2024

# Consolidated Financial Statements

SOURCE

ENERGY SERVICES

**AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

**TSX: SHLE**

# INDEPENDENT AUDITOR'S REPORT

To the shareholders of Source Energy Services Ltd.

## Opinion

We have audited the consolidated financial statements of Source Energy Services Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of operations and comprehensive income , consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| **Sand and wellsite solutions revenue recognition** | |
| As described in Notes 3 and 18 to the consolidated financial statements, the Company recognizes sand sales when the contractual obligations are satisfied (typically when control of the product is transferred). | We performed the following audit procedures, among others:<br>• We evaluated the appropriateness of the Company's revenue recognition accounting policy and we obtained an understanding of |

Revenue for wellsite solutions is recognized when services are provided. For the year ended December 31, 2024, the Company recognized revenue related to sand sales and wellsite solutions of $670.6 million.

Due to the significance of revenue to the Company's consolidated financial statements and the audit effort involved in testing revenue recognized during the year, revenue was determined to be a key audit matter.

the Company's process for the initiation, processing and recording of revenue transactions.

- We vouched a sample of revenue recognized to customer orders, third party evidence of receipt of goods or services, and cash receipts.
- We performed targeted, risk-based testing of journal entries affecting revenue.
- We evaluated the appropriateness and completeness of the related disclosures in Notes 3 and 18 to the consolidated financial statements.

**Other information**

Management is responsible for the other information. The other information comprises the Management's Discussion & Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

**Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kim Wiggins.

Ernst + Young LLP

Chartered Professional Accountants

Calgary, Alberta
February 26, 2025

## SOURCE ENERGY SERVICES LTD.

**Consolidated Statements of Financial Position**

(All amounts are in thousands of Canadian dollars, unless otherwise noted)

| | Note | | December 31, 2024 | | December 31, 2023 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current assets** | | | | | |
| Cash | 11 | $ | 32,717 | $ | — |
| Accounts receivable | 22(d) | | 79,505 | | 44,010 |
| Prepaid expenses | | | 9,624 | | 7,074 |
| Inventories | 6 | | 89,427 | | 85,099 |
| Lease receivable | 7 | | 1,320 | | — |
| **Total current assets** | | | 212,593 | | 136,183 |
| Deferred income tax assets | 10 | | 21,825 | | 27,599 |
| Deposits and restricted cash | 11(g) | | 3,729 | | 3,216 |
| Deferred finance costs | 11(c) | | 566 | | — |
| Property, plant and equipment | 8 | | 280,670 | | 259,712 |
| Right-of-use assets | 9 | | 76,027 | | 56,120 |
| Lease receivable | 7 | | 2,808 | | — |
| **Total assets** | | $ | 598,218 | $ | 482,830 |
| **Liabilities and equity** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable and accruals | 22(e), 16 | $ | 94,847 | $ | 69,651 |
| Contract liabilities | 18 | | 11,832 | | 2,726 |
| Lease liabilities | 12 | | 19,386 | | 16,273 |
| Current portion of long-term debt | 11 | | 8,093 | | 17,561 |
| Current income tax liabilities | 10 | | 5,251 | | 888 |
| Decommissioning provision | 13 | | 1,564 | | 1,272 |
| **Total current liabilities** | | | 140,973 | | 108,371 |
| Lease liabilities | 12 | | 60,518 | | 46,417 |
| Long-term debt | 11 | | 186,874 | | 141,534 |
| Contract liabilities | 18 | | 1,636 | | — |
| Deferred income tax liabilities | 10 | | 9,123 | | 9,175 |
| Decommissioning provision | 13 | | 9,227 | | 8,203 |
| **Total liabilities** | | $ | 408,351 | $ | 313,700 |
| **Shareholders' equity** | | | | | |
| Shareholders' equity | 15 | $ | 410,632 | $ | 410,632 |
| Contributed surplus | | | 2,459 | | 2,459 |
| Accumulated deficit | | | (244,941) | | (254,450) |
| Accumulated other comprehensive income | | | 21,717 | | 10,489 |
| **Total shareholders' equity** | | $ | 189,867 | $ | 169,130 |
| **Total liabilities and shareholders' equity** | | $ | 598,218 | $ | 482,830 |

See accompanying notes to the consolidated financial statements.
Commitments and contingencies (Note 14)

Approved on behalf of the Board of Directors:

signed "Chris Johnson"
Chris Johnson
Director

signed "Scott Melbourn"
Scott Melbourn
Director

## SOURCE ENERGY SERVICES LTD.

**Consolidated Statements of Operations and Comprehensive Income**

(All amounts are in thousands of Canadian dollars, unless otherwise noted)

| | Note | | 2024 | | 2023 |
|---|---|---|---|---|---|
| **Sales** | | | | | |
| Sand revenue | 18 | $ | 532,944 | $ | 460,187 |
| Well site solutions | 18 | | 137,689 | | 105,691 |
| Terminal services | 18 | | 3,317 | | 3,870 |
| **Total sales** | | | 673,950 | | 569,748 |
| Cost of sales | 19 | $ | 511,321 | $ | 434,567 |
| Cost of sales - depreciation | | | 35,292 | | 25,775 |
| **Gross margin** | | $ | 127,337 | $ | 109,406 |
| Operating expense | 19 | $ | 25,480 | $ | 22,923 |
| General & administrative expense | 19 | | 19,487 | | 13,974 |
| Depreciation | | | 17,084 | | 11,809 |
| **Income from operations** | | $ | 65,286 | $ | 60,700 |
| **Other expense (income):** | | | | | |
| Finance expense | 20 | $ | 34,620 | $ | 36,342 |
| Share-based compensation expense | 16 | | 14,737 | | 6,759 |
| Gain on asset disposal | | | (2,212) | | (3,312) |
| Gain on Sahara finance lease | 7 | | (3,900) | | — |
| Other income | | | (1,174) | | (1,887) |
| Other expense | 21 | | 2,824 | | 1,120 |
| Impairment reversal | 8 | | — | | (128,555) |
| Loss (gain) on sublease | 22(d) | | 638 | | (28) |
| Loss (gain) on debt extinguishment | 11 | | 3,081 | | (763) |
| Foreign exchange (gain) loss | 22(f) | | (1,181) | | 1,056 |
| **Total other expense (income)** | | | 47,433 | | (89,268) |
| **Income before income taxes** | | $ | 17,853 | $ | 149,968 |
| **Income taxes** | | | | | |
| Current tax expense | 10 | $ | 5,067 | $ | 905 |
| Deferred tax expense (recovery) | 10 | | 3,277 | | (18,282) |
| **Total income taxes** | | | 8,344 | | (17,377) |
| **Net income** | | $ | 9,509 | $ | 167,345 |
| **Other comprehensive income** | | | | | |
| Foreign currency translation adjustment (subject to recycling) | | | 11,228 | | (3,872) |
| **Comprehensive income** | | $ | 20,737 | $ | 163,473 |
| **Earnings per share (in dollars)** | | | | | |
| Basic | 17 | $ | 0.70 | $ | 12.35 |
| Diluted | 17 | $ | 0.70 | $ | 11.88 |

See accompanying notes to the consolidated financial statements.

## SOURCE ENERGY SERVICES LTD.

### Consolidated Statements of Changes in Equity

(All amounts are in thousands of Canadian dollars, unless otherwise noted)

| | Common share capital | | | | | |
|---|---|---|---|---|---|---|
| | Number of Shares | $ | Contributed Surplus | Accumulated Deficit | Accumulated other comprehensive income | Total Equity |
| **Balance at December 31, 2023** | **13,545,055** | **$ 410,632** | **$ 2,459** | **$ (254,450)** | **$ 10,489** | **$ 169,130** |
| Net income | | | | 9,509 | | **9,509** |
| Foreign currency translation adjustment | | | | | 11,228 | **11,228** |
| **Balance at December 31, 2024** | **13,545,055** | **$ 410,632** | **$ 2,459** | **$ (244,941)** | **$ 21,717** | **$ 189,867** |

| | Common share capital | | | | | |
|---|---|---|---|---|---|---|
| | Number of Shares | $ | Contributed Surplus | Accumulated Deficit | Accumulated other comprehensive income | Total Equity |
| **Balance at December 31, 2022** | **13,545,055** | **$ 410,632** | **$ 2,459** | **$ (421,795)** | **$ 14,361** | **$ 5,657** |
| Net income | | | | 167,345 | | **167,345** |
| Foreign currency translation adjustment | | | | | (3,872) | **(3,872)** |
| **Balance at December 31, 2023** | **13,545,055** | **$ 410,632** | **$ 2,459** | **$ (254,450)** | **$ 10,489** | **$ 169,130** |

See accompanying notes to the consolidated financial statements.

## SOURCE ENERGY SERVICES LTD.

**Consolidated Statements of Cash Flows**

(All amounts are in thousands of Canadian dollars, unless otherwise noted)

| | Note | | 2024 | | 2023 |
|---|---|---|---|---|---|
| **Operating Activities** | | | | | |
| Net income | | $ | 9,509 | $ | 167,345 |
| Adjusted for the following: | | | | | |
| Depreciation | | | 52,376 | | 37,584 |
| Share-based compensation expense | 16 | | 14,737 | | 6,759 |
| Gain on asset disposal | | | (2,212) | | (3,312) |
| Finance expense | 20 | | 34,620 | | 36,342 |
| Gain on Sahara finance lease | 7 | | (3,900) | | — |
| Impairment reversal | 8 | | — | | (128,555) |
| Loss (gain) on debt extinguishment | 11 | | 3,081 | | (763) |
| Income tax expense (recovery) | 10 | | 8,344 | | (17,377) |
| Loss (gain) on sublease | 22(d) | | 638 | | (28) |
| Satisfaction of performance obligations on contract liabilities | | | (251) | | (153) |
| Income taxes paid | | | (979) | | — |
| Payments for share-based compensation | | | (5,218) | | (1,171) |
| Payments made for decommissioning provision | 13 | | (1,494) | | (1,577) |
| Net changes in non-cash working capital | 4 | | (14,863) | | (14,852) |
| Cash flows provided by operating activities | | $ | 94,388 | $ | 80,242 |
| **Investing Activities** | | | | | |
| Capital expenditures | | | (43,323) | | (22,112) |
| Asset acquisition | 5 | | (1,682) | | — |
| Proceeds on disposal of property, plant and equipment and reimbursement of capital costs | | | 16,962 | | 9,067 |
| Net changes in non-cash working capital | 4 | | 981 | | (156) |
| Cash flows used in investing activities | | $ | (27,062) | $ | (13,201) |
| **Financing Activities** | | | | | |
| Proceeds on long-term debt | 11 | | 908,331 | | 620,878 |
| Repayments on long-term debt | 11 | | (885,662) | | (646,692) |
| Proceeds for deposits and restricted cash | 11(g) | | — | | 7,515 |
| Payment of lease obligations | 12 | | (21,375) | | (19,592) |
| Financing expense paid | | | (35,903) | | (29,150) |
| Cash flows used in financing activities | | $ | (34,609) | $ | (67,041) |
| Increase (decrease) in cash | | $ | 32,717 | $ | — |
| Cash and cash equivalents, beginning of year | | | — | | — |
| **Cash and cash equivalents, end of year** | | $ | 32,717 | $ | — |
| Supplementary information | | | | | |
| Interest paid | | | (27,626) | | (26,798) |

See accompanying notes to the consolidated financial statements.

## 1. GENERAL DESCRIPTION OF BUSINESS

Source Energy Services Ltd. and its subsidiaries ("Source" or the "Company") 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.

The Company is incorporated under the Alberta Business Corporations Act and the head and principal office is located at 500, 438 - 11th Avenue SE, Calgary, Alberta, T2G 0Y4.

## 2. BASIS OF PRESENTATION

### Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in the consolidated financial statements are based on IFRS issued and outstanding as at December 31, 2024. The consolidated financial statements were authorized for issuance by the Board of Directors (the "Board") on February 26, 2025.

### Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial assets and liabilities to estimated fair value.

### Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

***Leases and right-of-use assets***

The Company measures the lease liability and corresponding right-of-use ("RoU") 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 estimates and management judgement, as it equates to the rate the Company would use to obtain the funds necessary to purchase a similar asset in a similar economic environment.

***Depreciation***

The amounts recorded for depreciation of property 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 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.

***Cash-generating units***

The determination of a cash-generating unit ("CGU") is based on management's judgment regarding geographical proximity, shared equipment and mobility of equipment. Management has determined that the Company's operations represent one CGU.

***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.

For the purposes of assessing impairment and impairment reversal, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGUs). The recoverable amount of a 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.

***Comparative figures***

Certain prior year amounts have been reclassified to conform to current year presentation.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION

The following are the accounting policies that management considers material to the users of the consolidated financial statements. Accounting policy information is considered to be material if its disclosure is needed for users to understand information provided about material transactions, other events or conditions in the consolidated financial statements.

**Inventories**

Inventories represent unprocessed mined sand, work in progress and sand available for shipment, as well as spare parts and supplies. The Company values inventory at the lower of cost or net realizable value.

Cost is determined using the weighted average cost method. Cost includes the cost of mining of the sand as well as the direct labor costs, utility costs, transportation costs and other processing costs to wash and dry the sand, including depreciation directly attributable to production equipment and depreciation of capitalized stripping activities.

Net realizable value is the estimated selling price less applicable selling expenses. When the weighted average cost of inventories exceeds the net realizable value, inventory is written down to the net realizable value. All write-downs are charged to cost of goods sold. The amount of the write-down may be reversed (up to the original amount of the write-down) when there is a change in economic circumstances.

**Foreign currency translation**

The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. Each entity of the consolidated financial statements is measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements of the entities that have a different functional currency are translated into Canadian dollars. Assets and liabilities are translated at the rate of exchange at the statement of financial position date, revenue and expenses are translated at the average exchange rate for the period (as this is considered a reasonable approximation of actual rates), and gains and losses in translation are recognized in shareholders' equity as a cumulative translation adjustment.

Transactions in currencies that differ from an entity's functional currency are translated into the functional currency using the exchange rate prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of foreign currency translation and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statements of operations and comprehensive income.

**Property, plant and equipment**

All costs directly associated with the purchase and development of property, plant and equipment are capitalized and reflected at cost less accumulated depreciation and net impairment losses. Costs of replacing parts of property, plant and equipment are capitalized only when they increase the future economic benefits embodied in the specific assets to which they relate. All other expenditures are recognized in income as incurred. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the consolidated statements of operations and comprehensive income as incurred.

Exchanges or swaps of property, plant and equipment are measured at fair value unless the transaction lacks commercial substance or neither the fair value of the asset received nor the asset given up can be reliably estimated. When fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. Any gains or losses from the divestiture of property and equipment are recognized in the consolidated statements of operations and comprehensive income.

Depreciation of property, plant and equipment is provided using the straight line method at the following annual rates approximating their estimated useful lives in years:

| | |
|---|---|
| Buildings | 20 |
| Equipment | 7 - 20 |
| Vehicles | 5 - 7 |
| Computer hardware | 3 |

Depreciation of an asset or an asset under construction begins when it is available for use. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant components and depreciates separately each such component where applicable.

The Company adheres to IFRIC 20 “stripping costs in the production phase of a surface mine”. During the production phase of the mine, stripping costs, or mine preparation costs, incurred that provide access to a component of the resource that will be produced in future periods and that would not have otherwise been accessible are capitalized. The costs qualifying for capitalization are those costs directly incurred to perform the preparation activity that improves access to the resource body. The related asset is included as part of the carrying amount of the mining property. Capitalized mine preparation costs are amortized on a straight-line basis over the production period to which they relate.

**Impairment and impairment reversal of non-financial assets**

The carrying amounts of the Company’s non-financial assets, other than deferred tax assets, are reviewed for indicators of impairment and impairment reversal at each reporting period. If indicators of impairment or impairment reversal exist, the recoverable amount of the assets is estimated. For purposes of assessing impairment and impairment reversal, property, plant and equipment are grouped into CGUs, defined as the lowest levels for which there are separately identifiable independent cash inflows.

The recoverable amount of a CGU is the greater of its fair value less costs to dispose and its value in use. Fair value is determined to be the amount for which the asset would be sold in an arm’s length transaction between knowledgeable and willing parties. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the CGU in its present form. These cash flows are discounted at a rate based on the time value of money and risks specific to the CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. An impairment loss recognized in respect of a CGU is allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis. Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized in previous years.

Impairment losses and impairment reversals are recognized in the consolidated statements of operations and comprehensive income.

**Leases and right-of-use assets**

*Lessee*

At the commencement of a lease, the Company recognizes a RoU asset and a lease liability. The lease liability is measured 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. Each lease payment is allocated between the liability and finance expense. Lease payments included in the measurement of the lease liability are comprised of the following:

- fixed payment less any lease incentives;
- variable lease payments that depend on an index or rate;
- amounts expected to be paid for residual value guarantees;
- exercise price of a purchase option if the Company is reasonably certain to exercise; and
- penalties for termination if the lease term reflects the exercise of the option to terminate.

RoU assets are measured at cost which includes the following:

- the amount of the initial measurement of the lease liability;
- lease payments made at or before the commencement date, less any lease incentives received; and
- initial direct costs.

RoU assets are depreciated over the shorter of an asset's useful life and the lease term on a straight-line basis. The Company's lease contracts may contain termination, renewal and/or purchase options which are evaluated by the Company on a regular basis. The majority of renewal options available extend lease terms from one to five years and are accounted for when the Company is reasonably certain that it will exercise one of these options.

The Company enters into short-term and long-term lease arrangements for rail cars and locomotives, vehicles and equipment and real estate. The Company determines whether or not the contract contains a lease at inception. Payments associated with short-term leases for certain classes of assets and leases of low-value assets are recognized on a straight-line basis in the consolidated statements of operations and comprehensive income in the period in which they are incurred.

*Lessor*

At the commencement of a lease, the Company performs an assessment to determine if the lease qualifies as a finance lease or an operating lease. A lease that transfers substantially all risks and rewards is classified as a finance lease and a lease that does not transfer substantially all risks and rewards is classified as an operating lease. For a finance lease, a receivable equal to the net investment in the lease is measured as the present value of the lease payments using the implicit rate in the lease.

In instances when the Company is an intermediate lessor, an assessment is performed to determine the classification of the sublease with reference to the RoU asset arising from the lease rather than reference to the underlying asset. For a sublease that transfers substantially all risks and rewards, it is classified as a finance lease; otherwise it is classified as an operating lease and rental income is recognized on a straight-line basis over the lease term.

A sublease classified as a finance lease is recognized as a receivable equal to the net investment in the lease. The RoU asset is derecognized and the difference between the RoU asset and the net investment is recognized in the consolidated statements of operations and comprehensive income. At inception of the sublease, the net investment is measured at the present value of the lease payments using the interest rate implicit in the sublease. If the implicit rate cannot be determined, the discount rate used for the head lease is used to measure the net investment in the sublease. Finance income is recognized over the lease term at a constant rate of return on the net investment in the lease.

**Provisions and contingent liabilities**

Provisions are recognized by the Company when all of the following apply: (i) it has a legal or constructive obligation as a result of past events, (ii) it is probable that an outflow of economic resources will be required to settle the obligation and (iii) a reliable estimate can be made of the amount of that obligation. The obligation is not recorded and is disclosed as a contingent liability if any of the following apply: (i) it is not probable that an outflow will be required, (ii) the amount cannot be estimated reliably, or (iii) the existence of the outflow can only be confirmed by the occurrence of a future event.

**Decommissioning provision**

A decommissioning provision is recognized for decommissioning and restoration obligations associated with the Company's mining reserves. The best estimate of the expenditure required to settle the present obligations at the statement of financial position date is recorded on a discounted basis using the pre-tax risk-free interest rate at each reporting date. The future cash flow estimates are adjusted to reflect the risks specific to the liability. The value of the provision is added to the carrying amount of the associated property, plant and equipment asset and is depreciated over the useful life of the asset. The provision is accreted over time through charges to finance expenses. Changes in the future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows or the discount rate are recognized as changes in the decommissioning provision and related assets. Actual decommissioning expenditures up to the recorded liability at the time are charged against the provision as the costs are incurred. Any differences between the recorded liability and the actual costs incurred are recorded as a gain/loss in the consolidated statements of operations and comprehensive income.

**Income taxes**

Current and deferred income tax expenses are recognized in the consolidated statements of operations and comprehensive income except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current income taxes for current and prior periods are measured at the amount expected to be payable or recoverable from the taxation authorities based on the income tax rates enacted at the end of the period.

Deferred income tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities and the carrying amounts used for taxation purposes. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all temporary differences deductible to the extent future recovery is probable. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be generated to allow for all or part of the asset to be recovered. Deferred income tax balances are calculated using enacted or substantively enacted tax rates. Deferred income tax balances are adjusted to reflect changes in income tax rates that are enacted or substantively enacted with the adjustment being recognized in the period the change occurs, except items recognized in equity.

Deferred tax assets and liabilities are offset if both of the following thresholds are met: (i) there is a legally enforceable right to offset and (ii) the deferred tax assets and liabilities either relate to income taxes levied by the same taxation authority on the same taxable entity, or the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on different taxable entities where such different taxable entities either intend to settle current tax liabilities and assets on a net basis, or will have their tax assets and liabilities realized simultaneously.

**Revenue recognition**

The Company's revenue, which is comprised principally of sand sales, is generally subject to contractual arrangements, which specify price and general terms and conditions. The Company recognizes sand sales when the contractual obligations are satisfied (typically when control of the product is transferred), while also considering if it has retained any material involvement in the sand being sold and if the revenue and costs related to the sale can be measured reliably. Revenue for third-party sand and chemical distribution is recognized based on contractual arrangements or when services have been completed. Revenue for well site solutions is recognized when services are provided. Revenue for rental of storage facilities is recognized on a monthly basis.

The Company offers certain arrangements whereby customers can purchase products and services together. Where such bundled arrangements exist, the amount of the transaction price allocated to each performance obligation is based upon the relative stand-alone selling prices of each distinct product or service in the contract. The best evidence of a stand-alone selling price is the observable price of a product or service when the Company sells that product or service separately in similar circumstances and to similar customers.

When a stand-alone selling price is not directly observable, the Company estimates using the residual approach method to determine a value that most reasonably reflects the selling price that might be achieved in a stand-alone contract with a customer.

**Finance income and expenses**

Finance income, consisting of interest income, is recognized as it accrues in the consolidated statements of operations and comprehensive income, using the effective interest method.

Finance expense comprises interest expense on borrowings and costs incurred to obtain financing. Amounts paid for the purpose of borrowing funds are capitalized upon recognition and are offset against the outstanding obligation, if applicable. These costs are amortized over the remaining term of the facility placed.

**Earnings per share**

Earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the earnings and number of shares for the effects of dilutive potential shares. The effects of anti-dilutive potential shares are ignored in calculating diluted earnings per share.

**Basis of consolidation**

The consolidated financial statements include the accounts of Source Energy Services Ltd. and its subsidiaries, which are entities over which Source Energy Services Ltd. has control. Control exists when Source Energy Services Ltd. is exposed to, or has the right to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date of acquisition, being the date on which Source Energy Services Ltd. obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as Source Energy Services Ltd., and the accounting policies are aligned with the policies adopted by Source Energy Services Ltd. All intercompany balances and income and expenses have been eliminated upon preparation of the consolidated financial statements. As at December 31, 2024 and 2023, all subsidiaries are 100% owned.

**Share-based payments**

The Company's share-based compensation plans include the following award types: restricted share unit ("RSU"), performance share unit ("PSU"), deferred share unit ("DSU") and share appreciation right ("SAR"). Under these plans, any cumulative expense is calculated at each statement of financial position date before vesting, representing the extent to which the vesting period has expired and management's best estimate of the number of awards that will ultimately vest.

The fair value of SARs is measured using the Black-Scholes valuation model. The model requires the input of assumptions including historical forfeiture rates and expected volatility based on the historical stock price of the Company. The expected term of

SARs represents the period of time that awards granted are expected to be outstanding. The risk-free rate is based on the Government of Canada bond yields with a remaining term equal to the expected life of the awards used in the Black-Scholes valuation model. The fair value of the SARs is measured at the grant date and subsequently remeasured at each reporting period.

The Company also has share-based compensation plans that allow for DSUs, RSUs and PSUs to be granted to directors and certain employees. The DSUs, RSUs and PSUs are expected to be settled for cash payment and accordingly are considered liability-settled awards for accounting purposes. These awards are valued based on the number of units that are expected to vest and the share price at the reporting period.

**Financial Instruments**

The Company determines the classification of its financial instruments at initial recognition and records the instruments at their fair value plus, for those instruments not subsequently measured at fair value, directly attributable transaction costs. Financial assets and financial liabilities are recognized on the Company's consolidated statements of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

The Company considers whether a contract contains an embedded derivative when it first becomes a party to it. Embedded derivatives are separated from the host contract which is not measured at fair value through profit and loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

*Financial assets*

Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset:

a. Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented together with foreign exchange gains and losses;

b. Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognized in profit or loss and presented net within other gains or losses in the period in which it arises; and

c. Fair value through other comprehensive income: Instruments that are held for collection of contractual cash flows and for selling the financial instruments, where the instruments' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. When the financial instrument is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other gains and losses.

*Financial asset impairment*

Financial assets are assessed for impairment using an expected credit loss model as required by IFRS 9. The Company has applied the simplified approach to recognize lifetime expected credit losses for its financial assets measured at amortized cost. As such, the loss allowance for a financial asset is recorded at an amount based on the lifetime expected credit loss at each reporting period.

*Financial liabilities*

Financial liabilities are subsequently measured at amortized cost using the effective interest method, other than derivative financial instruments.

*Derivative financial instruments*

The Company enters into derivative financial instruments to mitigate its exposure to foreign exchange fluctuations as necessary. Derivative financial instruments are classified as fair value through profit or loss.

(All amounts are in thousands of Canadian dollars, unless otherwise noted)

***Newly adopted accounting policies***

The following amendments have been issued by the International Accounting Standards Board and were adopted by the Company effective for the fiscal year beginning January 1, 2024:

| Standard | Description of change |
|---|---|
| Classification of Liabilities as Current or Non-current - Amendment to IAS 1 | This amendment clarifies the classification requirements for non-current liabilities. |
| Lease Liability in a Sale and Leaseback - Amendment to IFRS 16 | This amendment adds subsequent measurement requirements for sale and leaseback transactions. |
| Non-current Liabilities with Covenants - Amendment to IAS 1 | These amendments clarify the information disclosure requirements for loan arrangements that contain covenants and the classification requirements when a covenant is breached. |
| Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7 | The amendments add two new disclosure requirements for supplier finance arrangements. |

These amendments did not have a material impact on the consolidated financial statements.

***Future Accounting Policy Changes***

The following accounting standards, issued by the IASB, are effective for fiscal years beginning on or after January 1, 2025:

| Standard | Description of change |
|---|---|
| Lack of Exchangeability - Amendment to IAS 21 | The amendment requires an assessment as to whether a currency is exchangeable into another currency at the measurement date and for a specified purpose. Currency that is not exchangeable requires an estimate of the spot rate at the measurement date. The amendment is effective January 1, 2025. |
| Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 | The amendment clarifies when a financial liability qualifies for derecognition and provides guidance on assessing contractual cash flow characteristics of financial assets that include environmental, social and governance-linked features. The amendments are effective January 1, 2026. |
| 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 intends to adopt the new standards on their respective effective dates and does not expect the amendments to IAS 21 and IFRS 9 and IFRS 7 to have a material impact on the consolidated financial statements. The Company is in the process of assessing the impact of IFRS 18; however, given the new standard redefines presentation and disclosure for financial reporting, the Company expects the standard to have a material impact on its consolidated financial statements.

## 4. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating assets and liabilities for the years ended December 31, 2024 and 2023 were as follows:

| | | **2024** | | **2023** |
|---|---|---|---|---|
| Accounts receivable | $ | (35,151) | $ | (1,403) |
| Prepaid expenses | | (1,024) | | 653 |
| Inventories | | 339 | | (12,607) |
| Contract liabilities | | 7,720 | | — |
| Accounts payable and accruals | | 13,253 | | (1,495) |
| **Changes in non-cash working capital** | **$** | **(14,863)** | **$** | **(14,852)** |

(All amounts are in thousands of Canadian dollars, unless otherwise noted)

Changes in non-cash investing assets and liabilities for the years ended December 31, 2024 and 2023 were as follows:

| | | 2024 | | 2023 |
|---|---|---|---|---|
| Accounts payable and accruals | $ | 981 | $ | (156) |
| **Changes in non-cash working capital** | **$** | **981** | **$** | **(156)** |

## 5. ACQUISITIONS

On March 13, 2024, the Company closed a transaction to purchase the sand trucking assets of RWR Trucking Inc. ("RWR"), a transportation and contracting company located in central Alberta, for an aggregate purchase price of $8,052. The purchase price was comprised of $1,245 paid in cash upon closing, a promissory note payable over a four-year term and the assumption of lease obligations associated with certain trucking assets acquired. The acquisition did not constitute a business combination and as such the transaction has been accounted for as an asset acquisition, including $1,658 of right-of-use assets, with the remainder allocated to property, plant and equipment.

On August 19, 2024, the Company completed a second sand trucking asset purchase transaction with PVT Group Ltd., PVT Energy Group Inc., and PVT Transport Group Inc. (collectively, "PVT"), a transportation and logistics company located in northwestern Alberta, for an aggregate purchase price of $2,185. The purchase price was comprised of $437 paid in cash upon closing and a promissory note payable over a nine-month term (together with the promissory note issued to RWR, the "Promissory Notes"). The acquisition did not constitute a business combination and as such the transaction has been accounted for as an asset acquisition, allocated to property, plant and equipment.

On December 20, 2024, the Company completed a refinancing of its senior secured notes and credit facility (the "Refinancing Transaction"). Pursuant to the Refinancing Transaction, amounts outstanding for the Promissory Notes were repaid in full. Refer to Note 11(f) for additional information related to the Refinancing Transaction.

## 6. INVENTORIES

Inventory consists of three main classifications:

| As at | | December 31, 2024 | | December 31, 2023 |
|---|---|---|---|---|
| Unprocessed sand and work in progress | $ | 51,720 | $ | 50,129 |
| Sand available for shipment | | 33,814 | | 31,295 |
| Spare parts and supplies | | 3,893 | | 3,675 |
| **Total inventories** | **$** | **89,427** | **$** | **85,099** |

Spare parts and supplies are for routine facilities maintenance. Included in the inventory balance is depreciation expense related to sand-producing properties of $12,413 as at December 31, 2024 (December 31, 2023 - $10,470). The total amount of inventory expensed through cost of sales during the year ended December 31, 2024 was $387,877 (December 31, 2023 - $340,886). No inventory write-downs or reversals of prior write-downs were recorded during the year ended December 31, 2024 (2023 - $nil).

## 7. LEASE RECEIVABLE

| As at | | December 31, 2024 | | December 31, 2023 |
|---|---|---|---|---|
| Balance, beginning of year | $ | — | $ | — |
| Additions | | 4,285 | | — |
| Interest income | | 149 | | — |
| Lease payments received | | (448) | | — |
| Exchange differences | | 142 | | — |
| **Balance, end of year** | **$** | **4,128** | **$** | **—** |
| Less: current portion | | (1,320) | | — |
| **Long-term portion** | **$** | **2,808** | **$** | **—** |

During 2023 and 2024, the Company entered into arrangements to construct and subsequently lease two Sahara units, with costs to build the units fully reimbursed by the customers. During 2024 the leases commenced, upon completion of construction, each payable over three-year terms, with an option for each customer to purchase the respective unit at the end of the term. The leases have been classified as finance leases, resulting in the recognition of a lease receivable, derecognition of the constructed assets and a gain of $3,900 recorded in the Company's consolidated statements of operations and comprehensive income for the year ended December 31, 2024.

(All amounts are in thousands of Canadian dollars, unless otherwise noted)

Future minimum lease payments are as follows:

| | | |
|---|---|---|
| 2025 | $ | 1,851 |
| 2026 | | 1,851 |
| 2027 | | 1,367 |
| **Total** | **$** | **5,069** |
| Less: unearned finance income | | 941 |
| **Lease receivable** | **$** | **4,128** |

## 8. PROPERTY, PLANT AND EQUIPMENT

| | Land & Building | Equipment & Vehicles | Other | Construction in Progress | Mine Preparation Costs | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance as at December 31, 2022 | $ 212,835 | $ 210,944 | $ 6,646 | $ 26,435 | $ 24,792 | $ 481,652 |
| Additions(1)(2) | 3,646 | 38 | — | 9,980 | 11,624 | 25,288 |
| Disposals | (4,448) | (4,754) | (20) | — | — | (9,222) |
| Completed construction in progress | 2,629 | 7,851 | 25 | (10,505) | — | — |
| Transfers | — | 3,216 | — | — | — | 3,216 |
| Exchange differences | (3,724) | (3,531) | (87) | (130) | (688) | (8,160) |
| Balance as at December 31, 2023 | $ 210,938 | $ 213,764 | $ 6,564 | $ 25,780 | $ 35,728 | $ 492,774 |
| Additions(1)(2)(3) | 1,604 | 8,814 | 62 | 33,006 | 10,008 | 53,494 |
| Disposals | (772) | (4,129) | (5) | — | — | (4,906) |
| Completed construction in progress | 10,360 | 17,616 | — | (27,976) | — | — |
| Derecognition(4) | — | (11,502) | — | — | — | (11,502) |
| Transfers | 46 | 2,013 | — | — | — | 2,059 |
| Exchange differences | 15,046 | 14,463 | 303 | 763 | 2,904 | 33,479 |
| **Balance as at December 31, 2024** | **$237,222** | **$241,039** | **$6,924** | **$31,573** | **$48,640** | **$565,398** |
| **Accumulated depreciation** | | | | | | |
| Balance as at December 31, 2022 | $ (153,141) | $ (164,732) | $ (6,561) | $ — | $ (22,059) | $ (346,493) |
| Depreciation | (5,709) | (7,485) | (26) | — | (9,711) | (22,931) |
| Impairment reversal | 73,008 | 55,472 | 75 | — | — | 128,555 |
| Disposals | 2,226 | 3,840 | 20 | — | — | 6,086 |
| Transfers | — | (3,216) | — | — | — | (3,216) |
| Exchange differences | 1,908 | 2,289 | 86 | — | 654 | 4,937 |
| Balance as at December 31, 2023 | $ (81,708) | $ (113,832) | $ (6,406) | $ — | $ (31,116) | $ (233,062) |
| Depreciation | (8,900) | (15,374) | (88) | — | (10,440) | (34,802) |
| Disposals | 747 | 3,699 | 5 | — | — | 4,451 |
| Transfers | (1) | (1,825) | — | — | — | (1,826) |
| Exchange differences | (7,004) | (9,406) | (302) | — | (2,777) | (19,489) |
| **Balance as at December 31, 2024** | **$ (96,866)** | **$ (136,738)** | **$ (6,791)** | **$ —** | **$ (44,333)** | **$ (284,728)** |
| **Carrying amounts** | | | | | | |
| December 31, 2023 | $ 129,230 | $ 99,932 | $ 158 | $ 25,780 | $ 4,612 | $ 259,712 |
| **December 31, 2024** | **$ 140,356** | **$ 104,301** | **$ 133** | **$ 31,573** | **$ 4,307** | **$ 280,670** |

**Notes**:

(1) In 2023, Source incurred capital costs of $2,590 related to contracts to construct two Sahara units on behalf of customers. In 2024, Source incurred capital costs of $8,594 for the ongoing construction of these Sahara units. These costs were fully reimbursed during the years incurred.

(2) During the years ended December 31, 2024 and 2023, the Company incurred costs to replace a piece of equipment, located at a terminal facility, which malfunctioned in 2023. The costs to replace the equipment were reimbursed through an insurance claim received during the year.

(3) Includes sand trucking assets acquired during the period. Refer to Note 5 for additional information.

(4) During 2024, upon completion of construction for the Sahara units as outlined above, the Company commenced lease arrangements for the units. The leases have been classified as finance leases, resulting in the derecognition of the assets. Refer to Note 7 for additional information.

(All amounts are in thousands of Canadian dollars, unless otherwise noted)

Assets under construction represent facilities that are being built at year end and are not amortized until the asset is deemed to be ready for use. Once deemed ready for use, the assets under construction will be allocated to their corresponding capital asset group and commence depreciating.

At December 31, 2023, as a result of strong activity levels, improved financial performance and business outlook, the Company carried out an assessment of the recoverable value of its operations. A discounted cash flow analysis over five years was completed based on forecasted EBITDA, capital expenditures and income taxes. Assumptions included a terminal growth rate of 0.5% and a discount rate of 14.4%, used to estimate the fair value less costs of disposal (a level 3 fair value measurement). The key assumption utilized in the analysis was forecasted EBITDA, which was based on historical experience, actual operating results and industry trends and forecasts. The assessment resulted in the reversal of $128,555 of impairment losses previously realized in 2019 and 2020. No indicators of impairment were noted as at December 31, 2024.

## 9. RIGHT-OF-USE ASSETS

| | Land & Building | Equipment & Vehicles | Rail cars | Peace River Facility | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance as at December 31, 2022 | $ 9,977 | $ 28,468 | $ 52,118 | $ 26,865 | $ 117,428 |
| Additions and modifications | 1,955 | 10,360 | 2,022 | — | 14,337 |
| Expired leases | (36) | (4,833) | — | — | (4,869) |
| Transfers | — | (3,216) | — | — | (3,216) |
| Exchange differences | (65) | (608) | (1,229) | — | (1,902) |
| Balance as at December 31, 2023 | $ 11,831 | $ 30,171 | $ 52,911 | $ 26,865 | $ 121,778 |
| Additions and modifications[1] | 3,988 | 19,000 | 12,176 | — | 35,164 |
| Expired leases | (2,838) | (1,555) | (11,131) | — | (15,524) |
| Transfers | — | (2,059) | — | — | (2,059) |
| Exchange differences | 233 | 2,339 | 4,810 | — | 7,382 |
| **Balance as at December 31, 2024** | **$ 13,214** | **$ 47,896** | **$ 58,766** | **$ 26,865** | **$ 146,741** |
| **Accumulated depreciation** | | | | | |
| Balance as at December 31, 2022 | $ (5,665) | $ (16,381) | $ (35,801) | $ (1,281) | $ (59,128) |
| Depreciation | (2,404) | (5,419) | (6,270) | (1,781) | (15,874) |
| Expired leases | 36 | 4,833 | — | — | 4,869 |
| Transfers | — | 3,216 | — | — | 3,216 |
| Exchange differences | 26 | 294 | 939 | — | 1,259 |
| Balance as at December 31, 2023 | $ (8,007) | $ (13,457) | $ (41,132) | $ (3,062) | $ (65,658) |
| Depreciation | (2,381) | (6,939) | (6,591) | (1,781) | (17,692) |
| Expired leases | 2,838 | 1,547 | 11,131 | — | 15,516 |
| Transfers | — | 1,826 | — | — | 1,826 |
| Exchange differences | (122) | (1,059) | (3,525) | — | (4,706) |
| **Balance as at December 31, 2024** | **$ (7,672)** | **$ (18,082)** | **$ (40,117)** | **$ (4,843)** | **$ (70,714)** |
| **Carrying amounts** | | | | | |
| December 31, 2023 | $ 3,824 | $ 16,714 | $ 11,779 | $ 23,803 | $ 56,120 |
| **December 31, 2024** | **$ 5,542** | **$ 29,814** | **$ 18,649** | **$ 22,022** | **$ 76,027** |

**Note:**
(1) Includes sand trucking right-of-use assets acquired during the year. Refer to Note 5 for additional information.

(All amounts are in thousands of Canadian dollars, unless otherwise noted)

## 10. INCOME TAXES

The following table reconciles the Company's expected income tax expense relative to the current effective Canadian statutory rate of 23% (2023 - 23%) for the years indicated:

| | | 2024 | | 2023 |
|---|---|---|---|---|
| Income before income taxes | $ | 17,853 | $ | 149,968 |
| Statutory income tax rate | | 23.00 % | | 23.00 % |
| Expected income taxes | | 4,106 | | 34,493 |
| *Increase (decrease) in taxes from:* | | | | |
| Non-deductible expenses | | 1,263 | | 959 |
| Share-based compensation | | 298 | | 177 |
| Prior period adjustments | | 350 | | (1,655) |
| Recognized deferred income tax assets | | — | | (52,478) |
| Unrecognized deferred income tax assets | | 2,736 | | (3,107) |
| Rate differential on foreign activities | | 281 | | 4,425 |
| Other | | (690) | | (191) |
| **Total income taxes** | **$** | **8,344** | **$** | **(17,377)** |
| Current tax expense | | **5,067** | | **905** |
| Deferred tax expense (recovery) | | **3,277** | | **(18,282)** |
| **Total income taxes** | **$** | **8,344** | **$** | **(17,377)** |

Net deferred income tax assets (liabilities) are comprised of the following:

| **As at** | | **December 31, 2024** | | **December 31, 2023** |
|---|---|---|---|---|
| Deferred income tax assets | | **21,825** | | **27,599** |
| Deferred income tax liabilities | | **(9,123)** | | **(9,175)** |
| **Net deferred income tax assets (liabilities)** | **$** | **12,702** | **$** | **18,424** |

Significant components of recognized deferred income tax include:

| **As at** | | **December 31, 2024** | | **December 31, 2023** |
|---|---|---|---|---|
| Difference between tax and reported amounts for depreciable assets | $ | (9,055) | $ | (12,509) |
| Finance fees | | 1,286 | | 723 |
| Tax loss carryforwards recognized | | 21,089 | | 23,376 |
| Decommissioning provision | | 2,735 | | 2,392 |
| Mine development costs | | 1,130 | | 933 |
| Other | | (4,483) | | 3,509 |
| **Net deferred income tax assets (liabilities)** | **$** | **12,702** | **$** | **18,424** |

The movements in deferred tax balances during the year are as follows:

| **As at** | | **December 31, 2024** | | **December 31, 2023** |
|---|---|---|---|---|
| Opening net deferred income tax assets (liabilities) | $ | 18,424 | $ | — |
| Recognized in other comprehensive income | | (1,786) | | — |
| Recognized in net income | | (3,277) | | 18,282 |
| Exchange differences | | (659) | | 142 |
| **Closing net deferred income tax assets (liabilities)** | **$** | **12,702** | **$** | **18,424** |

The deferred income tax assets (liabilities) by jurisdiction are:

| **As at** | | **December 31, 2024** | | **December 31, 2023** |
|---|---|---|---|---|
| Canada | | 21,825 | | 27,599 |
| Foreign | | (9,123) | | (9,175) |
| **Net deferred income tax assets (liabilities)** | **$** | **12,702** | **$** | **18,424** |

(All amounts are in thousands of Canadian dollars, unless otherwise noted)

At December 31, 2024, the Company had $93,215 (December 31, 2023 - $105,826) of non-capital losses. Canadian and foreign (United States or "US") losses begin to expire in 2037.

## 11. LONG-TERM DEBT

| As at | | December 31, 2024 | | December 31, 2023 |
|---|---|---|---|---|
| Term Loan, maturing December 20, 2029 (net of unamortized deferred financing costs) (a) | $ | 183,547 | $ | — |
| Senior secured notes (b) | | — | | 143,730 |
| Prior ABL facility (d) | | — | | 13,069 |
| Taylor Financing Facility, maturing three years after phase one construction completion (e) | | 10,042 | | — |
| Other long-term debt(1) | | 1,378 | | 2,296 |
| **Total long-term debt** | **$** | **194,967** | **$** | **159,095** |
| Less: current portion | | (8,093) | | (17,561) |
| **Long-term portion** | **$** | **186,874** | **$** | **141,534** |

**Note:**
(1) Includes amounts related to the Company's share-based compensation plan. Refer to Note 16 for additional information.

### (a) Term Loan

| As at | | December 31, 2024 | | December 31, 2023 |
|---|---|---|---|---|
| Balance, beginning of year | $ | — | $ | — |
| Proceeds | | 187,205 | | — |
| Unrealized foreign exchange loss | | 208 | | — |
| Financing costs incurred | | (3,866) | | — |
| **Balance, end of year** | **$** | **183,547** | **$** | **—** |
| Less: current portion | | (8,093) | | — |
| **Long-term portion** | **$** | **175,454** | **$** | **—** |

Pursuant to the Refinancing Transaction, Source executed a five-year US$135,000 Term Loan with Silver Point Finance, LLC (the "Term Loan"). The Term Loan has a delayed draw facility of US$25,000 which is undrawn and available through December 31, 2025. The Term Loan bears interest at the Secured Overnight Finance Rate ("SOFR"), plus a margin of 5.25% and an interest rate floor of 4.25%. The Term Loan is secured by a first charge on all assets of the business, excluding assets related to the Taylor Terminal (as defined below), and a second charge on cash, accounts receivable and inventory. The Term Loan was recorded at its fair value of US$127,565, net of US$7,435 of issuer discount and transaction fees, which will be amortized over the life of the Term Loan.

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 within 90 days of the fiscal quarter. Excess cash flows are defined as cash flows provided by operating activities, less maintenance capital expenditures, amounts paid for lease obligations, taxes and amounts of interest or principal prepayments on the Term Loan and ABL facility (as defined below) in the applicable fiscal quarter.

The Company may repay all or a portion of amounts outstanding under the Term Loan, plus unpaid and accrued interest, subject to an applicable call premium on amounts repaid (prior to December 20, 2027 - 5%, prior to December 20, 2028 - 3% and thereafter – $nil). Financial covenants include a fixed charge coverage ratio of 1.20:1 and a current ratio of 1.25:1, tested each fiscal quarter; and a total leverage ratio not greater than 2.25:1 through March 31, 2026, 2.00:1 through December 31, 2026 and 1.75:1 through the remainder of the term. As at December 31, 2024, Source was in compliance with all covenants.

Interest expense for the Term Loan was $675 for the year ended December 31, 2024.

(All amounts are in thousands of Canadian dollars, unless otherwise noted)

### (b) Senior secured notes

| As at | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Balance, beginning of year | $ 143,730 | $ 153,603 |
| Repayments | (150,394) | (13,990) |
| Loss (gain) on extinguishment of debt | 2,055 | (763) |
| Accretion | 4,609 | 4,880 |
| **Balance, end of year** | **$ —** | **$ 143,730** |
| Less: current portion | — | (4,492) |
| **Long-term portion** | **$ —** | **$ 139,238** |

On December 30, 2020, Source issued $142,238 in aggregate principal of senior secured notes (the "Notes"), which bore interest at 10.5% and would have matured on March 15, 2025. The Notes were secured by a fixed and floating charge over all assets of the business and a second charge on accounts receivable and inventory. Pursuant to the Refinancing Transaction, on December 20, 2024, the Company delivered a notice of redemption for 100% of the principal amount of the Notes outstanding, representing an aggregate principal value of $140,453, plus accrued and unpaid interest up to but excluding January 18, 2025, in accordance with the provisions of the indenture governing the Notes.

For the year ended December 31, 2024, the Notes were repaid with proceeds received from the Term Loan, resulting in a loss on extinguishment of debt of $1,891 from the difference between the carrying value of the Notes and the aggregate principal outstanding repaid, as well as remaining unamortized deferred finance fees related to the Notes.

During the year ended December 31, 2024, prior to the repayment of the Notes, the Company purchased and cancelled a portion of the outstanding Notes in the open market with an aggregate principal value of $4,847 (year ended December 31, 2023 - $15,351), for gross proceeds of $4,818 (year ended December 31, 2023 - $14,182), including accrued and unpaid interest. The Note repurchases completed during the year ended December 31, 2024 resulted in a loss on extinguishment of debt of $164 (year ended December 31, 2023 - gain of $763). As per the terms of the Note indenture, the Company also completed a mandatory redemption for the Notes with an aggregate principal value of $4,441, for gross proceeds of $4,492, including accrued and unpaid interest.

Interest expense for the Notes was $14,945 for the year ended December 31, 2024 (year ended December 31, 2023 - $16,997).

### (c) ABL facility

As part of the Refinancing Transaction, the Company closed a new $40,000 revolving asset-backed credit facility (the "ABL") with Canadian Imperial Bank of Commerce which matures on December 20, 2027. The ABL 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 Terminal, as outlined below. The ABL facility may be drawn in Canadian or US 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, which ranges from 0.0% to 0.25% for prime rate borrowings, 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. As of December 31, 2024, unamortized deferred financing costs of $863 have been presented as an asset, of which $566 is long-term, as no amounts were drawn on the facility. The ABL includes a springing fixed charge ratio of 1.0:1 to be measured when the Company's excess availability is less than 10%.

(All amounts are in thousands of Canadian dollars, unless otherwise noted)

### (d) Prior ABL facility

| As at | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Balance, beginning of year | $ 13,069 | $ 22,170 |
| Proceeds | 711,256 | 620,878 |
| Repayments | (729,020) | (632,702) |
| Loss on extinguishment of debt | 467 | — |
| Accretion | 2,178 | 2,952 |
| Unrealized foreign exchange loss | 2,050 | 488 |
| Financing costs incurred | — | (717) |
| **Balance, end of year** | **$ —** | **$ 13,069** |
| Less: current portion | — | (13,069) |
| **Long-term portion** | **$ —** | **$ —** |

The Company had an ABL facility (the "Prior ABL") that would have matured on January 3, 2025, and bore interest at SOFR plus a margin of 2.95% and applicable fees. The Prior ABL was 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. Amounts available under the Prior ABL were subject to a borrowing base formula applied to accounts receivable and inventory. Key financial covenants of the Prior ABL facility included a fixed charge coverage ratio of 1.15:1 based on trailing twelve months inputs; maximum capital expenditures for 2024 equal to the lesser of $20,000 or 22.5% trailing twelve months of earnings before interest, tax, depreciation and amortization; and a minimum level of excess availability of $5,000.

On December 20, 2024, amounts outstanding for the Prior ABL were repaid and the facility was terminated, leaving no amount drawn on the facility at December 31, 2024 (December 31, 2023 - $15,247). At December 31, 2023, there was $17,285 of availability on the facility. Interest on the facility was $4,103 for the year ended December 31, 2024 (2023 - $4,362).

### (e) Taylor Financing Facility

| As at | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Balance, beginning of year | $ — | $ — |
| Proceeds | 9,870 | — |
| Accretion | 172 | — |
| **Balance, end of year** | **$ 10,042** | **$ —** |

On July 25, 2024, Source entered into a construction financing arrangement (the "Taylor Financing Facility") with Trican Well Service Ltd. ("Trican") to construct a new terminal facility located in Taylor, British Columbia (the "Taylor Terminal"). Under the terms of the agreement Trican advances funding for construction under a project financing structure, and receives a fee on each advance drawn which is added to the obligation outstanding. The Taylor Financing Facility is capped at an amount of $23,500 and is repayable through the provision of transload services and optional cash payments over a three-year term, with an option to extend for one additional year, commencing upon completion of the first phase of the project.

The Taylor Financing Facility is secured by a first lien charge on all assets of the Taylor transload entity, including a mortgage in favor of Trican. The financial performance of the Taylor Terminal, including amounts drawn on the Taylor Financing Facility, are excluded from the financial covenants as prescribed under the Term Loan and the ABL facility. The difference between the timing of advances received on the Taylor Financing Facility and capital expenditures are presented as cash on the consolidated statements of financial position. For the year ended December 31, 2024, Source incurred $8,969 of capital expenditures for the Taylor terminal facility.

The initial advances under the Taylor Financing Facility were recorded at their fair values and have been subsequently revalued for the year ended December 31, 2024, using internally estimated future repayments related to transloading volume forecasts and the timing of advances drawn on the facility. For the year ended December 31, 2024 the Company recorded $172 of finance cost, calculated using an effective interest rate of 7.65%, to accrete the value of the obligation to amounts payable under the terms of the arrangement.

As at December 31, 2024, $10,042 was outstanding under the Taylor Financing Facility.

(All amounts are in thousands of Canadian dollars, unless otherwise noted)

### (f) Promissory Notes

As described in Note 5, the Company closed a transaction to purchase the sand trucking assets of RWR on March 13, 2024. A portion of the purchase price was paid through the issuance of a $6,639 promissory note, recorded on closing at its fair value using a discount rate of 11.7%, payable over a four-year term.

The Company also closed a transaction to purchase the sand trucking assets of PVT on August 19, 2024. A portion of the purchase price was paid through the issuance of a $1,748 promissory note, payable over a nine-month term.

As part of the Refinancing Transaction, amounts outstanding for the Promissory Notes were repaid in full, resulting in a loss on extinguishment of debt of $559. Interest on the Promissory Notes totaled $479 for the year ended December 31, 2024.

### (g) Standby letter of credit facility and deposits

The Company has a US$13,500 standby letter of credit facility. The Company also has outstanding letters of credit, issued in respect of reclamation obligations related to mining operations in Wisconsin, which are supported by cash deposits. As at December 31, 2024, $3,572 (December 31, 2023 - $3,216) has been classified as non-current assets on the consolidated statements of financial position in respect of these deposits, of which $1,136 is restricted cash (December 31, 2023 - $1,045).

The effective interest rate realized on long-term debt for the year ended December 31, 2024 was 11.9% (December 31, 2023 - 12.0%).

## 12. LEASE LIABILITIES

| As at | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Balance, beginning of year | $ 62,690 | $ 68,422 |
| Lease additions(1) | 33,608 | 10,674 |
| Lease modifications | 1,961 | 3,985 |
| Lease payments | (21,375) | (19,592) |
| Exchange differences | 3,020 | (799) |
| **Balance, end of year** | **$ 79,904** | **$ 62,690** |
| Less: current portion | (19,386) | (16,273) |
| **Long-term portion** | **$ 60,518** | **$ 46,417** |

**Note:**
(1) Includes lease liabilities related to the sand trucking assets acquired during the year. Refer to Note 5 for additional information.

The Company enters into lease arrangements related to rail cars, equipment and vehicles, office buildings and surface leases. Lease liabilities are measured at the present value of the remaining lease payments at the incremental borrowing rate of 9% (December 31, 2023 - 8%). Leases with a lease term of twelve months or less for certain classes of assets and low-value assets of $189 were expensed to cost of sales or operating expense in the year ended December 31, 2024 (year ended December 31, 2023 - $182). The Company recognized $5,272 of interest on lease liabilities for the year ended December 31, 2024 (year ended December 31, 2023 - $4,942).

## 13. DECOMMISSIONING PROVISION

| As at | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Balance, beginning of year | $ 9,475 | $ 7,722 |
| Liabilities incurred | 368 | 401 |
| Liabilities settled | (1,494) | (1,577) |
| Accretion | 342 | 294 |
| Changes in estimates | 1,236 | 2,885 |
| Exchange differences | 864 | (250) |
| **Balance, end of year** | **$ 10,791** | **$ 9,475** |
| Less: current portion | (1,564) | (1,272) |
| **Long-term portion** | **$ 9,227** | **$ 8,203** |

The Company's decommissioning provision relates to reclamation of land and facilities where its mines operate. Management estimates the costs to abandon and reclaim its properties based on current reclamation technology, acres disturbed and the estimated time period in which these costs will be incurred in the future. The total future estimate of undiscounted cash flows required to settle the provision has been discounted using an inflation rate of 3.17% and risk-free rates of 3.36% for expenditures planned within the next ten years and 3.29% for longer-term expenditures at December 31, 2024 (December 31, 2023 - 2.83%, 3.00% and 3.06%, respectively). The majority of these costs are expected to occur between 6 and 39 years.

## 14. COMMITMENTS AND CONTINGENCIES

The Company has commitments regarding physical natural gas contracts which expire between January 2025 and December 2027, as well as various IT software subscriptions through 2027. Estimated annual commitments are as follows:

| | | |
|---|---|---|
| 2025 | $ | 3,104 |
| 2026 | | 1,835 |
| 2027 | | 425 |
| **Total** | **$** | **5,364** |

Additionally, under the terms of the Peace River facility lease, the Company is exposed to potential future cash outflows for variable lease payments which commence when production exceeds 150,000 metric tonnes per year. During the year ended December 31, 2024, no variable lease payments were incurred under the terms of the lease agreement (2023 - $nil).

In the ordinary course of conducting business, the Company occasionally becomes involved in legal proceedings relating to contracts, environmental issues or other matters. While the amount of any proceeding or litigation is inherently uncertain, management of the Company believes that the outcome of any pending or threatened actions will not have a material adverse effect on the business or financial condition of the Company, except as noted below:

The Company is currently pursuing claims against certain organizations in respect of damages related to the structural failure of assets at its Fox Creek terminal facility (refer to Note 21 for additional information). The Company intends to pursue this matter for which the damages, if awarded to the Company in their entirety, could be a material amount. However, litigation is inherently uncertain and a favourable outcome cannot be assured.

## 15. SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of common shares. The following table outlines the issued and outstanding common shares as at December 31, 2024:

| (stated in thousands, except share amounts) | Number of shares | | Amount |
|---|---|---|---|
| **Balance as at December 31, 2023 and December 31, 2024** | **13,545,055** | **$** | **410,632** |

## 16. SHARE-BASED COMPENSATION

### (a) Share-based compensation plans

The Company has share-based compensation plans that allow for DSUs, RSUs and PSUs grants for directors and certain employees. The RSUs vest 1/3 on the anniversary date of the grant over a three-year period. Subject to achievement of performance criteria set out by the Board, the PSUs awarded vest 1/3 on the anniversary date of the grant over a three-year period. The RSUs and PSUs may be settled in cash or shares and accordingly are considered a liability-settled award for accounting purposes as they are expected to be settled for cash payment. At December 31, 2024, a liability of $11,260 has been recorded for these units, of which $9,882 has been classified as current (December 31, 2023 - $4,901 and $3,862, respectively).

The DSUs vest and are expensed over the earlier of five years or when a director or other participant ceases in their role and are payable only when a director or participant leaves the Company. The DSUs are expected to be settled for cash payment and accordingly are considered a liability-settled award for accounting purposes. At December 31, 2024, a current liability of $4,045 has been recorded for these units (December 31, 2023 - $1,050 total liability, of which $406 was current).

(All amounts are in thousands of Canadian dollars, unless otherwise noted)

The fair value of the RSUs, PSUs and DSUs was determined using the Company's share price at year end and a forfeiture rate of 5%. The following table provides a summary of the status of the Company's liability-settled compensation plans and changes during the years ended December 31, 2024 and 2023:

| (number of units) | RSU | PSU | DSU |
|---|---|---|---|
| Balance as at December 31, 2022 | 230,724 | 550,816 | 244,734 |
| Granted | 127,500 | 355,854 | 162,211 |
| Exercised | (106,561) | (37,542) | (134,057) |
| Forfeited | (21,666) | (80,233) | — |
| Balance as at December 31, 2023 | 229,997 | 788,895 | 272,888 |
| Granted | — | 107,770 | 62,960 |
| Exercised | (115,835) | (283,967) | — |
| Forfeited | — | (6) | — |
| **Balance as at December 31, 2024** | **114,162** | **612,692** | **335,848** |
| **Vested as at December 31, 2024** | **—** | **337,202** | **—** |

### (b) Share appreciation rights

The Company had a SAR plan for certain employees, in which the units vested 1/3 on the anniversary date of the grant over a three-year period and settled for cash payment. During the year ended December 31, 2024, the Company and the Board agreed to cancel the SAR plan, effective January, 2025. As of December 31, 2024, a current liability of $1,172 (December 31, 2023 - $1,008) was recorded based on the amount expected to be paid in cash to SAR holders in 2025 based on the terms of the cancellation notice. Previously, the SARs were valued using the Black-Scholes option pricing model, using the following inputs:

| | December 31, 2023 | | |
|---|---|---|---|
| | **2023 Grant** | **2022 Grant** | **2021 Grant** |
| Forfeiture rate (%) | 9 % | 9 % | 9 % |
| Volatility (%) | 91 % | 90 % | 70 % |
| Risk free interest rate (%) | 4.50 % | 4.50 % | 4.50 % |
| Dividend yield (%) | — % | — % | — % |
| Option life (years) | 2.18 | 1.34 | 0.21 |
| Exercise price | $ 2.22 | $ 1.84 | $ 1.54 |
| Share price[(1)] | $ 5.25 | $ 5.60 | $ 6.08 |

**Note**:
(1) The share price for the 2023 and 2022 grants was based on the year-to-date volume weighted average share price ("VWAP") from the date of grant or vesting. For the 2021 grant, the share price was based on the VWAP for the twenty days preceding the measurement date.

As at December 31, 2024, the following SARs were outstanding:

| | SARs Outstanding | Weighted Average Exercise Price |
|---|---|---|
| Balance as at December 31, 2022 | 365,000 | $ 1.68 |
| Granted | 200,000 | $ 2.22 |
| Exercised | (13,167) | $ — |
| Forfeited | (28,333) | $ — |
| Balance as at December 31, 2023 | 523,500 | $ 1.87 |
| Granted | — | $ — |
| Exercised | (203,000) | $ — |
| Forfeited | (27,500) | $ — |
| **Balance as at December 31, 2024** | **293,000** | **$ 2.05** |
| **Vested as at December 31, 2024** | **143,000** | |

Total share-based compensation expense for all share-based payment plans was $14,737 for the year ended December 31, 2024 (2023 - $6,759).

(All amounts are in thousands of Canadian dollars, unless otherwise noted)

## 17. EARNINGS PER SHARE

### Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the year ended December 31, 2024 was based on the earnings available to holders of common shares of $9,509 (2023 - $167,345), and a weighted average number of common shares outstanding for the year ended December 31, 2024 and 2023 of 13,545,055. Diluted earnings per share is calculated by adjusting the earnings and number of shares for the effects of potential dilution, which are comprised of restricted and performance share units granted to employees. For the year ended December 31, 2024, Source had 774,879 of common shares relating to its RSU and PSU plans that could have a potentially dilutive effect in a future period (potentially dilutive effect for the year ended December 31, 2023 - 818,160).

| | 2024 | 2023 |
|---|---|---|
| Weighted average common shares outstanding | **13,545,055** | 13,545,055 |
| Earnings per share | | |
| Basic | **0.70** | 12.35 |
| Diluted | **0.70** | 11.88 |

## 18. REVENUE

The following table presents the Company's sales, disaggregated by revenue source, for the year ended December 31, 2024:

| | | 2024 | | 2023 |
|---|---|---|---|---|
| Revenue from contracts with customers: | | | | |
| Sand revenue | $ | 532,944 | $ | 460,187 |
| Well site solutions | | 137,689 | | 105,691 |
| Terminal services | | 3,088 | | 3,386 |
| Total revenue from contracts with customers | $ | 673,721 | $ | 569,264 |
| Storage facilities(1) | | 229 | | 484 |
| **Total** | **$** | **673,950** | **$** | **569,748** |

**Note:**
(1) Storage facilities includes revenue for proppant storage at terminals.

*Contract Liabilities*

During 2023, Source executed contracts to construct two Sahara units on behalf of customers, with capital costs incurred fully reimbursed by the customers. During the year ended December 31, 2024, construction for the Sahara units was completed, and the related leases commenced. Refer to Note 7 for additional information.

During the year ended December 31, 2024, Source entered into agreements with customers where the Company received $13,720 of prepayments for future obligations. The following table provides a summary of the contract liabilities for the years below:

| As at | | December 31, 2024 | | December 31, 2023 |
|---|---|---|---|---|
| Balance, beginning of year | $ | 2,726 | $ | 153 |
| Cash proceeds | | 21,840 | | 2,731 |
| Satisfaction of performance obligations | | (11,453) | | (153) |
| Exchange differences | | 355 | | (5) |
| **Balance, end of year** | **$** | **13,468** | **$** | **2,726** |
| Less: current portion | | (11,832) | | (2,726) |
| **Long-term portion** | **$** | **1,636** | **$** | **—** |

## 19. OPERATING AND GENERAL & ADMINISTRATIVE COSTS

The Company presents its expenses on the consolidated statements of operations and comprehensive income using the function of expense method whereby expenses are classified according to their function within the Company. This method was selected as it is more closely aligned with the Company's business structure. The Company's functions under IFRS are as follows:

- Cost of sales;
- Operating; and
- General & administrative.

(All amounts are in thousands of Canadian dollars, unless otherwise noted)

Cost of sales includes direct operating costs (including product costs, direct labour and overhead costs) and depreciation on assets relating to operations. Additional information on the nature of expenses is as follows:

| | 2024 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | COS | OPEX | G&A | Total | COS | OPEX | G&A | Total |
| Direct material | $387,877 | $ — | $ — | $387,877 | $340,886 | $ — | $ — | $340,886 |
| Salary costs | 20,890 | 11,135 | 14,786 | 46,811 | 16,766 | 10,141 | 10,706 | 37,613 |
| Equipment costs | 5,937 | 2,459 | 25 | 8,421 | 4,411 | 2,648 | 3 | 7,062 |
| Transportation costs | 95,820 | — | — | 95,820 | 71,894 | — | — | 71,894 |
| Facility costs | 797 | 1,567 | 64 | 2,428 | 610 | 1,600 | 29 | 2,239 |
| Selling costs | — | 10,319 | 286 | 10,605 | — | 8,534 | 19 | 8,553 |
| Administration costs | — | — | 4,326 | 4,326 | — | — | 3,217 | 3,217 |
| **Total** | **$511,321** | **$ 25,480** | **$ 19,487** | **$556,288** | **$434,567** | **$ 22,923** | **$ 13,974** | **$471,464** |

## 20. FINANCE EXPENSE

| | 2024 | 2023 |
|---|---|---|
| Interest | $ 25,503 | $ 26,575 |
| Accretion(1) | 7,301 | 8,126 |
| Other | 1,816 | 1,641 |
| **Total** | **$ 34,620** | **$ 36,342** |

**Note:**
(1) Includes accretion of the Term Loan, Taylor Financing Facility, deferred financing fees, amounts related to accretion of the Notes prior to their repayment and accretion of the Company's decommissioning provision.

## 21. OTHER EXPENSE

In May 2019, an incident occurred during the construction of assets to provide additional storage capacity at the Company's Fox Creek terminal facility which resulted in the dismantlement of all related assets. In relation to the legal proceedings discussed in Note 14, the Company incurred costs of $1,401 recorded as other expense for the year ended December 31, 2024 (2023 - $854).

On December 20, 2024, in conjunction with the closing of the Refinancing Transaction, the Company completed a comprehensive corporate reorganization. The reorganization creates flexibility by aligning the legal entity structure more closely with operations and efficiencies related to corporate administration and filing requirements. Fees related to the reorganization were $1,333 for the year ended December 31, 2024.

## 22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### (a) Risk management overview

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

(All amounts are in thousands of Canadian dollars, unless otherwise noted)

### (b) Classification of financial instruments

The Company categorizes the following financial instruments at amortized cost:

| As at | December 31, 2024 | December 31, 2023 |
|---|---|---|
| **Financial instruments at amortized cost:** | | |
| Cash | 32,717 | — |
| Accounts receivable | 79,505 | 44,010 |
| Deposits and restricted cash | 3,729 | 3,216 |
| Lease receivable (includes current portion) | 4,128 | — |
| Accounts payable and accruals | 94,847 | 69,651 |
| Lease liabilities (includes current portion) | 79,904 | 62,690 |
| Current income tax liabilities | 5,251 | 888 |
| Long-term debt (includes current portion) | 194,967 | 159,095 |

### (c) 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. The carrying amount of the Term Loan approximates its fair value (excluding unamortized finance fees) as at December 31, 2024, due to the recent disbursement of the loan. The fair value approximates the carrying value of the Taylor Financing Facility as at December 31, 2024.

Prior to the repayment of the senior secured notes (refer to Note 11(b) for additional information), the Company analyzed financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

**Level 1:** Values based on unadjusted quoted prices in active markets for identical assets or liabilities, accessible at the measurement date.

**Level 2:** Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

**Level 3:** Values based on prices or valuation techniques that require inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | | Fair Value | | |
|---|---|---|---|---|
| **December 31, 2023** | **Carrying amount** | **Level 1** | **Level 2** | **Level 3** |
| **Financial liabilities at amortized cost:** | | | | |
| Senior secured notes | $ 143,730 | $ — | $ 142,629 | $ — |

### (d) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Substantially all of the Company's trade and other amounts receivable are due from purchasers of proppants and logistics services and are subject to normal industry credit risk. Significant changes in industry conditions will increase the risk of not collecting receivables. Management believes the risk is materially mitigated by the size and reputation of the companies to which they extend credit.

The Company's revenues are generally derived from a group of large and reputable oilfield exploration and production companies and oilfield services customers. Orders for proppants are subject to guidelines established by the Company's credit and collection program. The Company's five largest customers account for 70% of the revenue for the year ended December 31, 2024, with the three largest making up 55% (year ended December 31, 2023, five customers accounted for 78%, three customers accounted for 68%). Two of those customers (three for the year ended December 31, 2023) account for 10% or more of total revenue individually for the year ended December 31, 2024.

(All amounts are in thousands of Canadian dollars, unless otherwise noted)

As at December 31, 2024, the Company's accounts receivable balance, net of loss allowances, was comprised of the following:

| As at | December 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| Not yet due | $ | 69,669 | $ | 36,207 |
| 0 – 30 days | | 9,703 | | 7,210 |
| 31 – 60 days | | 5 | | 455 |
| 61 – 90 days | | 89 | | 118 |
| 91+ days | | 39 | | 20 |
| **Total accounts receivable** | **$** | **79,505** | **$** | **44,010** |

The Company performs ongoing credit evaluations of its customers and establishes an allowance for doubtful accounts based on the lifetime expected credit loss provision. The Company uses an allowance matrix to estimate the credit losses of trade receivables which considers historical default rates as well as the days past due.

A loss allowance of $402 was recorded as at December 31, 2024:

| As at | December 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| Balance, beginning of year | $ | 79 | $ | 71 |
| Increase in loss allowance | | 37 | | 8 |
| Specific provision for receivables deemed uncollectible | | 286 | | — |
| **Balance, end of year** | **$** | **402** | **$** | **79** |

The Company's maximum exposure to credit risk is the carrying amount of trade and other amounts receivable (including leases), cash, deposits and restricted cash as well as foreign exchange forward contracts, if applicable. Other than leases and accounts receivable, these financial instruments are held with major financial institutions and management believes the investment grade credit ratings of these institutions minimize this risk. During the year ended December 31, 2024, the Company terminated its sublease arrangement with a third party for the lease of the Company's previous head office location. As a result of the termination, the Company derecognized the remaining lease receivable, resulting in a loss on sublease of $635 for the year. The Company also recorded a loss allowance of $286 for past due amounts related to the sublease arrangement.

### (e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The financial liabilities on the consolidated statements of financial position consist of accounts payable and accrued liabilities, lease liabilities, the Term Loan, ABL facility and Taylor Financing Facility. The Company's approach to managing liquidity risk includes preparing operating and capital budgets and forecasts and monitoring performance against budgets and forecasts. Source may seek additional financing based on the results of these processes. The Company's ongoing liquidity is impacted by various external events and conditions, including foreign currency fluctuations and commodity price fluctuations as well as global economic conditions.

The Company expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flow, as well as future debt and equity financings. Source has a credit facility to facilitate the management of liquidity risk.

The Company's contractual cash outflows relating to financial liabilities are outlined in the table below:

| As at December 31, 2024 | Total | | 2025 | | 2026 | | 2027 | | 2028 | | 2029 | | 2030 and beyond | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Accounts payable and accruals | $ | 94,847 | $ | 94,847 | $ | — | $ | — | $ | — | $ | — | $ | — |
| Lease liabilities[(1)] | $ | 96,437 | $ | 24,121 | $ | 18,495 | $ | 14,018 | $ | 9,105 | $ | 6,790 | $ | 23,908 |
| Term Loan[(2)(3)] | $ | 278,139 | $ | 28,583 | $ | 26,694 | $ | 25,288 | $ | 24,135 | $ | 173,439 | $ | — |
| Taylor Financing Facility[(1)(4)] | $ | 11,844 | $ | — | $ | — | $ | — | $ | 11,844 | $ | — | $ | — |

**Notes**:
(1) Includes interest for future periods.
(2) Reflects cash outflows for interest and principal only, refer to Note 11(a) for additional information.
(3) The timing and amount of interest payments on such balances will fluctuate depending on balances outstanding and applicable interest rates.
(4) Excludes amounts repayable through transload credits, refer to Note 11(e) for additional information.

### (f) Market risk

Market risk is the risk that changes in market prices, including foreign exchange rates and interest rates, will affect the Company's net earnings or the value of financial instruments and are largely outside the control of the Company. The objective of the Company is to manage and mitigate market risk exposures within acceptable limits while maximizing returns. Primary market risks are as follows:

(All amounts are in thousands of Canadian dollars, unless otherwise noted)

***Foreign currency risk***

The Company is exposed to foreign exchange risk on debt denominated in US dollars, as well as sales denominated in US dollars to the extent that the receipt of payment of the US denominated accounts receivable are subject to fluctuations in the related foreign exchange rate. In addition, foreign currency risk exists on the cost of manufacturing of 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 December 31, 2024 are $4,433 (December 31, 2023 - $20,703) and $26,097 (December 31, 2023 - $23,903) denominated in foreign currency, respectively. The net effect of each 1% change in foreign exchange would impact net income $1,683 for the year ended December 31, 2024 ($1,220 for the year ended December 31, 2023).

***Interest rate risk***

Interest rate risk is the risk that future cash flows associated with financial instruments will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk to the extent that changes in market interest rates impact borrowings under its floating rate asset-backed loan facility and its floating rate Term Loan. The net effect of each 1% change in market interest rates would impact the related interest expense for the Company's floating rate borrowings by $1,835 at December 31, 2024 ($152 at December 31, 2023). The Company had no derivative contracts in place as at or during the years ended December 31, 2024 and 2023 with respect to managing interest rate risk.

### (g) Capital management

The Company's capital management policy is to maintain a strong capital base that optimizes the Company's ability to grow, maintain shareholder and creditor confidence and to provide a platform to create value for its common shareholders. The Company's management is responsible for managing the Company's capital and does so through regular reviews of financial information including budgets and forecasts. The Company's directors are responsible for overseeing this process. The Company considers its capital structure to include equity, Term Loan, ABL facility, Taylor Financing Facility and leases.

The Company monitors capital based on its current working capital, available credit line, projected cash flow from operations and anticipated capital expenditures. In order to manage its capital structure, the Company prepares annual capital expenditure and operating budgets, which are updated as necessary. The annual and updated budgets are prepared by the Company's management and approved by the Company's Board.

In order to maintain or adjust the capital structure, the Company may issue share capital, seek debt financing and adjust its capital spending to manage its current and projected capital structure. The Company's ability to raise additional debt or equity financing is impacted by external conditions, including global economic conditions. The Company continually monitors economic and general business conditions.

The Company's share capital is not subject to external restrictions; however, the amount of the ABL facility available for use is determined by levels of accounts receivable and inventory. Refer to Note 11(c) for additional information.

The Company's capital management policy has not changed during the years ended December 31, 2024 and December 31, 2023.

## 23. SEGMENT AND GEOGRAPHICAL INFORMATION

The Company has determined that it operates in a single operating and reportable segment. Total external revenues and assets by geographical location are summarized in the table below:

| Sales for the year ended December 31, | | Canadian Operations | | US Operations | | Corporate[(1)] | | Total |
|---|---|---|---|---|---|---|---|---|
| **2024** | **$** | **670,968** | **$** | **2,982** | **$** | **—** | **$** | **673,950** |
| 2023 | $ | 559,057 | $ | 10,691 | $ | — | $ | 569,748 |

| Total Assets | | Canadian Operations | | US Operations | | Corporate[(1)] | | Total |
|---|---|---|---|---|---|---|---|---|
| **December 31, 2024** | **$** | **275,481** | **$** | **258,839** | **$** | **63,898** | **$** | **598,218** |
| December 31, 2023 | $ | 193,909 | $ | 250,414 | $ | 38,507 | $ | 482,830 |

**Note:**
(1) Corporate operations are included for informational purposes only.

(All amounts are in thousands of Canadian dollars, unless otherwise noted)

## 24. RELATED PARTY TRANSACTIONS

Key management personnel are comprised of the Company's directors and executive officers. Key management personnel compensation is comprised of:

| | 2024 | 2023 |
|---|---|---|
| Short-term employment benefits | 8,775 | 2,216 |
| Share-based payments | 1,794 | 115 |
| Post-employment benefits | 36 | 36 |
| **Total** | 10,605 | 2,367 |

Aside from compensation to key management personnel, there were no related party transactions during the years ended December 31, 2024 and 2023.