

Source Energy Services Reports Q2 2025 Results

Calgary, Alberta (July 30, 2025) TSX: SHLE

Source Energy Services Ltd. ("Source" or the "Company") is pleased to announce its financial results for the three and six months ended June 30, 2025.

Q2 2025 PERFORMANCE HIGHLIGHTS

Key achievements for the quarter ended June 30, 2025 include the following:

- realized record sand sales volumes of 1,094,355 metric tonnes ("MT") and sand revenue of \$161.5 million, an increase of \$21.4 million or 15% from the second quarter of 2024;
- generated total revenue of \$201.9 million, a \$25.5 million increase from the same period last year;
- realized gross margin of \$36.7 million and Adjusted Gross Margin⁽¹⁾ of \$48.6 million, increases of 13% and 15%, respectively, when compared to the three months ended June 30, 2024;
- reported net income of \$13.6 million, an increase of \$8.9 million from the second quarter of last year;
- realized Adjusted EBITDA⁽¹⁾ of \$35.2 million, a \$4.4 million improvement from the second quarter of 2024;
- delivered record sand volumes to our customer well sites through our "last mile" logistics and realized 83% utilization across the eleven-unit Sahara fleet;
- completed the next phase of the Peace River facility expansion, approaching nameplate capacity of 1,000,000 MT of domestic sand production;
- implemented a Normal Course Issuer Bid, resulting in the repurchase of 225,400 shares during the second quarter; and
- received a Remission Order from the Government of Canada which reverses and refunds surtaxes paid to date on reciprocal tariffs imposed by the Government of Canada on frac sand imported from the United States earlier this year.

Note:

(1) Adjusted Gross Margin (including on a per MT basis) and Adjusted EBITDA are not defined under IFRS (as defined herein) and might not be comparable to similar financial measures disclosed by other issuers, refer to 'Non-IFRS Measures' below for reconciliations to measures recognized by IFRS. For additional information, please refer to Source's Management's Discussion and Analysis ("MD&A"), dated July 30, 2025, available online at www.sedarplus.ca.

RESULTS OVERVIEW

(\$000's, except MT and per unit amounts)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Sand volumes (MT)⁽¹⁾	1,094,355	921,148	2,135,578	1,795,997
Sand revenue	161,472	140,056	324,375	273,050
Well site solutions	39,216	35,360	83,644	71,080
Terminal services	1,201	940	2,434	1,794
Sales	201,889	176,356	410,453	345,924
Cost of sales	153,280	134,214	315,649	260,596
Cost of sales – depreciation	11,873	9,500	21,275	17,049
Cost of sales	165,153	143,714	336,924	277,645
Gross margin	36,736	32,642	73,529	68,279
Operating expense	8,383	6,327	16,310	12,369
General & administrative expense	4,839	5,851	9,747	11,201
Depreciation	5,432	4,289	11,132	8,499
Income from operations	18,082	16,175	36,340	36,210
Total other expense (income)	1,452	8,095	(10,415)	24,479
Income before income taxes	16,630	8,080	46,755	11,731

(\$000's, except MT and per unit amounts)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Current tax expense	2,449	1,828	5,226	3,738
Deferred tax expense	613	1,567	4,362	1,415
Net income⁽²⁾	13,568	4,685	37,167	6,578
Net earnings per share (\$/share)	1.01	0.35	2.75	0.49
Diluted net earnings per share (\$/share)	1.01	0.26	2.75	0.49
Adjusted EBITDA ⁽³⁾	35,208	30,798	68,969	62,819
Sand revenue sales/MT	147.55	152.05	151.89	152.03
Gross margin/MT	33.57	35.44	34.43	38.02
Adjusted Gross Margin ⁽³⁾	48,609	42,142	94,804	85,328
Adjusted Gross Margin/MT ⁽³⁾	44.42	45.75	44.39	47.51

Notes:

- (1) One MT is approximately equal to 1.102 short tons.
- (2) The average Canadian to United States ("US") dollar exchange rate for the three and six months ended June 30, 2025, was \$0.7225 and \$0.7095, respectively (2024 - \$0.7308 and \$0.7361, respectively).
- (3) Adjusted EBITDA and Adjusted Gross Margin (including on a per MT basis) are not defined under IFRS, refer to 'Non-IFRS Measures' below for reconciliations to measures recognized by IFRS. For additional information, please refer to Source's MD&A available online at www.sedarplus.ca.

SECOND QUARTER 2025 RESULTS

Source realized record sand sales volumes during the second quarter, reflecting continued strong demand as Source customers pushed through spring break-up. Total revenue was \$201.9 million for the three months ended June 30, 2025, an increase of \$25.5 million, or 14%, compared to the second quarter last year. The second quarter also saw record sand sales volumes delivered for "last mile" logistics, as Source's ability to reliably supply the large volumes of sand required per completion job resulted in a record for the largest daily sand volume fed into a blender in twenty-four hours in April. For the second quarter, average realized sand price per MT was impacted by a shift in product mix to more 100 mesh sand and the elimination of tariff charges, which were included in the average realized sand price during the first quarter of 2025 and reversed during the second quarter. Refer to 'Remission Order' below.

Cost of sales, excluding depreciation, increased on a quarter-over-quarter basis, driven by higher sand sales volumes and increased transportation costs resulting from the record volumes hauled by "last mile" logistics. On a per MT basis, cost of sales, excluding depreciation, decreased for the second quarter, driven by a shift in terminal mix and the impact of the tariff reversal. A weakening of the Canadian dollar increased cost of sales denominated in US dollars by \$1.49 per MT, compared to the second quarter of 2024, which was largely offset by the movement in exchange rates on revenue denominated in US dollars for the period.

For the three months ended June 30, 2025, gross margin increased by \$4.1 million compared to the second quarter of 2024. Higher sand sales volumes and volumes trucked to the well site contributed to the increase, as well as incremental gross margin generated from the sand trucking assets acquired in 2024. Excluding gross margin from mine gate volumes, Adjusted Gross Margin was \$44.49 per MT compared to \$46.16 per MT for the second quarter of 2024. The change is attributed to a shift in product mix, driven by a 17% increase in the sales of 100 mesh sand compared to the second quarter of 2024, the impact of terminal mix and the weakening of the Canadian dollar which negatively impacted Adjusted Gross Margin by \$0.31 per MT for the quarter. The tariff reversal had no impact on Adjusted Gross Margin as these surtaxes were borne by Source customers.

Operating expenses increased by \$2.1 million on a quarter-over-quarter basis, largely driven by higher royalty-related costs, partly attributed to the increased sand sales volumes realized during the period. Higher activity levels impacted costs for rail car related expenses including repairs and maintenance costs, as well as increased compensation expense, including people costs for Source's trucking operations. General and administrative expense decreased by \$1.0 million during the second quarter of 2025, largely the result of lower people costs due to lower variable incentive compensation expense, partially offset by an increase in IT costs, due to the cloud-computing system implemented last year, compared to the second quarter of 2024.

Adjusted EBITDA increased by 14%, or \$4.4 million, to \$35.2 million for the second quarter, attributed primarily to the record sand sales volumes and well site solutions performance, as well as the incremental benefit from trucking assets acquired in 2024. The weakening of the Canadian dollar negatively impacted Adjusted EBITDA by \$0.8 million for the quarter, attributed to the movement in exchange rates on the settlement of working capital.

Normal Course Issuer Bid

On May 13, 2025, Source commenced a Normal Course Issuer Bid (the "NCIB"), under which Source is authorized to purchase up to a maximum of 750,000 common shares or \$5.0 million. The NCIB will terminate on May 12, 2026, or

such earlier date as the maximum number of common shares are purchased pursuant to the NCIB or the NCIB is completed or terminated at the election of Source. During the second quarter, Source repurchased 225,400 common shares for a weighted average price of \$11.99 per share under the NCIB.

Remission Order

Since the enactment of the reciprocal tariff by the Canadian government on March 4, 2025, Source has been working diligently with the Canadian government for relief of all surtaxes imposed on frac sand imported from the US. On June 26, 2025, Source received a Remission Order from the Government of Canada which determined that Source is eligible for relief of the surtax on sand at time of import, and qualifies for refunds of all surtaxes paid to date since enactment of the reciprocal tariff. During the second quarter of 2025, Source reversed the impact of tariffs previously recognized in revenue and cost of sales.

Liquidity and Capital Resources

Free Cash Flow (\$000's)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Adjusted EBITDA ⁽¹⁾	35,208	30,798	68,969	62,819
Financing expense paid	(6,710)	(6,625)	(13,516)	(13,437)
Capital expenditures, net of proceeds on disposal of property, plant and equipment and reimbursement of capital costs ⁽²⁾	(7,623)	(5,665)	(14,693)	(10,259)
Payment of lease obligations	(6,321)	(4,987)	(12,595)	(10,106)
Income taxes paid	(2,912)	(637)	(4,604)	(1,169)
Free Cash Flow⁽¹⁾	11,642	12,884	23,561	27,848

Notes:

- (1) Adjusted EBITDA and Free Cash Flow are not defined under IFRS and might not be comparable to similar financial measures disclosed by other issuers, refer to 'Non-IFRS Measures' below. The reconciliation to the comparable IFRS measure can be found in the table below.
- (2) Excludes capital expenditures for the Taylor facility.

During the second quarter of 2025, Free Cash Flow decreased by \$1.2 million compared to the second quarter of 2024, primarily due to amounts paid for income taxes driven by Source's improved performance. An increase in growth and maintenance capital expenditures, as described below, and higher amounts paid for lease obligations also impacted Free Cash Flow for the quarter. The increase in lease obligations is a result of additional heavy equipment for the Peace River operations while the Wisconsin mining facilities replaced aging equipment which will drive lower costs for repairs and maintenance and reduce higher-cost short-term leases. Payments for lease obligations in Wisconsin, including rail car leases, were impacted by renewals at higher rates and the weakening of the Canadian dollar compared to the second quarter of 2024.

Capital expenditures, net of proceeds on disposals and reimbursements and excluding expenditures related to the Taylor facility, were \$7.6 million for the three months ended June 30, 2025, an increase of \$2.0 million compared to the second quarter last year. On a quarter-over-quarter basis and excluding construction for the Taylor facility, growth capital expenditures increased by \$1.0 million, attributed to the expansion of the Peace River facility as well as the addition of trailers for Source's trucking operations. Maintenance and sustaining capital expenditures increased for the second quarter of 2025, compared to the same period last year, largely attributed to improvements made for an aging Sahara unit and roadwork at the north mine processing facility in Wisconsin, higher amounts for overburden removal for mining operations, driven by increased volumes, and amounts related to Source's trucking operations, compared to the second quarter of 2024.

BUSINESS OUTLOOK

Source is anticipating a slowdown in customer activity levels for the second half of 2025, driven by weaker commodity prices and ongoing economic volatility stemming from trade policy uncertainty. Source continues to monitor the impact of ongoing shifts in tariff policy imposed by the US government and retaliatory measures enacted by the Canadian government, and the related impacts on Source customers.

Source believes in the longer-term additional natural gas export capability with LNG Canada now online and the expedited permitting of additional LNG capacity, including the recent approval for continued construction of an LNG pipeline project by the government of British Columbia, will help mitigate potential impacts related to uncertainty in the current economic environment. Source believes it is well-positioned to accommodate the expected longer-term increase in demand in northeastern British Columbia and take advantage of activity levels in the Western Canadian Sedimentary Basin ("WCSB") through its new Taylor facility, expected to be fully operational in the third quarter. The Peace River facility expansion will result in increased nameplate production capacity and provide Source's customers with an ability to blend their sand and lower their landed sand cost.

In the longer-term, Source believes the increased demand for natural gas, driven by liquefied natural gas exports, increased natural gas pipeline export capabilities and power generation facilities, will drive incremental demand for Source's services in the WCSB. Source continues to see increased demand from customers that are primarily focused on the development of natural gas properties in the Montney, Duvernay and Deep Basin. This trend is consistent with Source's view that natural gas will be an important transitional fuel that is critical for the successful movement to a less carbon-intensive world.

Source continues to focus on increasing its involvement in the provision of logistics services for other items needed at the well site in response to customer requests to expand its service offerings and to further utilize its existing Western Canadian terminals to provide additional services.

SECOND QUARTER CONFERENCE CALL

A conference call to discuss Source's second quarter financial results has been scheduled for 7:30 am MST (9:30 am ET) on Thursday, July 31, 2025.

Interested analysts, investors and media representatives are invited to register to participate in the call. Once you are registered, a dial-in number and passcode will be provided to you via email. The link to register for the call is on the [Upcoming Events](#) page of our website and as follows:

[Source Energy Services Q2 2025 Results Call](#)

The call will be recorded and available for playback approximately 2 hours after the meeting end time, until August 31, 2025, using the following dial-in:

Toll-Free Playback Number: 1-855-669-9658

Playback Passcode: 1323921

ABOUT SOURCE ENERGY SERVICES

Source is a company that focuses on the integrated production and distribution of frac sand, as well as the distribution of other bulk completion materials not produced by Source. Source provides its customers with an end-to-end solution for frac sand supported by its Wisconsin and Peace River mines and processing facilities, its Western Canadian terminal network and its "last mile" logistics capabilities, including its trucking operations, and Sahara, a proprietary well site mobile sand storage and handling system.

Source's full-service approach allows customers to rely on its logistics platform to increase reliability of supply and to ensure the timely delivery of frac sand and other bulk completion materials at the well site.

IMPORTANT INFORMATION

These results should be read in conjunction with Source's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2025 and 2024 and the audited consolidated financial statements for the years ended December 31, 2024 and 2023, together with the accompanying notes (the "Financial Statements") and its corresponding MD&A for such periods. The Financial Statements and MD&A and other information relating to Source, including the Annual Information Form, are available under the Company's SEDAR+ profile at www.sedarplus.ca. The Financial Statements and comparative statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Unless otherwise stated, all amounts are expressed in Canadian dollars.

NON-IFRS MEASURES

In this press release Source has used the terms Free Cash Flow, Adjusted Gross Margin and Adjusted EBITDA, including per MT, which do not have standardized meanings prescribed by IFRS and Source's method of calculating these measures may differ from the method used by other entities and, accordingly, they may not be comparable to similar measures presented by other companies. These financial measures should not be considered as an alternative to, or more meaningful than, net income and gross margin, respectively, which represent the most directly comparable measures of financial performance as determined in accordance with IFRS.

Reconciliation of Adjusted EBITDA and Free Cash Flow to Net Income

(\$000's)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Net income	13,568	4,685	37,167	6,578
Add:				
Income taxes	3,062	3,395	9,588	5,153
Interest expense	6,308	6,284	12,143	12,567
Cost of sales – depreciation	11,873	9,500	21,275	17,049
Depreciation	5,432	4,289	11,132	8,499
Loss (gain) on debt modification and extinguishment	428	49	(490)	164
Finance expense (excluding interest expense)	869	2,349	1,898	4,782
Share-based compensation expense (recovery)	1,081	(1,032)	(3,878)	8,309
Loss (gain) on asset disposal	536	(47)	540	(1,978)
Loss on sublease	—	635	13	638
Unrealized foreign exchange gain	(8,226)	—	(8,195)	—
Other expense (recovery) ⁽¹⁾	277	691	(12,224)	1,058
Adjusted EBITDA	35,208	30,798	68,969	62,819
Financing expense paid	(6,710)	(6,625)	(13,516)	(13,437)
Capital expenditures, net of proceeds on disposal of property, plant and equipment and reimbursement of capital costs ⁽²⁾	(7,623)	(5,665)	(14,693)	(10,259)
Payment of lease obligations	(6,321)	(4,987)	(12,595)	(10,106)
Income taxes paid	(2,912)	(637)	(4,604)	(1,169)
Free Cash Flow	11,642	12,884	23,561	27,848

Notes:

- (1) Includes expenses and recoveries related to the incident at the Fox Creek terminal facility, costs and reimbursements under insurance claims and other one-time expenses.
- (2) Excludes capital expenditures for the Taylor facility.

Reconciliation of Gross Margin to Adjusted Gross Margin

(\$000's)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Gross margin	36,736	32,642	73,529	68,279
Cost of sales – depreciation	11,873	9,500	21,275	17,049
Adjusted Gross Margin	48,609	42,142	94,804	85,328

For additional information regarding non-IFRS measures, including their use to management and investors, their composition and discussion of changes to either their composition or label, if any, please refer to the 'Non-IFRS Measures' section of the MD&A, which is incorporated herein by reference. Source's MD&A is available online at www.sedarplus.ca and through Source's website at www.sourceenergyservices.com.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this press release constitute forward-looking statements relating to, without limitation, expectations, intentions, plans and beliefs, including information as to the future events, results of operations and Source's future performance (both operational and financial) and business prospects. In certain cases, forward-looking statements can be identified by the use of words such as "expects", "believes", "continues", "focus", "trend", "driven by", "approach" or variations of such words and phrases, or statements that certain actions, events or results "may" or "will" be taken, occur or be achieved. Such forward-looking statements reflect Source's beliefs, estimates and opinions regarding its future growth, results of operations, future performance (both operational and financial),

and business prospects and opportunities at the time such statements are made, and Source undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or circumstances should change unless required by applicable law. Forward-looking statements are necessarily based upon a number of estimates and assumptions made by Source that are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Forward-looking statements are not guarantees of future performance.

In particular, this press release contains forward-looking statements pertaining, but not limited to: the expectation that LNG Canada will come online; the completion of phase one of the Taylor facility to help Source meet the expected longer-term increase in demand in northeastern British Columbia; increased demand as Source customers pushed through spring break-up; Source's terminal network footprint and its Wisconsin and Peace River production facilities; expectations regarding the completion of the next phase of the Peace River facility expansion and approaching nameplate capacity of one million tons of domestic sand production; the outcomes of countermeasures proposed by the Canadian federal and provincial governments to mitigate any tariff-related impacts; the volatility in commodity prices on long-term capital plans for the industry; ongoing economic volatility stemming from trade policy uncertainty; Source's focus on pursuing its application to have the Canadian government's counter-tariffs on frac sand removed; the belief that the additional export capability via LNG Canada and the expedited permitting of additional LNG capacity will help mitigate potential impacts related to the counter-tariffs; expectations with respect to sand revenue and mine gate sand sales and associated costs; Source's anticipation of a slowdown in customer activity levels for the second half of 2025; expectations that increased demand for natural gas, increased natural gas pipeline export capabilities and liquefied natural gas exports will drive incremental demand for Source's services in the WCSB; continued increase in demand from customers primarily focused on the development of natural gas properties in Montney, Duvernay and Deep Basin; views that natural gas is an important transitional fuel for the successful movement to a less carbon-intensive world; Source's focus on and expectations regarding increasing its involvement in the provision of logistics services for other well site items; the benefits of Source's existing Western Canadian terminals to provide additional services to customers; the benefits that Source's "last mile" services provide to customers; expectations respecting future conditions; and profitability.

By their nature, forward-looking statements involve numerous current assumptions, known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Source to differ materially from those anticipated by Source and described in the forward-looking statements.

With respect to the forward-looking statements contained in this press release, assumptions have been made regarding, among other things: proppant market prices; future oil, natural gas and liquefied natural gas prices; future global economic and financial conditions, including the results of ongoing tariff and trade negotiations in North America, as well as globally; predictable inflationary pressures; future commodity prices, demand for oil and gas and the product mix of such demand; levels of activity in the oil and gas industry in the areas in which Source operates; the continued availability of timely and safe transportation for Source's products, including without limitation, Source's rail car fleet and the accessibility of additional transportation by rail and truck; the maintenance of Source's key customers and the financial strength of its key customers; the maintenance of Source's significant contracts or their replacement with new contracts on substantially similar terms and that contractual counterparties will comply with current contractual terms; operating costs; that the regulatory environment in which Source operates will be maintained in the manner currently anticipated by Source; future exchange and interest rates; geological and engineering estimates in respect of Source's resources; the recoverability of Source's resources; the accuracy and veracity of information and projections sourced from third parties respecting, among other things, future industry conditions and product demand; demand for horizontal drilling and hydraulic fracturing and the maintenance of current techniques and procedures, particularly with respect to the use of proppants; Source's ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the regulatory framework governing royalties, taxes and environmental matters in the jurisdictions in which Source conducts its business and any other jurisdictions in which Source may conduct its business in the future; future capital expenditures to be made by Source; future sources of funding for Source's capital program; Source's future debt levels; the impact of competition on Source; and Source's ability to obtain financing on acceptable terms.

A number of factors, risks and uncertainties could cause results to differ materially from those anticipated and described herein including, among others: the effects of competition and pricing pressures; risks inherent in key customer dependence; effects of fluctuations in the price of proppants; risks related to indebtedness and liquidity, including Source's leverage, restrictive covenants in Source's debt instruments and Source's capital requirements; risks related to interest rate fluctuations and foreign exchange rate fluctuations; changes in general economic, financial, market and business conditions in the markets in which Source operates, including with respect to tariff and trade policy in North America, as well as globally; changes in the technologies used to drill for and produce oil and natural gas; Source's ability to obtain, maintain and renew required permits, licenses and approvals from regulatory authorities; the stringent requirements of and potential changes to applicable legislation, regulations and standards; the ability of Source to comply with unexpected costs of government regulations; liabilities resulting from Source's

operations; the results of litigation or regulatory proceedings that may be brought by or against Source; the ability of Source to successfully bid on new contracts and the loss of significant contracts; uninsured and underinsured losses; risks related to the transportation of Source's products, including potential rail line interruptions or a reduction in rail car availability; the geographic and customer concentration of Source; the impact of extreme weather patterns and natural disasters; the impact of climate change risk; the ability of Source to retain and attract qualified management and staff in the markets in which Source operates; labor disputes and work stoppages and risks related to employee health and safety; general risks associated with the oil and natural gas industry, loss of markets, consumer and business spending and borrowing trends; limited, unfavorable, or a lack of access to capital markets; uncertainties inherent in estimating quantities of mineral resources; sand processing problems; implementation of recently issued accounting standards; the use and suitability of Source's accounting estimates and judgments; the impact of information systems and cyber security breaches; the impact of inflation on capital expenditures; and risks and uncertainties related to pandemics, including changes in energy demand.

Although Source has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will materialize or prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The forward-looking statements contained in this press release are expressly qualified by this cautionary statement. Readers should not place undue reliance on forward-looking statements. These statements speak only as of the date of this press release. Except as may be required by law, Source expressly disclaims any intention or obligation to revise or update any forward-looking statements or information whether as a result of new information, future events or otherwise.

Any financial outlook and future-oriented financial information contained in this press release regarding prospective financial performance, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action based on management's assessment of the relevant information that is currently available. Projected operational information contains forward-looking information and is based on a number of material assumptions and factors, as are set out above. These projections may also be considered to contain future oriented financial information or a financial outlook. The actual results of Source's operations for any period will likely vary from the amounts set forth in these projections and such variations may be material. Actual results will vary from projected results. Readers are cautioned that any such financial outlook and future-oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein. The forward-looking information and statements contained in this document speak only as of the date hereof and have been approved by the Company's management as at the date hereof. The Company does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

FOR FURTHER INFORMATION PLEASE CONTACT:

Scott Melbourn
Chief Executive Officer
(403) 262-1312
investorrelations@sourceenergyservices.com

Derren Newell
Chief Financial Officer
(403) 262-1312
investorrelations@sourceenergyservices.com