



Press Release

TSX: SHLE

## Source Energy Services Reports Record Performance in the Third Quarter

Calgary, Alberta – November 13, 2017 - Source Energy Services Ltd. (the “Company”) is pleased to announce Source’s (as defined in the Interim MD&A) third quarter 2017 results.

### Highlights

Three and Nine months ended September 30, 2017 compared to the Three and Nine months ended September 30, 2016:

- **Robust completion activity in the Western Canadian Sedimentary Basin (the “WCSB”) leads to another strong quarterly performance**
- **Adjusted EBITDA<sup>(3)</sup> was \$14.3 million for the third quarter, an increase of \$17.3 million from the third quarter of 2016, while Net Income increased \$15.4 million to \$3.0 million for the third quarter**
- **Sand sales volumes increased 225% from the third quarter of last year**
- **Wellsite solutions revenues were up 288% in the third quarter compared to the third quarter of 2016**
- **Gross Margin per metric tonne (“MT”) increased 47% compared to the second quarter of 2017, while Adjusted Gross Margin<sup>(3)</sup> per MT increased 31% over the second quarter of 2017**
- **Terminal expansion projects are on schedule**
- **Source’s third Sahara unit is scheduled to be in the field in the fourth quarter of 2017 and construction of the fourth unit is underway**
- **On November 7, 2017 Source completed an US\$80 million asset purchase for certain assets and operations of Preferred Proppants, LLC (the “Acquisition”) including, among other things, a Northern White proppant mine in Blair, Wisconsin and two frac sand terminals located in Chetwynd, and Fort Nelson, British Columbia**
- **Balance sheet strengthened with the completion of equity offerings and expansion of the credit facilities as part of the Acquisition**

Brad Thomson, President and CEO said the following, “I’m proud of the results that the Source team continues to deliver. We’ve again demonstrated our ability to work effectively with our customers and with CN Rail to meet the continuing increase in demand for proppants in the WCSB. This has produced strong financial results for the quarter.”

Mr. Thomson went on to say, “I’m also confident that we’re taking all the right steps to meet the rapidly growing demand for our products and services. While the focus for many of our customers has been the accelerated expansion of Source’s logistics services, we’ve also taken critical steps behind the scenes to meet their growing proppant requirements. One of these steps is the acquisition of our third Northern White Wisconsin mine and processing facility. Combined with the additional WCSB terminals, Source will be able to meet its customers’ 2018 forecasts for increased proppant usage. As an organization, it’s important that we continue to expand our ability to produce and distribute more northern white proppant. Standing still is not an option.”

### Business Outlook

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

## Overview of Results

(\$000's, except MT and per unit amounts)	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
<b>Sand Volumes (MT) <sup>(1)</sup></b>	<b>510,446</b>	157,210	<b>1,344,743</b>	550,964
Sand Revenue	<b>62,232</b>	19,109	<b>164,417</b>	77,122
Wellsite Solutions	<b>17,439</b>	4,499	<b>44,603</b>	12,339
Terminal Services	<b>1,547</b>	1,112	<b>5,289</b>	3,691
<b>Sales</b>	<b>81,218</b>	24,720	<b>214,309</b>	93,152
Cost of Sales	<b>59,779</b>	24,048	<b>168,354</b>	84,052
Cost of Sales Depreciation	<b>2,582</b>	2,078	<b>7,950</b>	6,427
<b>Cost of Sales</b>	<b>62,361</b>	26,126	<b>176,304</b>	90,479
Gross Margin	<b>18,857</b>	(1,406)	<b>38,005</b>	2,673
Operating and General and Administrative Expenses	<b>6,680</b>	4,444	<b>16,282</b>	17,116
Depreciation	<b>1,671</b>	1,200	<b>4,479</b>	4,022
<b>Income (loss) from operations</b>	<b>10,506</b>	(7,050)	<b>17,244</b>	(18,465)
<b>Other expense(income):</b>				
Loss (gain) on asset disposal	-	1,410	<b>(3)</b>	2,870
Finance expense	<b>3,879</b>	3,984	<b>22,767</b>	12,386
Loss/(gain) on derivative liability	<b>1,267</b>	-	<b>(2,897)</b>	-
Stock based compensation expense	<b>984</b>	-	<b>4,854</b>	-
Other income	<b>(158)</b>	(310)	<b>(1,122)</b>	(1,393)
Management Fees	-	76	<b>417</b>	890
Foreign exchange loss/(gain) <sup>(2)</sup>	<b>583</b>	118	<b>1,107</b>	996
Total other expense (income)	<b>6,555</b>	5,278	<b>25,123</b>	15,749
Income (loss) before income taxes	<b>3,951</b>	(12,328)	<b>(7,879)</b>	(34,214)
Current Income Tax	<b>3,578</b>	-	<b>5,268</b>	4
Deferred income tax	<b>(2,636)</b>	81	<b>(5,315)</b>	81
Net Income (loss)	<b>3,009</b>	(12,409)	<b>(7,832)</b>	(34,299)
Adjusted EBITDA <sup>(3)</sup>	<b>14,334</b>	(2,918)	<b>30,537</b>	(6,693)
Sand Revenue Sales/MT	<b>121.92</b>	121.55	<b>122.27</b>	139.98
Gross Margin/MT	<b>\$36.94</b>	(\$8.94)	<b>\$28.26</b>	\$4.85
Adjusted Gross Margin <sup>(3)</sup>	<b>21,439</b>	672	<b>45,955</b>	9,100
Adjusted Gross Margin/MT <sup>(3)</sup>	<b>\$42.00</b>	\$4.27	<b>\$34.17</b>	\$16.52

Notes:

<sup>(1)</sup> One metric tonne is approximately equal to 1.102 short tons

<sup>(2)</sup> The average Canadian to US dollar exchange rates for the three and nine months ended September 30, 2017 were \$0.7982 and \$0.7652, respectively (2016 – \$0.7663 and \$0.7560, respectively)

<sup>(3)</sup> Adjusted EBITDA and Adjusted Gross Margin are not defined under IFRS, see "Non-IFRS Measures" below

## Third Quarter Conference Call

A conference call to discuss Source's third quarter financial results has been scheduled for 7:00 am MT (9:00 am ET) on November 13, 2017, for interested analysts, investors and media representatives.

The conference call dial-in details are:

Dial-In Numbers	Participant Passcode
Toll-Free: 1-888-231-8191	5489567
International: 1-647-427-7450	5489567

The call will be recorded and available for playback approximately 2 hours after the meeting end time, until December 13, 2017, using the following dial-in:

Playback Number	Passcode
1-855-859-2056	5489567

## **ABOUT SOURCE ENERGY SERVICES**

Source is a fully integrated producer, supplier and distributor of high quality Northern White frac sand primarily to the WCSB. Source provides its customers with a full end-to-end solution through its Wisconsin mine, processing facilities, rail assets, strategically located terminal network and “last mile” logistics operations. In addition, Source provides storage and logistics services for other bulk oil and gas well completion materials that are not produced by Source. Source’s full service approach allows customers to rely on its logistics capabilities to increase reliability of supply and to ensure the timely delivery of their growing requirements for frac sand and other bulk completion materials.

## **IMPORTANT INFORMATION**

These results should be read in conjunction with each of Source’s unaudited condensed consolidated interim financial statements and related notes for the three and nine months ended September 30, 2017, its corresponding management’s discussion and analysis for such period (the “Interim MD&A”), Source’s audited combined annual financial statements and related notes as at and for the year ended December 31, 2016 and its corresponding management’s discussion and analysis, which are found in Source’s long form final prospectus dated April 6, 2017 (the “Final Prospectus”), each of which are available under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com). Unless otherwise stated, all amounts are expressed in Canadian dollars and are in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

## **NON-IFRS MEASURES**

In this press release Source has used the terms Adjusted Gross Margin and Adjusted EBITDA which do not have standardized meanings prescribed by IFRS and Source’s method of calculating these measures may differ from the method used by other entities and, accordingly, they may not be comparable to similar measures presented by other companies. These financial measures should not be considered as an alternative to, or more meaningful than, net income (loss), Gross Margin and other measures of financial performance as determined in accordance with IFRS. For additional information regarding Non-IFRS measures, including their use to management and investors and reconciliations to measures recognized by IFRS, please refer to the Interim MD&A, which is available online at [www.sedar.com](http://www.sedar.com) and through Source’s website at [www.sourceenergyservices.com](http://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”, “estimates”, “forecasts”, “intends”, “anticipates”, “believes”, “plans”, “seeks”, “projects” or variations of such words and phrases, or state that certain actions, events or results “may” or “will” be taken, occur or be achieved. Such forward-looking statements reflect Source’s beliefs, estimates and opinions regarding its future growth, results of operations, future performance (both operational and financial), and business prospects and opportunities at the time such statements are made, and Source undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or circumstances should change. Forward-looking statements are necessarily based upon a number of estimates and assumptions made by Source that are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Forward-looking statements are not guarantees of future performance. In particular, this press release contains forward-looking statements pertaining, but not limited, to: outlook for operations and sales volumes; industry activity levels; expectations regarding increased demand for and sales volumes of sand for the remainder of 2017; increased activity levels and sand intensity levels in 2018; and increased Canadian well completion sand intensities.

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

With respect to the forward-looking statements contained in this press release, assumptions have been made regarding, among other things: proppant market prices; future oil, natural gas and natural gas liquids prices; future global economic and financial conditions; future commodity prices, demand for oil and gas and the product mix of such demand; levels of activity in the oil and gas industry in the areas in which Source operates; the continued availability of timely and safe transportation for Source’s products, including without limitation, rail accessibility; the maintenance of Source’s key customers and the financial strength of its key customers; the maintenance of Source’s significant contracts or their replacement with new contracts on substantially similar terms and that contractual counterparties will comply with current contractual terms; operating costs; that the regulatory environment in which Source operates will be maintained in the manner currently anticipated by Source; future exchange and interest rates; geological and engineering estimates in respect of Source’s resources; the recoverability of Source’s resources; the accuracy and veracity of information and projections sourced from third parties respecting, among other things, future industry conditions and product demand; demand for horizontal drilling and hydraulic fracturing and the maintenance of current

techniques and procedures, particularly with respect to the use of proppants; Source's ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the regulatory framework governing royalties, taxes and environmental matters in the jurisdictions in which Source conducts its business and any other jurisdictions in which Source may conduct its business in the future; future capital expenditures to be made by Source; future sources of funding for Source's capital program; Source's future debt levels; the impact of competition on Source; and Source's ability to obtain financing on acceptable terms.

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

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

**FOR FURTHER INFORMATION PLEASE CONTACT:**

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