and FGI Risk, provide clients with flexible and customized lending, as well as risk mitigation solutions designed to support international and domestic growth. Headquartered in New York City, FGI maintains a presence on six continents with clients in over sixty countries around the world.

ABOUT CIT

CIT is a division of First Citizens Bank, the largest family-controlled bank in the United States, continuing a unique legacy of strength, stability and long-term thinking that has spanned generations. Parent company, First Citizens BancShares, Inc. (NASDAQ: FCNCA) is a top 20 U.S. financial institution with more than \$100 billion in assets. The company's commercial banking segment brings a wide array of best-in-class lending, leasing and banking services to middle-market companies and small businesses from coast to coast. First Citizens also operates a nationwide direct bank and a network of more than 550 branches in 22 states, many in high-growth markets. Industry specialists bring a depth of expertise that helps businesses and individuals meet their specific goals at every stage of their financial journey. Discover more at cit.com/firstcitizens.

CIT Northbridge Credit is a trusted financial partner supporting middle-market companies with a broad range of flexible asset-based debt solutions. A joint venture advised by CIT Asset Management, it provides revolving and term loan commitments from \$15 million to \$150 million to companies across various industries and business cycles, and serves primarily as sole lender, agent, club participant or co-lender.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this press release 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 "expects", "estimates", "anticipates", "believes", "continues", "focus" 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 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.

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 liquefied natural gas 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, 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; 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 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; and risks and uncertainties related to COVID-19 or its variants, 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 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.

Any financial outlook and future-oriented financial information contained in this press release 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.

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