

2024

Modern Slavery Report

SOURCE 
ENERGY SERVICES

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REFERENCES AND GLOSSARY

Throughout this Modern Slavery Report (“**MSR**”) the terms “we”, “us”, “our”, “Source” or the “Company” refer to Source Energy Services Ltd., either alone or together with its subsidiaries, as applicable in the context. Words importing the singular number include the plural and vice versa, and words importing any gender include all genders.

Capitalized terms represent frequently used concepts that have been specifically defined herein for ease of use in reading this MSR. Non-capitalized terms represent commonly used industry terms and measurements used throughout the document.

This MSR is made pursuant to the Canadian *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Modern Slavery Act**”) for the following entities (together, the reporting entities): (i) Source Energy Services Ltd, (ii) Source Energy Services Canada LP, and (iii) Source Energy Services Canadian Logistics LP.

In this MSR, unless otherwise indicated or the context otherwise requires, the following terms shall have the meaning set forth below.

ABCA means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder.

Board or **Board of Directors** means the board of directors of the Company.

Common Shares means the Common Shares in the capital of the Company, as applicable.

Company means Source Energy Services Ltd., either alone or together with its subsidiaries, as applicable in the context.

Frac sand is a proppant used to enhance hydrocarbon recovery in the hydraulic fracturing of oil and natural gas wells.

metric tonnes means one metric tonne or 1,000 kilograms (equivalent to approximately 1.102 short tons or approximately 2,205 pounds)

Supplier means to any organization that (i) contracts with Source to supply goods or services to Source, (ii) contacts with Source for the purpose of serving Source clients, or (iii) has entered into a business relationship with Source to establish a presence in a marketplace.

DATE OF INFORMATION

The information in this MSR is presented as of financial year end December 31, 2023 (the “**Reporting Period**”), unless otherwise indicated. Information contained in this MSR is a presentation of the consolidated activities of Source Energy Services Ltd, Source Energy Services Canada LP, and Source Energy Services Canadian Logistics LP, collectively (“**Source**”).

APPLICABLE ACTS

Source is not required to report under any other applicable acts¹.

¹ These acts include [California's Transparency in Supply Chain Act](#); [France's duty of vigilance law n°2017-399](#); [Australia's Modern Slavery Act 2018](#); and the [United Kingdom's Modern Slavery Act 2015](#).

CORPORATE STRUCTURE

Source Energy Services Ltd. was formed on February 7, 2017, by articles of incorporation under the ABCA. On December 30, 2020, the Company amended its articles of incorporation to consolidate all of the issued and outstanding Common Shares into a lesser number of Common Shares on a twelve-to-one basis.

The head office of the Company is located at 500, 1060 - 7th Street SW, Calgary, Alberta T2R 0C4, telephone (403) 262-1312 and the registered and records office of the Company is located at Suite 3700, 400 - 3rd Avenue SW, Calgary, Alberta T2P 4H2.

INTERCORPORATE RELATIONSHIPS

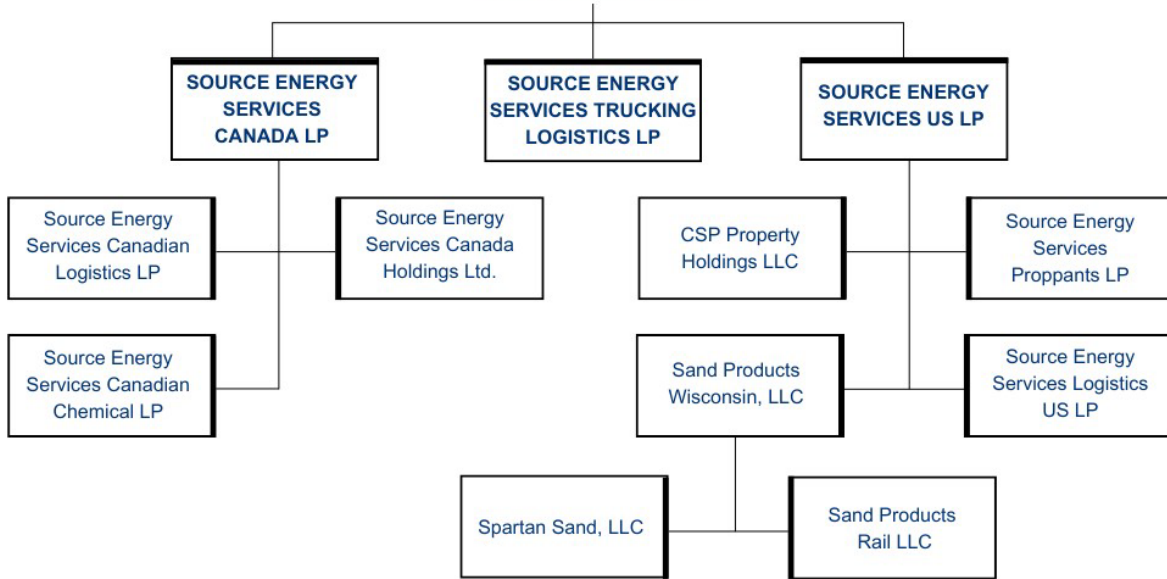
The following table provides the name, the percentage of voting securities owned, directly or indirectly, by Source and the jurisdiction of incorporation, continuance, or formation of Source's subsidiaries as of May 31, 2024. For simplification purposes, this table omits certain wholly owned subsidiaries that are not material to the Modern Slavery Act. All of Source's subsidiaries are 100% owned.

NAME OF ENTITY	PERCENTAGE OF VOTING SECURITIES BENEFICIALLY OWNED (DIRECTLY OR INDIRECTLY)	NATURE OF ENTITY	JURISDICTION OF INCORPORATION, CONTINUANCE OR FORMATION (AS APPLICABLE)
Source Energy Services Canadian Logistics LP	100%	Limited Partnership	Alberta
Source Energy Services Canada LP	100%	Limited Partnership	Alberta

The following diagram illustrates the organizational structure of Source as of the date of this MSR, on a simplified basis:

SOURCE

ENERGY SERVICES LTD.

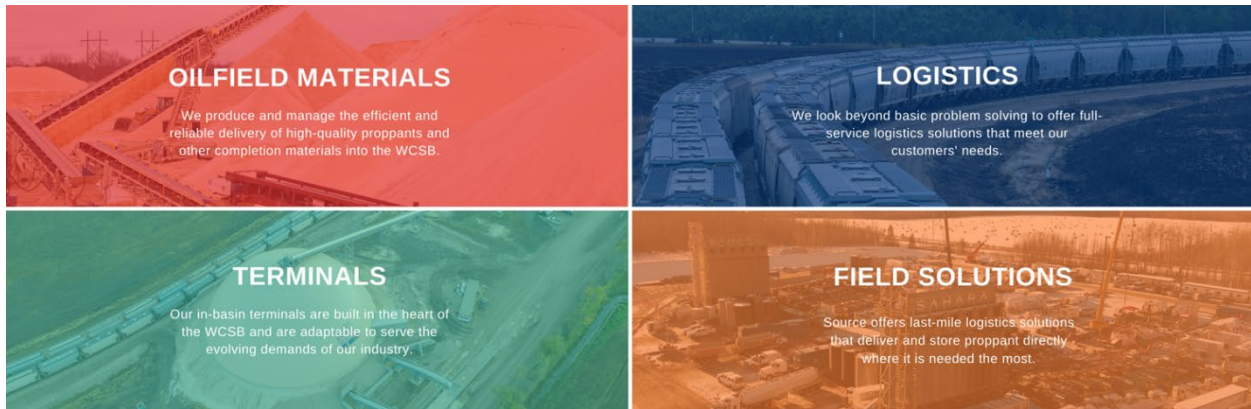


As of December 31, 2023, Source, inclusive of all its subsidiaries, had approximately 451 employees: 233 employees in Canada, and 218 employees in the U.S.

ABOUT SOURCE ENERGY SERVICES

Source is a leading oilfield logistics company that focuses on the supply and distribution of high quality frac sand² as well as the distribution of other bulk oil and gas well completion materials. Source provides its customers with a full end-to-end solution supported by our Wisconsin and Peace River mines and processing facilities, our Western Canadian terminal network, and our logistics division. In addition to our industry leading frac sand transload terminal network and in-basin frac sand storage capabilities, Source has also developed Sahara, a proprietary mobile well site sand storage and handling system.

Our key lines of business include:

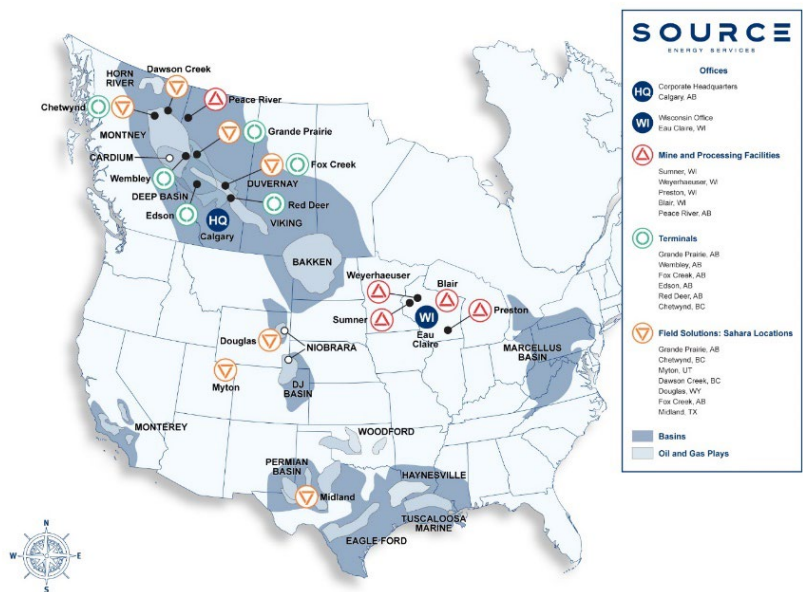


THE WCSB'S LEADING ENERGY LOGISTICS COMPANY

As the largest Supplier of proppant into the Western Canadian Sedimentary Basin (“WCSB”), we have the experience and knowledge to facilitate the smooth operation of the integrated supply chain. With the largest network of owned and operated terminals in the WCSB, Source’s infrastructure functions as a logistics hub to support operational efficiencies in the WCSB. Logistics hubs are essential to enable increasing frac efficiencies in the WCSB.

PRODUCTION AND SERVICES

Source has developed an integrated supply chain for the delivery of frac sand into the WCSB. This supply chain provides our customers with the highest levels of reliable services and access to products. Source’s integrated supply chain is made up of the following components: sand resources; mining and processing; rail load out; rail fleet; terminal network; last mile logistics and Sahara well site solutions. Source sells its products primarily to oil and natural gas exploration and production companies and oilfield service companies.



OUR SAND RESOURCES, MINING AND PROCESSING, RAIL LOAD OUT, AND RAIL FLEET

Source owns and operates a Northern White frac sand mine and related closed-loop wet processing plant located in east-central Barron County near the town of Sumner, Wisconsin; a dry processing plant, storage and a unit train capable rail load out facility, located in Weyerhaeuser, Wisconsin; a Northern White frac sand mine and related closed-loop wet processing plant, dry processing plant and storage, and unit train capable load out facility, located near Blair, Wisconsin; an additional Northern White frac sand mine and related closed-loop wet processing plant, dry processing plant and storage, and rail load out facility, also located near Blair, Wisconsin, and operates a domestic frac sand and related wet processing plant, dry processing plant and storage, and truck load out facility, located near Peace River, Alberta.

The Wisconsin facilities have a combined total annual production capacity of approximately 4.8 million metric tonnes. The Weyerhaeuser, Blair and Preston Facilities have on-site rail infrastructure providing direct access to the CN rail network. This enables Source to efficiently process and deliver frac sand to customers through our integrated network of CN rail connected receiving terminals. Source also operates the Peace River facility, which has 400,000 metric tonnes of domestic frac sand production capability. The Peace River Facility is the closest domestic sand mine to the Montney region, is not rail dependent and will ensure efficiency of supply for our customers.

OUR TERMINAL NETWORK

Source owns nine and actively operates six terminals strategically located throughout the WCSB. Source believes that its WCSB terminals are well positioned to capture growing demand for frac sand in the Montney, Duvernay and Deep Basin. All of Source's existing terminals have on-site storage that enable the Company to manage in-basin inventory and respond to customer demand. Source's terminals are serviced by the CN network.

The Wembley Terminal, near Grande Prairie, Alberta, is Source's highest volume terminal, with an estimated throughput capacity of 2.0 million metric tonnes per annum and over 75,000 metric tonnes of storage capacity to service high levels of activity in the Montney. Source believes that this capacity allows it to meet peak demand through the combination of inventory and rapid material handling. The Wembley Terminal is capable of unloading a dedicated unit train in under 24 hours.

The Fox Creek Terminal, near Fox Creek, Alberta, is Source's second highest volume terminal, with an estimated throughput capacity of 1.0 million metric tonnes per annum and over 35,000 metric tonnes of storage capacity. This unit train facility is in the heart of the Duvernay, which is home to some of the largest fracs in the WCSB.

Together, Source's nine terminals have over 230,000 metric tonnes of in-basin storage capacity. Source believes that its terminal network provides a competitive advantage over its competitors by providing industry leading coverage, significant reach for supply to all key plays, and rapid load out facilities.

DUE DILIGENCE WITHIN OUR SUPPLY CHAIN

To ensure the highest standards of ethical conduct, Source has implemented rigorous due diligence processes throughout its supply chain. At the core of these processes is the commitment to uphold human rights and ethical labour practices. Source has mandated that all its Suppliers acknowledge and comply with Source's [Supplier Code of Conduct](#). This code explicitly forbids the use of forced or child labour and requires Suppliers to adhere to all applicable labour laws and regulations, including those enforced under stringent Canadian³ and US⁴ labour laws which protect worker rights and ensure fair labour standards.

Source operates within North America in the highly regulated mining and oil and gas services sectors. As such we operate under Mining Safety and Health Administration ("MSHA") regulations in the United States and the Occupational Health and Safety ("OHS") laws in Canada. These regulations are designed to safeguard the health and safety of workers by setting and enforcing standards and by providing training, outreach, education, and assistance. Furthermore, MSHA and OHS prohibits the use of forced and child labour. Compliance with these regulations is paramount to our operations, ensuring that all work environments are safe and that workers are protected from hazards that could cause harm. For more detailed information on Source's adherence to MSHA and OHS regulations, please refer to our published [2024 Environmental, Social, and Governance Report](#).

³ [Rights in the workplace - Canada.ca](#)

⁴ [Labour laws and worker protection | USAGov](#)

Source's due diligence extends beyond initial onboarding; it involves continuous monitoring and engagement with Suppliers to promote ongoing adherence to ethical practices. In addition to these measures, Source is committed to fostering transparency and accountability within its supply chain by encouraging open communication channels for reporting concerns or violations. By taking these steps, Source aims to mitigate risks related to human rights abuses and labour violations, ensuring that its operations and those of its Suppliers align with Source's values and ethical principles.

Through these comprehensive due diligence efforts, Source not only safeguards its operations against legal and reputational risks but also contributes to the broader goal of promoting sustainable and ethical business practices within the industry.

REMEDATION MEASURES

There is nothing to report with respect to measures taken to remediate instances of forced or child labour in the Reporting Period.

There is nothing to report with respect to measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities or supply chains in the Reporting Period.

TRAINING

To reinforce our commitment to ethical labour practices and the protection against forced and child labour, Source has implemented a mandatory comprehensive training program for our employees. All corporate staff based in Canada and the US, as well as all field and production managers and higher-level positions, are required to undergo training on our Supplier Code of Conduct. This training, developed internally with input from executive management and the Board of Directors, ensures that our employees are well-versed in identifying, preventing, and addressing any potential issues related to labour rights violations within our supply chain.

The training program, which requires annual recertification covers key aspects of our Supplier Code of Conduct. It emphasizes the prohibition of forced and child labour, the importance of adhering to all applicable labour laws and regulations, and the procedures for reporting any suspected violations.

By equipping our staff with this knowledge, we empower them to actively contribute to our ethical standards and maintain vigilant oversight of our supply chain operations. Through these targeted training efforts, Source underscores its dedication to upholding human rights and fostering a culture of accountability and ethical conduct throughout the organization.

In addition, we have provided all of our Suppliers with a copy of our policy and information about the Modern Slavery Act to ensure they are aware of our standards and legal obligations regarding labour practices. Furthermore, we have asked our Suppliers to sign an acknowledgement that they have read, understood, and agree to comply with our policy.

ASSESSING EFFECTIVENESS

To ensure the effectiveness of our efforts to combat forced and child labour within our supply chain, we actively collaborate with our Suppliers to measure and evaluate their actions. This process includes tracking relevant performance indicators and maintaining rigorous oversight. Additionally, we provide regular updates to our executive team to ensure alignment with our corporate responsibility goals. This comprehensive approach enables us to identify areas for improvement and reinforce our commitment to ethical labour practices.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on the Company's website at <https://www.sourceenergyservices.com/> or at SEDAR+ at <https://www.sedarplus.ca>. Any document referred to in this MSR and described as being accessible on SEDAR+ may be obtained free of charge from the Company at 500, 1060 – 7th Street SW, Calgary Alberta T2R 0C4.

APPROVAL

This MSR was approved by the Board of Directors of Source Energy Services Ltd. as a joint report of Source Energy Services Canadian LP and Source Energy Services Canadian Logistics LP for financial year ended December 31, 2023, pursuant to paragraph 11(4)(b)(ii) of the Modern Slavery Act.

In accordance with requirements of Modern Slavery Act, and in particular section 1.1 thereof, I attest that I have reviewed the information contained in the MSR for the entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the Report is true, accurate and complete in all material respects for the purposes of the MSR., for the reporting year listed above.

I make the above attestation in my capacity as a director of Source Energy Services Ltd. for and on behalf of the Board of Directors.

Yours truly,

/s/ "Scott Melbourn"

Scott Melbourn

Chief Executive Officer and Director

On behalf of the Board of Directors

I have the authority to bind Source Energy Services Ltd.; Source Energy Services Canadian Logistics LP; and Source Energy Services Canada LP.