SOURCE ENERGY SERVICES

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

UNAUDITED

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SOURCE ENERGY SERVICES LTD.

Condensed Consolidated Interim Statements of Financial Position - Unaudited

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

	Note		March 31, 2020		December 31, 2019
Assets					
Current assets					
Accounts receivable	5(c)	$	51,384	$	49,538
Prepaid expenses			3,723		2,554
Inventories	7		49,658		60,930
Total current assets			104,765		113,022
Deferred income tax asset			—		30,574
Property, plant and equipment	8		165,758		296,933
Right-of-use assets	9		58,281		56,136
Total assets		$	328,804	$	496,665
Liabilities and equity					
Current liabilities					
Accounts payable and accruals	5(d)	$	36,358	$	44,082
Contract liabilities	17		761		2,035
Lease liabilities	12		21,503		19,706
Decommissioning provision	13		1,672		1,603
Total current liabilities			60,294		67,426
Lease liabilities	12		40,072		40,319
Long-term debt	11		185,447		178,840
Contract liabilities	17		873		1,125
Decommissioning provision	13		11,470		9,646
Total long-term liabilities			237,862		229,930
Total liabilities		$	298,156	$	297,356
Shareholders' equity					
Shareholders' equity	14	$	397,911	$	397,911
Contributed surplus			7,910		7,910
Accumulated deficit			(389,411)		(205,947)
Cumulative translation adjustment			18,690		2,004
Shareholders' equity			35,100		201,878
Non-controlling interests	14		(4,452)		(2,569)
Total equity		$	30,648	$	199,309
Total liabilities and equity		$	328,804	$	496,665

See accompanying notes to the condensed consolidated interim financial statements.

COVID-19 and future operations (Note 4)

Commitments and contingencies (Note 19)

SOURCE ENERGY SERVICES LTD.

Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss) - Unaudited

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

		For the three months ended March 31,	
	Note	**2020**	**2019**
Sales			
Sand revenue	17	$ 83,019	$ 91,149
Wellsite solutions	17	12,113	15,480
Terminal services	17	1,331	1,504
Total sales		96,463	108,133
Cost of sales	18	$ 76,656	$ 83,794
Cost of sales - depreciation and depletion		13,430	13,984
Gross margin		$ 6,377	$ 10,355
Operating expense	18	$ 4,297	$ 5,803
General & administrative expense	18	2,557	4,143
Depreciation		4,257	4,306
Loss from operations		$ (4,734)	$ (3,897)
Other expense (income):			
Finance expense	20	$ 7,246	$ 6,870
Share-based compensation expense (recovery)	15	(96)	924
Loss on asset disposal		5	—
Gain on derivative liability	5(e)	—	(767)
Other income		(1,344)	(323)
Other expense		108	—
Impairment expense	8	143,656	—
Foreign exchange gain		(312)	(97)
Total other expense		149,263	6,607
Loss before income taxes		$ (153,997)	$ (10,504)
Income taxes			
Deferred tax expense (recovery)	10	$ 31,350	$ (3,182)
Total income taxes		31,350	(3,182)
Net loss		$ (185,347)	$ (7,322)
Net loss attributable to shareholders		(183,464)	(7,054)
Net loss attributable to non-controlling interests		(1,883)	(268)
Total net loss		$ (185,347)	$ (7,322)
Other comprehensive income (loss)			
Foreign currency translation adjustment (subject to recycling)		16,686	(6,671)
Consolidated comprehensive income (loss)		$ (168,661)	$ (13,993)
Loss per share (in dollars)			
Basic	16	$ (3.08)	$ (0.12)
Diluted	16	$ (3.08)	$ (0.12)

See accompanying notes to the condensed consolidated interim financial statements.

SOURCE ENERGY SERVICES LTD.

Condensed Consolidated Interim Statements of Changes in Equity - Unaudited

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

	Note	Common share capital						
		Number of Shares	$	Contributed Surplus	Cumulative Translation Adjustment	Accumulated Deficit	Non-controlling interests	Total Equity
Balance at December 31, 2019		**60,953**	**$ 397,911**	**$ 7,910**	**$ 2,004**	**$ (205,947)**	**$ (2,569)**	**$ 199,309**
Unrealized foreign exchange income					16,686			**16,686**
Net loss						(183,464)	(1,883)	**(185,347)**
Balance at March 31, 2020		**60,953**	**$ 397,911**	**$ 7,910**	**$ 18,690**	**$ (389,411)**	**$ (4,452)**	**$ 30,648**

	Common share capital						
	Number of Shares	$	Contributed Surplus	Cumulative Translation Adjustment	Accumulated Deficit	Non-controlling interests	Total Equity
Balance at December 31, 2018	**62,237**	**$ 399,511**	**$ 7,554**	**$ 16,162**	**$ (117,425)**	**$ (1,136)**	**$ 304,666**
Unrealized foreign exchange loss				(6,671)			**(6,671)**
Share-based compensation expense			315				**315**
Repurchase and cancellation of shares under NCIB	(133)	(171)					**(171)**
Net loss					(7,054)	(268)	**(7,322)**
Balance at March 31, 2019	**62,104**	**$ 399,340**	**$ 7,869**	**$ 9,491**	**$ (124,479)**	**$ (1,404)**	**$ 290,817**

See accompanying notes to the condensed consolidated interim financial statements.

SOURCE ENERGY SERVICES LTD.

Condensed Consolidated Interim Statements of Cash Flows - Unaudited

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

	Note	For the three months ended March 31, 2020	2019
Cash Flows Provided by Operating Activities			
Net loss		$ (185,347)	$ (7,322)
Adjusted for the following:			
Depreciation and depletion		17,687	18,290
Share-based compensation	15	(96)	924
Loss on sale of assets		5	—
Finance expense	20	7,246	6,870
Impairment	8	143,656	—
Deferred income taxes	10	31,350	(3,182)
Unrealized gain on derivative liability		—	(767)
Satisfaction of performance obligations, net of proceeds on contract liabilities	17	(1,368)	(921)
Payments for share-based compensation		(11)	—
Payments made for decommissioning provision	13	(519)	(115)
Payments made for short-term, low-value lease agreements	12	(164)	(75)
Net changes in non-cash working capital	6	(3,652)	(25,043)
Cash flows provided by (used in) operating activities		$ 8,787	$ (11,341)
Investing Activities			
Purchase of property, plant and equipment		(1,621)	(15,770)
Net changes in non-cash working capital	6	(1,776)	6,781
Cash flows used in investing activities		$ (3,397)	$ (8,989)
Financing Activities			
Proceeds on long-term debt		9,160	30,015
Repayments on long-term debt		(6,214)	(5,476)
Repurchase and cancellation of shares under NCIB	14	—	(171)
Repayment of finance lease obligations	12	(5,802)	(6,586)
Financing expense paid		(2,534)	(2,026)
Cash flows provided by (used in) financing activities		$ (5,390)	$ 15,756
Increase (decrease) in cash		$ —	$ (4,574)
Cash and cash equivalents, beginning of period		—	4,574
Cash and cash equivalents, end of period		$ —	$ —
Supplementary information for cash flows from operating activities			
Interest paid		(2,460)	(1,915)

See accompanying notes to the condensed consolidated interim financial statements.

1. GENERAL DESCRIPTION OF BUSINESS

Source Energy Services Ltd. and its subsidiaries ("Source" or the "Company") is a logistics company that focuses on the production and distribution of high quality Northern White 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 mines and processing facilities, its Western Canadian terminal network and its "last mile" logistics capabilities. Source also provides storage and logistics services for other bulk oil and gas well completion materials and has developed Sahara, a proprietary wellsite mobile sand storage and handling system. The Company's head and principal office is located at 500, 438 – 11th Avenue SE, Calgary, Alberta, T2G 0Y4.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as at and for the three months ended March 31, 2020, and do not include all the information required for full annual financial statements. As such, they should be read in conjunction with the December 31, 2019 annual consolidated audited financial statements. These financial statements are available on SEDAR.

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors as at June 26, 2020.

Use of estimates and judgments

The preparation of these condensed consolidated interim financial statements in conformity with International Financial Reporting Standards ("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. These estimates are further described in the Company's December 31, 2019 annual consolidated audited financial statements which can be found on SEDAR.

Significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Source Energy Services consolidated audited financial statements as at and for the year ended December 31, 2019, except as noted below:

New and amended standards

The following amendments have been issued by the IASB and were adopted by the Company on January 1, 2020:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)

The Company completed its assessment of the impact of the amendments and concluded that they do not have a material impact on the consolidated financial statements.

Comparative figures

Certain prior year amounts within operating expenses and general and administrative expenses have been reclassified to conform to current year presentation.

3. SEASONALITY OF OPERATIONS

The Company's business is seasonal in nature with the majority of activity normally being in the first and third quarters. Lower activity levels are usually realized in the fourth quarter, as exploration and production ("E&P") companies evaluate remaining capital spend for the year, and in the second quarter due to spring break-up. Spring break-up occurs for a period of approximately eight weeks between March and June as the frost comes out of the roads in Western Canada and hauling weight restrictions are put in place. The severity of the winter snowfalls and the amount of moisture received during this period impact the length of spring break-up. As a result, the Company's operating results may vary on a quarterly basis. There are other factors that will impact the Company's activities quarter-to-quarter including commodity prices and E&P companies' completion activity levels.

4. COVID-19 AND FUTURE OPERATIONS

On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. Measures enacted to prevent the spread of the virus have resulted in global business disruption with significant economic repercussions. The current economic climate has caused uncertainty and extraordinary volatility in the oil and gas industry, particularly in the Western Canadian Sedimentary Basin. The demand for oil has significantly deteriorated and has been further impacted by certain actions taken by the Organization of Petroleum Exporting Countries. The convergence of these events has created an unprecedented simultaneous impact of a decline in global oil demand and a risk of a substantial increase in oil supply.

These events have negatively impacted and are expected to continue to negatively impact Source's business. Although countries have begun the slow process of restarting economies, the demand for the Company's products and services has declined as customers revise capital budgets and adjust operations in response to the volatility in oil prices. In order to mitigate the impact of the current operating environment, Source has implemented operational cost reduction measures including reductions to operating staff levels and hours, reductions to board, executive and salaried employee compensation and benefits rollbacks. The extent to which COVID-19 will impact the Company's financial position remains highly uncertain and cannot be predicted, but continued adverse impacts may result in further decreased revenues, increased counterparty credit risk and uncertainties with respect to debt covenant compliance and liquidity.

As at March 31, 2020, the Company was in compliance with its financial covenants on its credit facility. However, management forecasts indicate a potential breach of its fixed charge ratio covenant is possible within the next quarter. Consequently, Source obtained covenant relief from its banking syndicate for a specified period subsequent to March 31, 2020 (refer to Note 22 for additional details related to this amendment). In the event of an occurrence of a covenant violation the Company would be in default, allowing lenders to demand immediate repayment of all outstanding amounts. The Company is involved in ongoing discussions with its lenders and noteholders to seek further relief, but no agreement has been finalized as of the date of these condensed consolidated interim financial statements. There can be no assurance that such an agreement will be reached, and therefore there is material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements have been prepared on a going concern basis and do not reflect adjustments and classifications of assets, liabilities, revenues and expenses which would be necessary if the Company were unable to continue as a going concern. Such adjustments could be material.

5. 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 these condensed consolidated interim financial statements. The Company employs risk management strategies and polices to ensure that any exposures to risk are in compliance with the Company's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Company's risk management framework, the Company's management has the responsibility to administer and monitor these risks.

(b) Fair value of financial instruments

The fair values of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to the short-term maturity of those instruments. The fair value of the asset backed loan ("ABL") facility approximates its carrying value as it bears interest at market floating rates consistent with market rates for similar debt. Based on the closing market price at March 31, 2020, the fair value of the senior secured notes is $23,657 ($15 dollars per $100 dollars).

The Company analyzes 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).

A financial instrument is classified as Level 3 if one or more of its unobservable inputs may significantly affect the measurement of its fair value. Appropriate inputs are chosen so that they are consistent with market evidence or management judgment. Due to the unobservable nature of the inputs, there may be uncertainty about the value of Level 3 financial instruments.

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

March 31, 2020	Carrying amount	Fair Value Level 1	Level 2	Level 3
Financial liabilities at amortized cost:				
$157.71M of Senior Secured First Lien Notes	$ 150,898	$ 23,657	$ —	$ —
Lease liabilities – current	$ 21,503	$ —	$ 21,503	$ —
Lease liabilities – long-term	$ 40,072	$ —	$ 40,072	$ —

December 31, 2019	Carrying amount	Fair Value Level 1	Level 2	Level 3
Financial liabilities at amortized cost:				
$157.71M of Senior Secured First Lien Notes	$ 150,028	$ 76,489	$ —	$ —
Lease liabilities – current	$ 19,706	$ —	$ 19,706	$ —
Lease liabilities – long-term	$ 40,319	$ —	$ 40,319	$ —

(c) 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 accounts receivable are due from purchasers of proppants and logistics services and are subject to normal industry credit risk.

The Company's revenues are generally derived from a group of large and reputable oilfield E&P companies and oilfield services customers. Orders for proppants are subject to the Company's credit and collection programs. The five largest customers account for 86% of the revenue for the three months ended March 31, 2020, with the three largest making up 62% of revenue (three months ended March 31, 2019, five customers accounted for 87%, three customers accounted for 74%). All five of those customers (three for the three months ended March 31, 2019), account for 10% or more of total revenue individually in the three months ended March 31, 2020.

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. As at March 31, 2020 and December 31, 2019, the Company's trade receivables, net of loss allowances, were comprised of the following:

As at	March 31, 2020	December 31, 2019
Not yet due	$ 48,492	$ 28,261
0 – 30 days	2,177	19,596
31 – 60 days	272	697
61 – 90 days	21	857
91+ days	422	127
Total trade receivables	**$ 51,384**	**$ 49,538**

The Company's maximum exposure to credit risk is the fair value of accounts receivable on the balance sheet. The Company performs ongoing credit evaluations of its customers and establishes an allowance for doubtful accounts based on the lifetime expected loss provision. The Company uses an allowance matrix to estimate the credit losses of trade receivables from customers. The matrix considers historical default rates as well as the days past due. The current operating climate has had a significant impact on general credit risk (refer to Note 4 for additional detail related to the impact of COVID-19). The Company has taken these factors into consideration as part of its credit evaluations and assessment of credit risk.

As shown by the matrix below, a loss allowance of $59 is recorded as at March 31, 2020:

March 31, 2020	Total	Not yet due	0-30 days	31-60 days	61-90 days	91+ days
Gross carrying amount	$ 51,443	$ 48,541	$ 2,181	$ 273	$ 21	$ 427
Expected loss rate		0.10 %	0.20 %	0.25 %	1.00 %	1.25 %
Loss allowance	**$ 59**	**$ 49**	**$ 4**	**$ 1**	**$ —**	**$ 5**

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk includes preparing operating and capital budgets and forecasts and monitoring performance against the budgets and forecasts. The Company may seek additional financing based on the results of these processes. The

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

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 financial liabilities on the condensed consolidated interim statement of financial position consist of accounts payable and accrued liabilities, lease liabilities, long-term debt and senior secured notes. The Company manages this risk through detailed monitoring of budgeted and projected operating results and cash requirements.

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. The Company also has a credit facility to facilitate the management of liquidity risk (refer to Note 4 for additional information relating to liquidity risk and COVID-19; refer to Note 22 for subsequent measures the Company has taken to mitigate liquidity risk).

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

As at March 31, 2020	Total	2020	2021	2022	2023	2024	2025 and beyond
Accounts payable and accruals	$ 36,358	$ 36,358	$ —	$ —	$ —	$ —	$ —
Lease liabilities[1]	$ 65,622	$ 16,993	$ 17,874	$ 13,469	$ 5,687	$ 3,613	$ 7,986
Credit facilities[2]	$ 34,481	$ —	$ 34,481	$ —	$ —	$ —	$ —
Contract liabilities	$ 1,634	$ 761	$ 873	$ —	$ —	$ —	$ —
Notes payable[1]	$ 190,104	$ 16,560	$ 173,544	$ —	$ —	$ —	$ —

Notes:
(1) Includes interest for future periods.
(2) The timing and amount of interest payments on such balances will fluctuate depending on balances outstanding and applicable interest rates.

(e) Market risk

Market risk is the risk that changes in market prices, 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:

Foreign currency risk

The Company is exposed to currency price risk on 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 March 31, 2020 are $29,469 (December 31, 2019 - $31,413) and $20,566 (December 31, 2019 - $31,938) denominated in foreign currency, respectively. The net effect of each 1% change in foreign exchange would impact net income (loss) by $203 for the three months ended March 31, 2020 ($118 in 2019).

The Company previously had a customer contract that included foreign exchange rate collars. The embedded derivative was separated from the contract and accounted for as a derivative asset or liability at fair value through profit or loss based on valuation techniques that were not based on observable market data. The fair value of the derivative asset as at March 31, 2020 is $nil (December 31, 2019 - $nil). The Company had entered into the following foreign exchange rate collars to help mitigate the risk associated with the embedded derivative contained in the above noted customer contract. The fair value of the derivative is based on the US dollar to Canadian dollar foreign exchange forward curve. The collars were wound up and settled in January 2020.

Notional amount of Contract (per month)	Exchange rate floor	Notional amount of Contract (per month)	Exchange rate ceiling	Contract expiry
USD $1,500	1.25	USD $3,000	1.36	January 2020
USD $1,500	1.25	USD $3,000	1.40	January 2020

Interest rate risk

Interest rate risk is the risk that future cash flows 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 its borrowings under the floating rate credit facility. The Company is exposed to interest rate price risk on the long-term debt that bears interest at floating rates. The net effect of each 1% change in market interest rates would impact the related interest expense (income) for the Company's floating rate borrowings by $350 at March 31, 2020 and $290 at December 31, 2019. The Company had no interest rate swaps or financial contracts in place as at or during the periods ended March 31, 2020 and December 31, 2019.

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

(f) 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, senior secured notes and its credit facilities.

The Company monitors capital based on its current working capital, available bank 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 of Directors.

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 bank operating facility available for use is determined by levels of accounts receivable and inventory.

The Company is subject to externally imposed capital requirements for the ABL facility, requiring the Company to maintain a springing fixed charge ratio of 1.10:1 to be measured when Source's excess availability is less than 20% of the lesser of the borrowing base and the operating facility. In February 2020 an amendment to the ABL was completed, effective January 1, 2020, which included a reduction of the springing fixed charge ratio from 1.25:1 to 1.10:1 for all periods ending on or before December 31, 2020. The fixed charge coverage ratio is defined as the ratio of (i) earnings before interest, tax, depreciation and amortization for the twelve calendar months ending at such fiscal quarter end less unfinanced capital expenditures, cash taxes and distributions to shareholders and (ii) the interest expense paid in cash plus the amount of debt which has a scheduled due date or is otherwise required to be repaid or paid for the twelve calendar months ending at such fiscal quarter end. As of March 31, 2020, the excess availability was 13% and the fixed charge coverage ratio was 1.27:1. Subsequent to March 31, 2020, the ABL was further amended to include a waiver of the application of the fixed charge coverage ratio from May 31, 2020 to August 13, 2020. Refer to Note 22 for additional information related to the amendment.

The Company's capital management policy has not changed during the periods ended March 31, 2020 or December 31, 2019.

6. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating assets and liabilities for the three months ended March 31, 2020 and 2019 were as follows:

As at March 31,		**2020**		**2019**
Accounts receivable	$	(1,840)	$	(41,267)
Prepaid expenses and deposits		(1,012)		869
Inventory		10,217		13,001
Accounts payable and accrued liabilities		(11,017)		2,354
Changes in non-cash working capital	**$**	**(3,652)**	**$**	**(25,043)**

Changes in non-cash investing assets and liabilities for the three months ended March 31, 2020 and 2019 were as follows:

As at March 31,		**2020**		**2019**
Accounts payable and accrued liabilities	$	(1,776)	$	6,781
Changes in non-cash working capital	**$**	**(1,776)**	**$**	**6,781**

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

	Senior Secured Notes	ABL facility
As at December 31, 2018	$ 146,869	$ (477)
Cash changes:		
Proceeds	—	68,002
Repayments	—	(38,805)
Non-cash and other changes:		
Accretion	3,159	222
Unrealized foreign exchange gain	—	(152)
Financing costs incurred	—	(133)
As at December 31, 2019	$ 150,028	$ 28,657
Cash changes:		
Proceeds	—	9,160
Repayments	—	(6,214)
Non-cash and other changes:		
Accretion	870	72
Unrealized foreign exchange gain	—	2,981
Financing costs incurred	—	(176)
As at March 31, 2020	**$ 150,898**	**$ 34,480**

7. INVENTORIES

Inventory consists of three main classifications:

As at	March 31, 2020	December 31, 2019
Unprocessed sand and work in progress	$ 31,951	$ 32,358
Sand available for shipment	12,772	24,060
Spare parts and supplies	4,935	4,512
Total inventories	**$ 49,658**	**$ 60,930**

Spare parts and supplies are for routine facilities maintenance. Included in the inventory balance is the depreciation expense related to sand producing properties of $10,527 as at March 31, 2020 (December 31, 2019 - $14,080). The total amount of inventory expensed through cost of sales during the three months ended March 31, 2020 was $64,542 (March 31, 2019 - $68,455). Under the normal course of operations, no inventory write-downs or reversals of prior write-downs were recorded during the three months ended March 31, 2020 and 2019. Sand inventory of $627 was written off as a result of the damaged assets that were under construction at Fox Creek in 2019.

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

8. PROPERTY, PLANT AND EQUIPMENT

		Land & Building		Equipment & Vehicles		Other		Construction in Progress		Mine Preparation Costs		Total
Cost												
Balance as at December 31, 2018	$	220,824	$	184,730	$	6,005	$	43,118	$	10,161	$	464,838
Additions		(1,994)		537		149		20,784		3,691		23,167
Disposals		—		(351)		(2)		—		—		(353)
Completed construction in progress		7,666		22,359		301		(30,326)		—		—
Transfers		—		(101)		—		—		—		(101)
Write-off of damaged Fox Creek assets under construction		—		—		—		(10,071)		—		(10,071)
Write-down of assets		(12,701)		(3,487)		(2)		—		—		(16,190)
Exchange differences		(7,894)		(6,671)		(164)		(919)		(565)		(16,213)
Balance as at December 31, 2019	$	205,901	$	197,016	$	6,287	$	22,586	$	13,287	$	445,077
Additions		1,578		15		—		841		828		3,262
Disposals		—		(6)		(2)		(71)		—		(79)
Completed construction in progress		4		1,502		53		(1,559)		—		—
Transfers		—		(1,699)		—		—		—		(1,699)
Exchange differences		13,997		12,994		316		768		1,274		29,349
Balance as at March 31, 2020	**$**	**221,480**	**$**	**209,822**	**$**	**6,654**	**$**	**22,565**	**$**	**15,389**	**$**	**475,910**
Accumulated depreciation												
Balance as at December 31, 2018	$	(36,130)	$	(46,206)	$	(4,623)	$	—	$	(6,940)	$	(93,899)
Depreciation		(11,457)		(15,642)		(763)		—		—		(27,862)
Write-down of assets		4,732		1,588		1		—		—		6,321
Impairment		(16,787)		(15,320)		(131)		—		—		(32,238)
Disposals		—		121		1		—		—		122
Transfers		—		158		—		—		—		158
Exchange differences		1,541		1,938		150		—		(4,375)		(746)
Balance as at December 31, 2019	$	(58,101)	$	(73,363)	$	(5,365)	$	—	$	(11,315)	$	(148,144)
Depreciation		(2,567)		(3,455)		(171)		—		(456)		(6,649)
Impairment		(78,783)		(64,479)		(394)		—		—		(143,656)
Disposals		—		2		—		—		—		2
Transfers		—		290		—		—		—		290
Exchange differences		(4,908)		(5,724)		(295)		—		(1,068)		(11,995)
Balance as at March 31, 2020	**$**	**(144,359)**	**$**	**(146,729)**	**$**	**(6,225)**	**$**	**—**	**$**	**(12,839)**	**$**	**(310,152)**
Carrying amounts												
December 31, 2019	$	147,800	$	123,653	$	922	$	22,586	$	1,972	$	296,933
March 31, 2020	**$**	**77,121**	**$**	**63,093**	**$**	**429**	**$**	**22,565**	**$**	**2,550**	**$**	**165,758**

Assets under construction represent facilities that are being built at period end. Assets under construction 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.

During the period ended March 31, 2020, as a result of the weakening economic climate due to COVID-19 and the decrease in global demand for crude oil, the Company carried out an assessment of the recoverable value of its operations. A discounted cash flow analysis over five years was completed using a discount rate tied to its current cost of capital. The discounted cash flow projections were based on cash flow forecasts, trailing twelve-month earnings before interest, taxes, depreciation and amortization, historical experience, actual operating results and industry trends and forecasts. Key assumptions included a terminal growth rate of 2% and a discount rate of 15.1%. As a result of the assessment, an impairment was recognized during the period of which a portion was allocated to the deferred tax asset and $143,656 of impairment was recognized and allocated to property, plant and equipment (December 31, 2019 - $61,215). The Company performed a sensitivity analysis and noted an increase of 1.5% in discount rates could result in a further impairment loss of approximately $8,359.

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

9. RIGHT-OF-USE ASSETS

	Land & Building	Equipment & Vehicles	Rail cars	Total
Cost				
Balance as at January 1, 2019	$ 7,409	$ 10,224	$ 58,438	$ 76,071
Additions	879	6,640	1,387	8,906
Expired leases	(92)	(1,857)	(2,532)	(4,481)
Exchange differences	(28)	(487)	(2,643)	(3,158)
Balance as at December 31, 2019	$ 8,168	$ 14,520	$ 54,650	$ 77,338
Additions	450	1,915	357	2,722
Expired leases	(373)	(3,583)	(1,241)	(5,197)
Transfers	—	1,699	—	1,699
Exchange differences	71	1,061	4,958	6,090
Balance as at March 31, 2020	**$ 8,316**	**$ 15,612**	**$ 58,724**	**$ 82,652**

Accumulated depreciation				
Balance as at Balance as at January 1, 2019	$ —	$ —	$ —	$ —
Depreciation	(1,678)	(9,289)	(15,135)	(26,102)
Expired leases	92	1,857	2,532	4,481
Exchange differences	3	153	263	419
Balance as at December 31, 2019	(1,583)	(7,279)	(12,340)	(21,202)
Depreciation	(759)	(2,075)	(3,432)	(6,266)
Expired leases	373	3,583	1,241	5,197
Transfers	—	(290)	—	(290)
Exchange differences	(16)	(525)	(1,269)	(1,810)
Balance as at March 31, 2020	**$ (1,985)**	**$ (6,586)**	**$ (15,800)**	**$ (24,371)**
Carrying amounts				
December 31, 2019	$ 6,585	$ 7,241	$ 42,310	$ 56,136
March 31, 2020	**$ 6,331**	**$ 9,026**	**$ 42,924**	**$ 58,281**

10. INCOME TAXES

During the second quarter of 2019, the Government of Alberta enacted new legislation to reduce the provincial corporate income tax rate from 12% to 8%. Under the new legislation, the tax rate will decline by 1% each year over the next four taxation years beginning July 1, 2019, resulting in a combined federal and provincial corporate tax rate of 23% by 2022. Deferred income tax benefits have not been recognized in respect of the temporary differences.

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

The following table reconciles the Company's expected income tax expense relative to the current effective Canadian statutory rate of 25% (2019 - 26.5%) for the periods indicated:

	Three months ended March 31,	
	2020	**2019**
Loss before income taxes	$ (153,997)	$ (10,504)
Statutory income tax rate	25.00 %	27.00 %
Expected income taxes	(38,499)	(2,836)
Increase (decrease) in taxes from:		
Non-deductible expenses	118	379
Share based compensation	3	80
Unrealized foreign exchange and derivatives	—	(445)
Prior period adjustments	(309)	—
Unrecognized deferred tax assets	70,692	47
Provincial tax rate change	665	—
Rate differential on foreign activities	(1,360)	(10)
Other	40	(397)
Total income tax expense (recovery)	**$ 31,350**	**$ (3,182)**

The Company has Canadian and foreign non-capital losses as at March 31, 2020 of $70,587 (March 31, 2019 - $37,025) and $32,848 (March 31, 2019 - $32,604), respectively. Canadian and foreign losses expire beginning in 2037.

11. LONG-TERM DEBT

As at	**March 31, 2020**	**December 31, 2019**
$157.71M of Senior Secured First Lien Notes, due on December 15, 2021, bearing interest at 10.5% per annum	$ 150,898	$ 150,028
ABL due December 2021. Interest is based on floating rates dependent upon the amount of the facility used	34,973	29,046
Unamortized debt issuance costs for the ABL	(492)	(389)
Other long-term debt	68	155
Ending balance	**$ 185,447**	**$ 178,840**
Less: current portion	—	—
Long-term portion	**$ 185,447**	**$ 178,840**

On December 8, 2016, the Company issued $130,000 Senior Secured First Lien Notes and an additional $50,000 Senior Secured First Lien Notes on May 31, 2018 (collectively, the “Notes”), which bear interest at 10.5% per annum and mature December 15, 2021. The Notes are secured by a fixed and floating charge over all assets of the business except accounts receivable and inventory, over which the Notes have a second charge.

The Notes contain prepayment options, where the Company can redeem 35% of the aggregate principal amounts of the Notes with the net proceeds of an equity offering by Source at a redemption price of 110.5% of the principal amount. After December 15, 2018, the Notes may be redeemed in whole or in part at the applicable percentage (2019 - 103.9375%, 2020 - 100%), plus accrued and unpaid interest. The prepayment options have been classified as derivative liabilities and are measured at fair value through profit or loss. As of March 31, 2020 the value of the derivative liabilities have been recorded as $nil (December 31, 2019 - $nil). Changes in fair value of the derivative liability are recorded through the condensed consolidated interim statement of operations and comprehensive income (loss). The Company has recorded a fair value gain of $nil on the prepayment option as of March 31, 2020 (December 31, 2019 - $nil).

On June 20, 2019, the ABL was amended to extend the term for another year to mature on December 8, 2021 and added a US$5 million standby letter of credit that does not affect the facility’s borrowing base. The ABL is secured by a floating first lien charge on the accounts receivable and inventory of the Company under a general business security agreement and a second lien charge on all other assets of the business. The facilities bear interest based on the bank’s prime lending rate, banker’s acceptances or LIBOR rates, plus an applicable margin depending on the amount of excess availability. The amount available under the general operating facility is subject to a borrowing base formula applied to accounts receivable and inventories and, at March 31, 2020, $34,973 is drawn under this facility (less unamortized finance costs of $492 for a net balance of $34,481) (December 31, 2019 - $29,046). Any excess cash on hand is applied against amounts drawn on the ABL. The amount committed to supporting letters of credit under the facility was $17,063 at March 31, 2020 (December 31, 2019 - $17,535). The borrowing base is updated monthly, with $7,799 of remaining availability at March 31, 2020 (December 31, 2019 - $18,430).

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

In February 2020 an amendment to the ABL was completed, effective January 1, 2020, which included a reduction of the springing fixed charge ratio from 1.25:1 to 1.10:1 for all periods ending on or before December 31, 2020. The springing fixed charge ratio is to be measured when the Company's excess availability is less than 20% of the lesser of the borrowing base and the operating facility. As of March 31, 2020, the excess availability was 13% and the fixed charge coverage ratio was 1.27:1. Subsequent to March 31, 2020, the ABL was further amended to include a waiver of the application of the fixed charge coverage ratio from May 31, 2020 to August 13, 2020. Refer to Note 22 for additional information related to the amendment.

Interest on the above facility amounted to $1,090 for the three months ended March 31, 2020 (March 31, 2019 - $463). Interest on the Notes amounted to $4,117 for three months ended March 31, 2020 (March 31, 2019 - $4,094). Effective interest rate for the three months ended March 31, 2020 is 11.5% (March 31, 2019 - 11.3%).

12. LEASE LIABILITIES

As at		March 31, 2020		December 31, 2019
Balance, beginning of year	$	60,025	$	1,569
Additions on adoption of IFRS 16		—		76,071
Additions during period		2,783		9,472
Lease modifications		11		(668)
Lease payments		(5,802)		(23,118)
Changes in F/X rate		4,558		(3,301)
Ending balance	**$**	**61,575**	**$**	**60,025**
Less: current portion		(21,503)		(19,706)
Long-term portion	**$**	**40,072**	**$**	**40,319**

The Company incurs lease payments 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 8%. Leases with a lease term of twelve months or less for certain classes of assets and low-value assets of $164 were expensed to cost of sales or operating expense in three months ended March 31, 2020 (three months ended March 31, 2019 - $75). The Company recognized $1,119 of interest on lease payments for the three months ended March 31, 2020 (three months ended March 31, 2019 - $1,516).

13. DECOMMISSIONING PROVISION

As at		March 31, 2020		December 31, 2019
Balance, beginning of year	$	11,249	$	17,229
Liabilities incurred		583		1,541
Liabilities settled		(519)		(2,665)
Accretion		34		190
Changes in estimate(1)		744		(4,333)
Changes in F/X rate		1,051		(713)
Balance, end of year	**$**	**13,142**	**$**	**11,249**
Less: current portion	$	(1,672)	$	(1,603)
Long-term portion	**$**	**11,470**	**$**	**9,646**

Note:
(1) The change in estimate of the decommissioning provision in 2019 is due to the adoption of IFRS 16.

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 a risk-free rate of 0.88% at March 31, 2020 (December 31, 2019 - 1.61%). These obligations are to be settled based on the economic lives of the underlying assets, currently estimated to be between 8 and 20 years.

14. SHAREHOLDERS' EQUITY

The Company has issued and outstanding common and Class B shares. The 1,300,154 Class B shares are held by SES Sand Holdings US, a subsidiary of TriWest Capital Partners ("TriWest") which is a related party, who own 3.74% of the shares of Source Energy Services Canada LP, a subsidiary of Source, and may be converted at the option of the holder into common shares of Source on a one for one basis. Class B shares are entitled to vote at shareholder meetings, but are not entitled to dividends from Source. However, they are entitled to an equivalent distribution on a per share basis from Source Energy Services Canada LP. As at March 31, 2020, TriWest owned 27.36% of the outstanding shares of Source.

Normal Course Issuer Bid

In 2019, the Company announced an amendment to its existing Normal Course Issuer Bid ("NCIB") that allowed Source to purchase and cancel 1,283,981 common shares for a total consideration of $1,600 at a weighted average price per share of $1.2461. For the three months ended March 31, 2020, Source purchased zero shares for cancellation.

(stated in thousands, except share and per share amounts)	2020	2019
Number of common shares repurchased	—	1,283,981
Weighted average price per share	—	$ 1.2461
Amount of repurchase	**—**	**$ 1,600**

The following table outlines the issued and outstanding shares as at March 31, 2020:

	Number of shares	Amount
Balance as at December 31, 2019 and March 31, 2020	**60,952,885**	**$ 397,911**

15. SHARE-BASED COMPENSATION

The Company's share-based compensation Plan (the "Plan"), effective as of April 13, 2017, is available to directors, officers and certain employees as determined by the Company's Board of Directors. The Plan allows for the granting of options to purchase common shares to a maximum number equal to 10% of the issued and outstanding common shares of the Company. The price of each share purchase option granted is set by the Company's Board of Directors based on the market value of the Company's shares on the date of the grant.

Options issued to date were granted in connection with the IPO and therefore vest 1/3 on the grant date and 1/3 on the anniversary date of the grant over a two-year period and expire 5 years from the issue date. Future grants may not follow this vesting profile.

	Options outstanding ('000s)	Range of exercise price
Outstanding at December 31, 2018	2,581	$10.50
Canceled	(2,065)	$10.50
Outstanding at December 31, 2019	516	$10.50
Canceled	(516)	$10.50
Outstanding at March 31, 2020	**—**	**$—**

The liability settled compensation plans include RSUs, PSUs and DSUs. The following table provides a summary of the status of the Company's liability settled compensation plans and changes during the three months ended March 31, 2020:

(number of units)	RSU	PSU	DSU
Balance at December 31, 2018	460,353	328,707	117,855
Granted	872,601	320,145	361,524
Exercised	(156,899)	(5,236)	(21,071)
Forfeited	(208,875)	(209,278)	—
Balance as at December 31, 2019	967,180	434,338	458,308
Granted	1,125,418	622,786	555,660
Exercised	(201,452)	—	—
Forfeited	(17,684)	(77,742)	—
Balance as at March 31, 2020	**1,873,462**	**979,382**	**1,013,968**
Vested as at March 31, 2020	**201,452**	**36,023**	**—**

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

The RSUs will vest 1/3 on the anniversary date of the grant over a three-year period and expire five years from issue date. Subject to achievement of performance criteria set out by the Board of Directors, the PSUs awarded will vest 1/3 on the anniversary date of the grant over a three-year period and expire five years from the issue date. The RSUs and PSUs may be settled in cash or shares and accordingly are considered a liability settled award for accounting purposes.

The DSUs vest and are expensed over the earlier of three 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.

Total share-based compensation expense (recovery) for the share-based payment plans for the three months ended March 31, 2020 was $(96) (March 31, 2019 - $924).

16. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share

The calculation of basic earnings (loss) per share for the three months ended March 31, 2020 was based on the earnings (loss) available to holders of common shares of $(183,464) (March 31, 2019 - $(7,054)), and a weighted average number of common shares outstanding for the three months ended March 31, 2020 of 59,652,731 (March 31, 2019 - 60,930,816).

	Three months ended March 31,	
	2020	**2019**
Common shares outstanding, beginning of year	59,652,731	60,936,712
Weighted average shares repurchased and canceled under NCIB	—	(5,896)
Weighted average common shares outstanding, end of year	**59,652,731**	**60,930,816**
Common shares issuable pursuant to conversion option of Class B shares(1)	—	—
Weighted average number of diluted common shares outstanding, end of year	**59,652,731**	**60,930,816**

Note:
(1) Only attributable to NCI shareholders when in an income position.

Diluted earnings (loss) per share

Diluted earnings per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential shares. The effects of anti-dilutive options as well as exchangeable shares are ignored in calculating diluted earnings per share. The exchangeable shares were not considered dilutive at March 31, 2020 as the Company was in a loss position.

17. REVENUE

The following table presents the Company's sales, disaggregated by revenue source:

	Three months ended March 31,	
	2020	**2019**
Revenue from contracts with customers:		
Sand revenue	$ 83,019	$ 91,149
Wellsite solutions	11,738	15,180
Terminal services	1,030	867
Total revenue from contracts with customers	$ 95,787	$ 107,196
Storage facilities(1)	676	937
Total revenue	**$ 96,463**	**$ 108,133**

Note:
(1) Storage facilities includes revenue for proppant storage at terminals as well as longer term Sahara rentals.

Contract Liabilities

The Company entered into an agreement with one of its customers, effective January 1, 2018, where the Company received $14,761 (US$11,505) as a prepayment for future purchases of proppant. In consideration of the prepayment, the price per metric tonne to the customer was reduced for each tonne of sand sold to the customer. The cash price per tonne is also reduced for each tonne of sand sold to or pumped by the customer.

The Company expects the period between the transfer of the promised goods to the customer and payment by the customer to exceed one year. As such, the Company has adjusted the transaction price for the time value of money.

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

The following table provides a summary of the contract liability as of March 31, 2020:

As at	March 31, 2020	December 31, 2019
Balance, beginning of period	$ 3,160	$ 5,899
Satisfaction of performance obligations	(1,368)	(2,453)
Non-cash interest income	(158)	(286)
Balance, end of period	**$ 1,634**	**$ 3,160**
Less: current portion	(761)	(2,035)
Long-term portion	**$ 873**	**$ 1,125**

18. OPERATING AND GENERAL & ADMINISTRATIVE COSTS

The Company presents its expenses on the condensed consolidated interim statement of operations and comprehensive income (loss) 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.

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:

Three months ended March 31,	2020				2019(1)			
	COS	OPEX	G&A	Total	COS	OPEX	G&A	Total
Direct material	$ 64,543	$ —	$ —	$ 64,543	$ 68,425	$ —	$ —	$ 68,425
Salary costs	2,814	1,740	1,629	6,183	3,205	2,232	2,669	8,106
Equipment costs	714	483	1	1,198	536	595	—	1,131
Transportation costs	8,061	—	—	8,061	11,483	—	—	11,483
Facility costs	524	372	16	912	145	766	104	1,015
Selling costs	—	1,702	(21)	1,681	—	2,210	71	2,281
Administration costs	—	—	932	932	—	—	1,299	1,299
Total	**$ 76,656**	**$ 4,297**	**$ 2,557**	**$ 83,510**	**$ 83,794**	**$ 5,803**	**$ 4,143**	**$ 93,740**

Note:
(1) Certain prior year amounts have been reclassified to conform to current year presentation.

19. COMMITMENTS AND CONTINGENCIES

The Company has various commitments regarding physical natural gas contracts. The agreements expire between June 2020 and March 2023. Estimated annual commitments are as follows:

2020	$ 982
2021	1,328
2022	1,328
2023	350
Total	**$ 3,988**

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.

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

20. FINANCE EXPENSE

	Three months ended March 31,	
	2020	**2019**
Interest expense	$ 6,175	$ 5,896
Accretion	975	863
Finance expense	96	111
Total	**$ 7,246**	**$ 6,870**

21. OPERATING SEGMENTS

The Company has operations in both the United States ("US") and Canada; the two geographic segments are summarized in the table below:

Total Sales	**Canadian Operations**	**United States Operations**	**Corporate[(1)]**	**Total**
2020	**$ 96,463**	**$ —**	**$ —**	**$ 96,463**
2019	$ 107,691	$ 442	$ —	$ 108,133

Total Assets	**Canadian Operations**	**United States Operations**	**Corporate[(1)]**	**Total**
March 31, 2020	**$ 116,913**	**$ 205,644**	**$ 6,247**	**$ 328,804**
December 31, 2019	$ 162,428	$ 299,922	$ 34,315	$ 496,665

Note:
(1) The Corporate Segment does not represent an operating segment and is included for informational purposes only.

22. SUBSEQUENT EVENTS

Government Assistance

As a result of the global economic impact stemming from the effects of the COVID-19 pandemic, governments and central banks have responded with significant monetary and fiscal programs in an attempt to stabilize economies.

In April 2020, the Company applied for the Paycheck Protection Program of the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act (the "PPP Loan") administered by the US Small Business Administration. Under the PPP Loan the Company received US$2,097 on April 28, 2020, which bears interest at a rate of 1.00% per annum and matures on April 18, 2022. The PPP Loan may be prepaid by the Company at any time prior to maturity with no prepayment penalties. The Company can obtain loan forgiveness on eligible expenses, including amounts incurred for US payroll costs and US utility expenses, during the twenty-four-week period following the disbursement received under this program. The Company expects to meet the criteria required for the loan to be fully forgiven. No recovery related to the loan was recognized as at March 31, 2020.

In May 2020, the Company applied for the Canada Emergency Wage Subsidy ("CEWS") which was passed by the Government of Canada to support employers facing financial hardship, as measured by certain revenue declines, as a result of the COVID-19 pandemic. CEWS provides a reimbursement of compensation expense for the twenty-four-week period from March 15 to August 29, 2020 of 75% of the amount of remuneration paid up to a maximum benefit of $847 per week, per employee. Subsequent to March 31, 2020, the Company applied for the periods from April 12 to May 9, 2020 and May 10 to June 6, 2020, respectively, and has since received funds of $389 for both periods for a total subsidy of $778. No wage recovery was recognized as at March 31, 2020.

In early June 2020, the Company applied for the Business Credit Availability Program ("BCAP") which includes various sub-programs including a loan guarantee program with Export Development Canada ("EDC") and a co-lending program with Business Development Bank of Canada ("BDC").

Debt Amendments

Subsequent to March 31, 2020, the Company's ABL facility was amended to temporarily waive the application of the fixed charge coverage ratio covenant from May 31, 2020 to August 13, 2020. As of August 13, 2020, the covenant requirement will revert back to 1.10:1 for the remainder of 2020.

On June 15, 2020, the Company completed a Support and Interest Deferral Agreement (the "Deferral Agreement") with noteholders holding approximately 72% of Source's Notes. Under the Deferral Agreement, the payment of the June 15, 2020 interest payment on the Notes was deferred for a period of 60 days. To give effect to the deferral, the Deferral Agreement amends the Notes indenture by extending the grace period in respect of the interest payment to 60 days.