SOURCE ENERGY SERVICES

news release

Source Energy Services Reports Q4 2018 and Year End Results, Amendment to Normal Course Issuer Bid and Other Matters

Calgary, Alberta (March 14, 2019) **TSX: SHLE**

Source Energy Services Ltd. ("Source") is pleased to announce its 2018 financial results and achievements.

HIGHLIGHTS

- Improved year-over-year operating results and financial performance including:
  - Record sand sales volumes of 2,560,855 MT and sand revenue of $342.4 million, an increase of 35% and 50%, respectively, year-over-year;
  - Gross Margin improved by 34% to $69.0 million and Adjusted Gross Margin(1) by 40% to $89.3 million;
  - 90% of Source 2018 sand sales volumes delivered into the Western Canadian Sedimentary Basin (the "WCSB"), an increase of 4% year-over-year;
  - Adjusted EBITDA(1) increased from $43.6 million in 2017 to $59.0 million in 2018, an improvement of 35% year-over-year; and
  - Reduced Net Loss by $6.1 million, or 68%, year-over-year.
- Completed facility expansions and facility improvements that enable Source to continue to grow its business without significant additional capital, including:
  - Facility expansions and improvements at each of its production facilities in Wisconsin as well as completion of the first unit-train-capable facility in the Duvernay at the Fox Creek terminal;
  - Completion of additional storage and rail facilities at the Wembley terminal making this facility dual-unit-train-capable and one of the largest frac sand terminals in the WCSB; and
  - Expanded Sahara footprint through the roll out of its first US located last mile solution into the Marcellus.
- Continued success in securing direct contracts with leading oil and gas companies active in the Montney and the Duvernay, including:
  - Entered into significant contracts with Shell Canada Energy and another multinational upstream company for frac sand including logistics services that support their activities in the Duvernay; and
  - Signed multi-year contracts with other leading oil and gas companies in the Montney and Duvernay for frac sand and logistics services.
- Improved and strengthened its balance sheet, providing the company with security against business uncertainties and the ability to pursue new growth opportunities, including:
  - Successfully increased liquidity through the issuance of an additional $50.0 million of 10.5% senior secured first lien notes due December 15, 2021 (the "Notes");
  - Increased the Credit Facility from $70.0 million to $88.0 million; and
  - Ended 2018 with $4.6 million of cash and an undrawn Credit Facility.

Note:

(1) Adjusted EBITDA and Adjusted Gross Margin (including on a per MT basis) are not defined under IFRS, see "Non-IFRS Measures" below.

RESULTS OVERVIEW

($000's, except MT and per unit amounts)	Three months ended December 31 **2018**	2017	Year ended December 31 **2018**	2017
Sand Volumes (MT)[(1)]	**373,171**	557,363	**2,560,855**	1,902,106
Sand Revenue	**45,459**	63,986	**342,428**	228,403
Wellsite Solutions	**7,299**	10,308	**67,264**	54,911
Terminal Services	**1,307**	894	**5,335**	6,184
Sales	**54,065**	75,188	**415,027**	289,498
Cost of Sales	**47,109**	57,572	**325,738**	225,927
Cost of Sales – Depreciation and Depletion	**3,253**	3,998	**20,274**	11,948
Cost of Sales	**50,362**	61,570	**346,012**	237,875
Gross Margin	**3,703**	13,618	**69,015**	51,623
Operating and General and Administrative Expenses	**10,455**	8,227	**33,323**	24,509
Depreciation	**3,083**	2,081	**12,009**	6,560
Income (Loss) from operations	**(9,835)**	3,310	**23,683**	20,554
Other expense	**5,336**	6,543	**25,379**	31,668
Income (loss) before income taxes	**(15,171)**	(3,233)	**(1,696)**	(11,114)
Current income tax expense (recovery)	**—**	(5,268)	**—**	—
Deferred income tax expense (recovery)	**(366)**	3,137	**1,169**	(2,179)
Net Income (Loss)	**(14,805)**	(1,102)	**(2,865)**	(8,935)
Net Income (Loss) per share ($/share)	**(0.22)**	(0.02)	**(0.04)**	(0.19)
Diluted Net Income (Loss) per share ($/share)	**(0.22)**	(0.02)	**(0.04)**	(0.19)
Adjusted EBITDA[(3)]	**(3,230)**	13,072	**58,972**	43,608
Sand Revenue Sales/MT	**121.82**	114.80	**133.72**	120.08
Gross Margin/MT	**9.92**	24.43	**26.95**	27.14
Adjusted Gross Margin[(3)]	**6,956**	17,616	**89,289**	63,571
Adjusted Gross Margin/MT[(3)]	**18.64**	31.61	**34.87**	33.42
Percentage of Mine Gate Sand Volumes	**15%**	30%	**10%**	14%
Percentage of Sand Volumes Sold in the WCSB	**85%**	70%	**90%**	86%
Sales Mix Impact of Mine Gate Sales/MT	**$5.33**	$13.35	**$2.70**	$3.05
Impact of Preferred Acquisition Inventory Acquired at Fair	**$—**	$2.80	**$0.74**	$0.80

Notes:

(1) One metric tonne ("MT") is approximately equal to 1.102 short tons.

(2) The average Canadian to US dollar exchange rate for the three months and year ended December 31, 2018 was $0.7575 and $0.7721, respectively, (2017 - $0.7866 and $0.7704, respectively).

(3) Adjusted EBITDA and Adjusted Gross Margin, including per MT, are not defined under IFRS. See "Non-IFRS Measures" below.

Source delivered record performance in 2018 as the increased size and scope of operations were able to better serve the completion activity in the WCSB. In 2018 sand volumes increased by 35%, sand revenue increased by 50% and total sales revenue increased by 43%, when compared with 2017. Sand pricing improved by 11% due to contractual increases and the flow through of increased logistics costs during the year. Wellsite solutions revenue increased by $12.4 million, or 22%, in 2018 compared with 2017, primarily due to a 38% increase in trucking revenues associated with the increased sand volumes and increased Sahara rental revenue. Sahara rental revenue increased as the fleet of six units that were available at year end were utilized at 61% throughout 2018 compared to a 78% utilization of a three-unit Sahara fleet in 2017. For 2018, Adjusted EBITDA was $59.0 million, which was $15.4 million, or 35%, higher than the $43.6 million of Adjusted EBITDA generated in 2017 and the Net Loss decreased by $6.1 million, or 68%, compared to a Net Loss of $8.9 million in 2017.

In the year ended December 31, 2018 Gross Margin and Adjusted Gross Margin increased by $17.4 million and $25.7 million, respectively, when compared to the year ended December 31, 2017 primarily due to a 35% increase in sand volumes. Gross Margin was $26.95 per MT and Adjusted Gross Margin was $34.87 per MT for the year ended December 31, 2018.

Sand volumes in the fourth quarter of 2018 decreased by 184,192 MT, or 33%, compared to the sand volumes sold in the fourth quarter of 2017 due to decreased activity in the WCSB resulting from an unpredictable operating environment, very wide western Canadian oil and condensate differentials and E&P companies conservatively managing their remaining 2018 capital budgets in the fourth quarter of 2018. North American wide pipeline egress issues and the growth of domestic sand supply in the Permian also led to lower mine gate sales in the US in the fourth quarter of 2018.

Source’s sand revenue decreased in the fourth quarter of 2018 by $18.5 million, or 29%, compared to the fourth quarter of 2017. This decrease in revenue and the decrease in sand volumes were partially offset by a 6% increase ($7.02 per MT) in average realized sand price. In the fourth quarter of 2018. Source’s sand revenue decreased by $54.3 million, or 54%, when compared to the third quarter of 2018, primarily due to a 49% decrease in sand volumes (357,744 MT) and a 11% decrease ($14.73 per MT) in the average realized sand price primarily due to an extreme slow down in activity levels in the WCSB. Average realized sand prices also fell due to declines in spot pricing consistent with decreased activity levels and a change in sales mix as customers under contract had largely completed their 2018 capital programs.

During the fourth quarter of 2018, revenue from wellsite solutions decreased by $3.0 million, compared with the fourth quarter of 2017, primarily due to a 51% decrease in Sahara related revenues from decreased activity in the WCSB which resulted in a 37% utilization of Sahara units and a 13% decrease in trucking activity associated with the decreased sand sales volumes. Wellsite solutions revenue also decreased by $14.6 million in the fourth quarter of 2018, compared with the third quarter of 2018, primarily due to a 44% decrease in Sahara related revenue and a 72% decrease in trucking activity associated with the decreased WCSB activity.

In the fourth quarter of 2018, Gross Margin decreased by $9.9 million and Adjusted Gross Margin decreased by $10.7 million, when compared to the fourth quarter of 2017. During the same period, Gross Margin per MT decreased by $14.51 per MT and Adjusted Gross Margin per MT decreased by $12.97 per MT, primarily due to the impact of step fixed cost elements of production and fixed rail car lease costs being spread over lower sales volumes. Adjusted Gross Margin was $18.64 per MT in the fourth quarter of 2018 including a $5.33 per MT impact from mine gate sales.

In the fourth quarter of 2018, Adjusted EBITDA was $(3.2) million, which was $16.3 million lower than the $13.1 million of Adjusted EBITDA generated in the same period in 2017. The Net Loss for the fourth quarter of 2018 was $14.8 million, which was $13.7 million lower than the $1.1 million of Net Loss from the same period in 2017.

Cash and Net Working Capital

As at December 31, 2018, Source had $4.6 million cash on hand and had senior long-term debt outstanding of $148.5 million, as compared to $129.3 million as at December 31, 2017. For the fourth quarter of 2018, Source had cash flows provided by operating activities of $26.6 million compared to cash flows used by operating activities of $25.5 million for the same period in 2017, primarily due to the $31.5 million increase in total current assets less total current liabilities (the “Net Working Capital”), partially offset by a $13.7 million decrease in net income for the quarter. Capital expenditures for the three months ended December 31, 2018 were $19.1 million compared to $24.5 million in the same period in 2017. For 2018, Source had cash flows provided by operating activities of $75.8 million compared to cash flows provided by operating activities of $6.5 million for the same period in 2017, primarily due to the $16.3 million decrease in Net Working Capital and a $6.1 million decrease in net loss for the year ended December 31, 2018. Capital expenditures for 2018 were $68.0 million compared to $50.5 million in 2017. Capital expenditures in both periods were funded through a combination of cash flows provided in operating activities and amounts available under the Credit Facility.

Capital Expenditures	**Three months ended December 31**		**Year ended December 31**	
($000’s, except MT and per unit amounts)	**2018**	2017	**2018**	2017
Terminal Expansion	**3,326**	12,773	**16,181**	17,439
Wellsite Solutions	**6,608**	1,933	**16,749**	4,877
Production Expansion	**7,159**	6,382	**28,314**	15,990
Overburden Removal	**1,862**	1,153	**6,331**	7,567
Other	**144**	2,305	**403**	4,642
Capital Expenditures	**19,099**	**24,546**	**67,978**	**50,515**

BUSINESS OUTLOOK

Turning to 2019 activity in the first quarter, our customers’ activity levels have increased significantly from the fourth quarter of 2018. Based on booked jobs Source is expecting its first quarter 2019 activity levels to be in line with its activity levels in the first quarter of 2018. Source appreciates customer capital programs, and therefore demand for frac sand, could be impacted by several factors including timing of spring break up in the WCSB, commodity price fluctuations and condensate demand in the WCSB.

As E&P companies continue to shift into manufacturing mode the trend towards direct sourcing continues and Source is pleased to be working directly with five E&P customers under contracts. These sales are in addition to sales to other E&P companies that wish to direct source sand on a less formal basis, as well as traditional sales to pressure pumping customers.

As we enter 2019, Source's capital structure is well positioned to provide us flexibility to succeed during all stages of the cycle, and we remain committed to ensuring that our capital expenditures in 2019 are funded from cash flows provided by operating activities.

Beyond 2019, we are excited by the industry prospects with improved egress and the longer-term impacts of increased demand for liquefied natural gas ("LNG") on WCSB activity levels. In addition Source deployed its first two Sahara units to the Marcellus. These units represent an important step for Source as we diversify our revenue streams into additional basins in North America.

AMENDMENT TO NORMAL COURSE ISSUER BID

Source has applied to the Toronto Stock Exchange (the "TSX"), and the TSX has accepted, an application to amend its previously approved normal course issuer bid ("NCIB"). Previously, Source was approved to purchase approximately 615,000 common shares; the NCIB has been amended to permit Source to purchase up to an additional $1.6 million worth of its common shares, which, based on current market prices, would represent a purchase of an aggregate of approximately 1,568,627 common shares above (or in addition to) the 615,000 previously approved. The amended NCIB will commence on March 20, 2019.

BOARD OF DIRECTORS CHANGES AND ANNUAL GENERAL MEETING

Mrs. Carrie Lonardelli has been appointed to the Board of Directors and as new Audit Committee Chair on March 14, 2019. Mr. Marshall McRae will not be standing for re-election to the Board in 2019 and his term as a director will expire at the Annual General Meeting of Shareholders to be held on Thursday, May 2, 2019 at 1:00 p.m. (Mountain Standard Time) at the BMO Centre, Second Floor - Arabian Room B, 20 Roundup Way SE, Calgary AB T2G 2W1. Mr. McRae has served as a director since Source's initial public offering in 2017 and has been an integral and esteemed member and colleague. Source thanks Mr. McRae for his invaluable contributions during his tenure. Mrs. Lonardelli is the Chief Financial Officer of Bonnetts Energy Corp. and brings a wealth of operations, governance and financial experience to Source's Board of Directors. Prior to joining Bonnetts, Mrs. Lonardelli was the owner and operator of an enterprise that provided CFO services to owner-managed businesses in Calgary. Mrs. Lonardelli is a Chartered Accountant and currently serves on the board of directors of Open to Grow, an organization providing microcredit loans to women in Guatemala.

FOURTH QUARTER CONFERENCE CALL

A conference call to discuss Source's fourth quarter financial results has been scheduled for 7:30 am MT (9:30 am ET) on March 15, 2019, for interested analysts, investors and media representatives.

The conference call dial-in details are:

Dial-In Number		**Participant Passcode**
Toll-Free:	1-888-390-0605	78666821

The call will be recorded and available for playback approximately 2 hours after the meeting end time, until April 15, 2019, using the following dial-in:

Playback Number		**Playback Passcode**
Toll-Free:	1-888-390-0541	666821

ABOUT SOURCE ENERGY SERVICES

Source is a fully integrated producer, supplier and distributer of high quality Northern White frac sand. Source provides its customers with a full end-to-end solution supported by its Wisconsin mines and processing facilities, its Western Canadian terminal network and its "last mile" logistics capabilities. In addition to its industry leading frac sand transload terminal network and in-basin frac sand storage capabilities, Source also provides storage and logistics services for other bulk oil and gas well completion materials that aren't produced by Source. Source has also developed Sahara, a proprietary wellsite mobile sand storage and handling system.

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 requirements for frac sand and other bulk completion materials at the wellsite.

IMPORTANT INFORMATION

These results should be read in conjunction with each of Source's audited consolidated financial statements for the year ended December 31, 2018 and 2017, together with the accompanying notes (the "Financial Statements") and its corresponding management's discussion and analysis for such period (the "MD&A"). The Financial Statements and MD&A and other information relating to Source, including the Annual Information Form ("AIF"), are available under the Company's SEDAR profile at www.sedar.com. 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 ("IASB"). Unless otherwise stated, all amounts are expressed in Canadian dollars.

NON-IFRS MEASURES

In this press release Source has used the terms 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 (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 MD&A, which is available online at www.sedar.com 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", "estimates", "forecasts", "intends", "anticipates", "believes", "plans", "seeks", "projects" or variations of such words and phrases, or state that certain actions, events or results "may", "should" 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, except as may be required by law, 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 (including relating to orders and spot sales); industry activity levels (including in the WCSB and particularly with respect to the Montney and Duvernay); rail service; the impact of weather; expectations regarding increased demand for sales volumes of sand in 2019; the continued increase of sand sales volumes and sand spot pricing in 2019; increased sand intensities for Canadian well completions; and the amendment to Source's NCIB.

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 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 or the impact of weather; 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 AIF, 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.

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