Strad Energy Services Ltd.

Unaudited Condensed Interim Consolidated Financial Statements

As at and for the three and nine months ended September 30, 2017 and 2016

Strad Energy Services Ltd.
Interim Consolidated Statement of Financial Position
(Unaudited)

(in thousands of Canadian dollars)	**As at September 30, 2017 $**	**As at December 31, 2016 $**
Assets		
Current assets		
Cash	—	369
Trade receivables	35,228	24,460
Inventories	3,482	3,890
Prepaids and deposits	966	1,111
Income tax receivable	345	2,022
	40,021	31,852
Non-current assets		
Property, plant and equipment (note 5)	146,462	150,622
Intangible assets (note 6)	567	665
Long term assets (note 7)	1,812	2,023
Deferred income tax assets	526	159
Total assets	189,388	185,321
Liabilities		
Current liabilities		
Bank indebtedness (note 8)	3,626	1,478
Accounts payable and accrued liabilities	11,762	13,893
Current portion of obligations under finance lease (note 9)	495	845
	15,883	16,216
Non-current liabilities		
Long-term debt (note 10)	18,886	26,501
Obligations under finance lease (note 9)	279	201
Deferred income tax liabilities	11,530	10,321
	46,578	53,239
Equity		
Share capital (note 11)	155,054	135,935
Contributed surplus (note 11)	12,613	12,243
Accumulated other comprehensive income	22,114	26,963
Deficit	(46,971)	(43,059)
Total equity	142,810	132,082
Total liabilities and equity	189,388	185,321

Commitments and contingencies (note 12)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Strad Energy Services Ltd.

Interim Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

For the three and nine months ended September 30, 2017 and 2016

(Unaudited)

(in thousands of Canadian dollars, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	$	$	$	$
Revenue	33,923	20,277	90,077	45,115
Expenses				
Operating expenses (note 16)	20,343	15,369	59,597	35,106
Depreciation (note 5)	7,295	4,864	21,118	14,248
Amortization of intangible assets (note 6)	42	43	126	275
Amortization of long term assets (note 7)	22	23	70	71
Selling, general and administration (note 16)	4,080	3,610	10,605	10,176
Share-based payments	82	51	370	171
Gain on disposal of property, plant and equipment	(6)	(35)	(234)	(496)
Foreign exchange (gain) loss	(15)	17	(160)	(416)
Finance fees	58	44	204	138
Interest expense	301	318	1,156	718
Income (loss) before income tax	1,721	(4,027)	(2,775)	(14,876)
Current income tax expense (recovery)	1,367	(248)	1,367	(1,385)
Deferred income tax expense (recovery)	(244)	(33)	(231)	206
Income (loss) for the period	598	(3,746)	(3,911)	(13,697)
Other comprehensive loss				
Items that may be reclassified subsequently to net loss				
Cumulative translation adjustment	(2,510)	618	(4,849)	(5,004)
Total comprehensive loss for the period	(1,912)	(3,128)	(8,760)	(18,701)
Loss per share:				
Basic	$0.01	($0.09)	($0.07)	($0.36)
Diluted	$0.01	($0.09)	($0.07)	($0.36)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Strad Energy Services Ltd.
Interim Consolidated Statement of Changes in Equity
For the nine months ended September 30, 2017 and 2016
(Unaudited)

(in thousands of Canadian dollars)

	Share capital $	Contributed surplus $	Accumulated other comprehensive income $	Deficit $	Total equity $
Balance - January 1, 2017	135,935	12,243	26,963	(43,059)	132,082
Net loss for the period	—	—	—	(3,911)	(3,911)
Cumulative translation adjustment	—	—	(4,849)	—	(4,849)
Shares issued on acquisition	4,565	—	—	—	4,565
Shareholder loans (net)	304	—	—	—	304
Issuance of common shares	15,000	—	—	—	15,000
Share issue costs (net of tax $275)	(750)	—	—	—	(750)
Employee share options:					
Value of services recognized	—	370	—	—	370
Balance - September 30, 2017	155,054	12,613	22,114	(46,970)	142,811
Balance - January 1, 2016	118,401	12,012	30,153	(26,256)	134,310
Net loss for the period	—	—	—	(13,697)	(13,697)
Cumulative translation adjustment	—	—	(5,004)	—	(5,004)
Shares issued on acquisition	17,536	—	—	—	17,536
Shareholder loans (net)	(94)	—	—	—	(94)
Employee share options:					
Value of services recognized	—	171	—	—	171
Balance - September 30, 2016	135,843	12,183	25,149	(39,953)	133,222

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Strad Energy Services Ltd.
Interim Consolidated Statement of Cash Flow
For the nine months ended September 30, 2017 and 2016
(Unaudited)

(in thousands of Canadian dollars)	**Nine months ended September 30,**	
	2017	**2016**
		(revised - see note 17)
Cash flow provided by (used in)	**$**	**$**
Operating activities		
Loss for the period	(3,911)	(13,697)
Adjustments for items not affecting cash:		
Depreciation and amortization	21,314	14,594
Deferred income tax expense	(231)	231
Current income tax (recovery) expense	1,367	—
Share-based payments	370	171
Interest expense and finance fees	1,360	856
Unrealized foreign exchange gain	(495)	(379)
Gain on disposal of property, plant and equipment	(234)	(496)
Book value of used fleet sales in operating activities (note 17)	3,460	2,559
Changes in items of non-cash working capital (note 13)	(12,205)	3,975
Net cash generated from operating activities	10,795	7,814
Investing activities		
Purchase of property, plant and equipment	(16,967)	(3,806)
Proceeds from sale of property, plant and equipment	790	367
Purchase of intangible assets	(34)	(65)
Cash paid on business acquisition (note 4)	(2,750)	—
Cash assumed on business acquisition (note 4)	322	196
Changes in items of non-cash working capital (note 13)	117	157
Net cash used in used in investing activities	(18,522)	(3,151)
Financing activities		
Proceeds on issuance of long-term debt	5,307	20,000
Repayment of long-term debt	(12,919)	(9,739)
Repayment of long-term debt assumed in business acquisition	—	(12,995)
Repayment of finance lease obligations (net)	(790)	(453)
Repayment of shareholder loan	304	(94)
Interest expense and finance fees	(1,360)	(856)
Issuance of common shares	15,000	—
Share issue costs	(1,025)	—
Changes in items of non-cash working capital (note 13)	(76)	10
Net cash generated from (used in) financing activities	4,441	(4,127)
Effect of exchange rate changes on cash and cash equivalents	769	(750)
Decrease in cash and cash equivalents	(2,517)	(214)
Bank indebtedness – beginning of year	(1,109)	(2,874)
Bank indebtedness – end of period	(3,626)	(3,088)
Cash paid for income tax	—	—
Cash paid for interest	203	706

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

(in thousands of Canadian dollars)

1 General information

Strad is a North American energy services company that provides rental equipment and matting solutions to the oil and gas and energy infrastructure sectors. Strad focuses on providing complete customer solutions in Canada and the United States.

The Company is a publicly listed company incorporated and domiciled in Canada under the legislation of the Province of Alberta. The condensed interim consolidated financial statements of the Company for the period ended September 30, 2017 and 2016, comprise the Company and its subsidiaries.

The head office, principal address and records office of the Company are located at 440 2nd Avenue SW, Suite 1200, Calgary, Alberta, Canada, T2P 5E9.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors ("the Board") on November 8, 2017.

2 Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, IAS 34, *"Interim Financial Reporting"*, and have been prepared following the same accounting policies and methods of computation as the annual consolidated financial statements for the year ended December 31, 2016.

The policies applied in these condensed interim consolidated financial statements are based on applicable IFRS issued, effective and outstanding as of November 8, 2017, the date the Board approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2017, could result in restatement of these condensed interim consolidated financial statements.

These condensed interim consolidated financial statements should be read in conjunction with the Company's IFRS annual consolidated financial statements at December 31, 2016.

3 Future accounting policy and disclosures

New standards, amendments and interpretations issued but not yet effective.

On July 24, 2014, the IASB issued the complete IFRS 9, *"Financial Instruments"* ("IFRS 9") to replace International Accounting Standard 39, "Financial Instruments: Recognition and Measurement." The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Company has completed its initial assessment and evaluation of the impact of the standard on its financial statements and does not expect this standard to have a material effect on its consolidated financial statements.

On May 28, 2014, the IASB published IFRS 15, *"Revenue From Contracts With Customers"* ("IFRS 15") replacing IAS 11, "Construction Contracts", IAS 18, "Revenue" and several revenue-related interpretations. IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. On April 12, 2016, the IASB issued Clarifications to IFRS 15. The clarifications provide additional guidance with respect to the five-step analysis and transition to the Standard. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company intends to adopt IFRS 15 and the clarifications in its financial statements for the annual period beginning on January 1, 2018. The Company has completed its initial assessment and evaluation of the standard and determined that it will not have a material impact on its consolidated financial statements.

On January 13, 2016, the IASB issued IFRS 16, *"Leases"* ("IFRS 16"), which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases. IFRS 16 is effective for years beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 *"Revenue From Contracts With Customers"* has been adopted. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 16 on its consolidated financial statements.

On June 20, 2016, the IASB issued amendments to IFRS 2 "*Share-based Payment*" ("IFRS 2"), clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) a modification to the terms and conditions of share-based payments that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. Amendments can be applied prospectively. The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The Company has completed the initial evaluation and has determined that it will not have a material impact on its consolidated financial statements.

A description of other standards and interpretations that will be adopted by the Company in future periods can be found in the notes to the annual consolidated financial statements for the year ended December 31, 2016.

4 Acquisitions

Effective February 15, 2017, the Company acquired a private company, Got Mats?, located in Manitoba, in exchange for 2,143,375 common shares of Strad Energy Services Ltd and $1.0 million in cash consideration, representing a total value of approximately $4.5 million. The common shares have been ascribed a fair value of $1.65 per common share, as determined based on the Company's closing share price at the date of closing, which was February 15, 2017. In addition, within 90 days following the closing date of February 15, 2017, Strad prepared a closing working capital calculation based on the closing date financial statements. If the closing date working capital is greater or less than the working capital target of $450 thousand, then the consideration will be adjusted accordingly. The adjustment to closing working capital paid was $0.5 million based on the closing working capital calculation. Transaction costs were minimal and were expensed.

The transaction was accounted for by the purchase method. The allocation of the purchase price, based on management's best estimates of fair values, is as follows:

(in thousands of Canadian dollars)

Fair value of the net assets acquired		
Property, plant and equipment (note 5)	$	4,781
Working capital		450
Deferred income tax liability		(694)
Net assets acquired		**4,537**

Consideration		
Common shares (2,143,375 at $1.65 per share) (note 11)	$	3,537
Cash consideration		1,000
Total consideration paid		**4,537**

Included in the statement of loss and comprehensive loss are the following amounts relating to the Got Mats? acquisition, from February 15, 2017 to September 30, 2017.

Revenue	$	2,726
Net income (loss) and comprehensive income (loss)		1,864

If the Got Mats? acquisition had occurred on January 1, 2017, the Company's pro forma results of revenue and net loss and comprehensive loss for the nine months ended September 30, 2017 would have been as follows:

		Strad, as stated in the statement of loss and comprehensive loss		Got Mats? Acquisition (from January 1, 2017 to closing date)		Pro forma
Revenue	$	90,077	$	539	$	90,616
Net income (loss) and comprehensive income (loss)		(8,760)		144		(8,616)

Effective February 22, 2017, the Company acquired two private companies based in Fort St. John, British Columbia, in exchange for 561,798 common shares of Strad Energy Services Ltd. and $1.75 million in cash representing a total consideration of approximately $2.8 million. The acquisition was accounted for using the purchase method with $3.4 million allocated to property, plant and equipment and a deferred tax liability of $0.6 million.

5 Property, plant and equipment

Cost

		Rental equipment		Automotive equipment		Tools & equipment		Office furniture & fixtures		Other (1)		Total
As at December 31, 2016	$	273,819	$	9,531	$	4,157	$	2,920	$	2,075	$	292,502
Capital expenditures		15,230		1,556		24		11		146		16,967
Acquisitions		7,361		423		363		—		41		8,188
Divestitures and transfer		(9,482)		(1,186)		(275)		—		(75)		(11,018)
Reclassification		(113)		—		108		—		—		(5)
Foreign currency translation		(9,810)		23		(67)		(84)		(30)		(9,968)
As at September 30, 2017		277,005		10,347		4,310		2,847		2,157		296,666

(in thousands of Canadian dollars)

Accumulated depreciation

	Rental equipment	Automotive equipment	Tools & equipment	Office furniture & fixtures	Other [1]	Total
As at December 31, 2016	$ 127,695	$ 6,298	$ 3,410	$ 2,417	$ 2,060	$ 141,880
Depreciation	18,617	1,838	406	196	61	21,118
Divestitures and transfers	(6,043)	(866)	(33)	—	(76)	(7,018)
Reclassification	(9)	—	—	—	—	(9)
Foreign currency translation	(5,692)	78	(50)	(76)	(27)	(5,767)
As at September 30, 2017	134,568	7,348	3,733	2,537	2,018	150,204

Net book value

As at December 31, 2016	$ 146,124	$ 3,233	$ 747	$ 503	$ 15	$ 150,622
As at September 30, 2017	142,437	2,999	577	310	139	146,462

[1] Other includes land, buildings and computer hardware

Included in Automotive equipment are assets under financial lease with a net carrying amount of $1.0 million (December 31, 2016 - $1.9 million).

6 Intangible assets

Cost

	Patent and technology asset	Computer software	Total
As at December 31, 2016	$ 3,280	$ 2,328	$ 5,608
Capital expenditures	—	34	34
Foreign currency translation	(30)	(46)	(76)
As at September 30, 2017	3,250	2,316	5,566

Accumulated Amortization

	Patent and technology asset	Computer software	Total
As at December 31, 2016	$ 2,739	$ 2,204	$ 4,943
Amortization	50	76	126
Foreign currency translation	(28)	(42)	(70)
As at September 30, 2017	2,761	2,238	4,999

Net book value

As at December 31, 2016	$ 541	$ 124	$ 665
As at September 30, 2017	489	78	567

(in thousands of Canadian dollars)

7 Long-term assets

Cost		
As at December 31, 2016	$	2,215
Foreign currency translation		(157)
As at September 30, 2017		2,058
Accumulated Amortization		
As at December 31, 2016	$	192
Amortization		70
Foreign currency translation		(16)
As at September 30, 2017		246
Net book value		
As at December 31, 2016	$	2,023
As at September 30, 2017		1,812

Long-term assets consist of land and building that are included in the U.S. Operations segment (see note 14).

8 Bank indebtedness

The Company’s syndicated banking facility consists of an operating facility with a maximum principal amount of $7.0 million CAD, $5.0 million USD and a $36.5 million CAD revolving facility. The operating facility and revolving facility are subject to certain limitations on accounts receivable, inventory and net book value of fixed assets and are secured by a general security agreement over the Company’s assets. As at September 30, 2017, the Company had access to the maximum credit facilities. The syndicated banking facility bears interest at a variable rate, which is dependent on the Company’s funded debt to earnings before Interest, Taxes, Depreciation and Amortization (“covenant EBITDA”) ratio.

Based on the Company's current funded debt to covenant EBITDA ratio at September 30, 2017, the interest rate on the syndicated credit facility is bank prime plus 1.25% on prime rate advances and at the prevailing rate plus a stamping fee of 2.25% on bankers' acceptances. The current debt agreement was extended and amended during the third quarter of 2017 and will mature on September 29, 2020. For the nine months ended September 30, 2017, the overall effective rate on the operating facility was 5.44% (December 31, 2016 - 5.25%). At September 30, 2017, $3.6 million (December 31, 2016 - $1.5 million) was drawn on the operating facility. All bank covenants were in compliance as at September 30, 2017.

9 Obligations under finance lease

		As at September 30, 2017		As at December 31, 2016
Equipment under finance lease	$	774	$	1,046
Current portion		495		845
Long-term portion		279		201

The finance leases bear interest ranging from 0% to 7% at September 30, 2017. Minimum lease payments for equipment under finance leases for the next three years are as follows:

(in thousands of Canadian dollars)

	As at September 30, 2017	As at December 31, 2016
2017	$ 213	$ 871
2018	342	203
2019	127	—
2020	147	—
Total minimum lease payments	829	1,074
Less: Amounts representing future interest at annual rates between 0% and 7%	(55)	(28)
	774	1,046

10 Long-term debt

	As at September 30, 2017	As at December 31, 2016
Revolving facility	$ 18,886	$ 26,501

As at September 30, 2017, the Company had access to $36.5 million CAD of its revolving facility (see note 8) of which $18.9 million was drawn (December 31, 2016 - $26.5 million). Required monthly payments are interest only with the principal due September 29, 2020. The overall effective rate on the revolving facility at September 30, 2017, was 4.79% (December 31, 2016 - 3.57%).

11 Share capital

a) Authorized

An unlimited number of Classes A, B, C, D, E and F shares without nominal or par value.
As at September 30, 2017, there are no Class B, C, D, E or F shares outstanding.

b) Issued and outstanding

	Nine months ended September 30, 2017		Year ended December 31, 2016	
	Number of shares	Amount $	Number of shares	Amount $
Balance, beginning of year	48,378,995	135,935	37,280,397	118,401
Issuance due to acquisitions (note 4)	2,705,173	4,565	11,098,598	17,536
Shareholder loan - repayment	—	304	—	157
Shareholder loan - issuance	—	—	—	(159)
Issuance of common shares	8,928,572	15,000	—	—
Share issue costs (net of tax of $275)	—	(750)	—	—
Total common shares, end of period	60,012,740	155,054	48,378,995	135,935

On September 11, 2017, the Company obtained approval from the Toronto Stock Exchange to commence a normal course issuer bid up to a maximum of 3,000,637 common shares of the Corporation, or 5% of the 60,012,740 issued and outstanding Common Shares in order to enhance shareholder value. No shares have been repurchased and canceled at the end of the third quarter.

(in thousands of Canadian dollars)

c) Stock options

Options to purchase common shares may be granted by the Board of Directors to officers and employees of the Company. Options granted vest one-third on each of the first, second and third anniversary dates of the grant date. Options can be exercised for shares or net shares.

	Nine months ended September 30, 2017		**Year ended December 31, 2016**	
	Outstanding Options	Weighted average exercise price	Outstanding Options	Weighted average exercise price
Balance, beginning of year	2,439,837	$2.54	2,378,497	$3.62
Granted	—	—	1,382,500	$1.60
Naturally expired - vested	(325,500)	$4.40	(479,334)	$3.33
Forfeited - vested	(36,000)	$3.55	(683,477)	$3.85
Forfeited - unvested	(36,000)	$1.55	(158,349)	$2.52
Balance, end of period	2,042,337	$2.23	2,439,837	$2.54

Details of the exercise prices and expiry dates of options outstanding and exercisable as at September 30, 2017, are as follows:

As at September 30, 2017

Exercise Price	Outstanding Options	Remaining contractual life (years)	Weighted average exercise price	Vested options	Remaining contractual life (years)	Weighted average exercise price
$1.50 - $1.59	820,000	4.1025	$1.54	—	—	—
$1.60 - $1.99	459,500	3.4795	$1.69	153,176	3.4795	$1.69
$2.00 - $3.99	732,837	1.4298	$3.25	646,829	1.296	$3.32
$4.00 - $4.99	30,000	2.1187	$4.63	20,000	2.1187	$4.63
	2,042,337		$2.23	820,005		$3.05

The Company recognized compensation expense of $0.4 million thousand during the nine months ended September 30, 2017 (2016 - $0.2 million). During the nine months ended September 30, 2017, nil options were issued.

d) Performance and Director awards

The Company has a Retention Award Plan ("**RAP**") which authorizes the Board of Directors to grant performance awards ("**PA**s") and director awards ("**DA**s") to directors, officers, employees, consultants and other service providers of the Company.

The number of performance and director awards outstanding are as follows:

(in thousands of Canadian dollars)

Performance Awards	Nine months ended September 30, 2017	Year ended December 31, 2016
Balance, beginning of year	714,319	216,291
Granted	—	586,000
Exercised	—	(18,314)
Forfeited	(7,500)	(69,658)
Total awards, end of period	706,819	714,319

Director Awards	Nine months ended September 30, 2017	Year ended December 31, 2016
Balance, beginning of year	169,126	77,553
Granted	125,050	190,782
Exercised	(61,580)	(99,209)
Total awards, end of period	232,596	169,126

The Company recognized an expense of $481 thousand during the nine months ended September 30, 2017 (year-ended December 31, 2016 - $178 thousand) included in selling, general and administration expenses and has a liability of $855 thousand (as at December 31, 2016 - $374 thousand) included in accounts payable at September 30, 2017.

e) Contributed surplus

	Nine months ended September 30, 2017	Year ended December 31, 2016
Balance, beginning of year	$ 12,243	$ 12,012
Share-based payments expense	370	231
Balance, end of period	12,613	12,243

f) Per share amounts

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Basic weighted average shares outstanding	58,843,505	40,492,958	57,531,430	38,122,839
Diluted weighted average shares outstanding	59,233,724	40,492,958	57,531,430	38,122,839

For the three months ended September 30, 2017, there were 390,200 potentially dilutive securities outstanding ($nil - September 30, 2016). For the nine months ended September 30, 2017, all options were excluded from the diluted per share calculation as their effect was anti-dilutive.

(in thousands of Canadian dollars)

12 Commitments and contingencies

The Company has operating lease commitments for equipment and buildings over the next seven years as follows:

	As at September 30, 2017	As at December 31, 2016
2017	$ 2,287	$ 4,097
2018	3,799	3,165
2019	3,104	2,706
2020	2,837	2,442
2021	2,239	1,839
2022 and thereafter	2,278	1,970
	16,544	16,219

The Company is involved in a limited number of other legal claims associated with the normal course of operations. The Company believes it has made adequate provisions for such legal claims.

13 Changes in non-cash working capital

	For the nine months ended	
	September 30, 2017	September 30, 2016
Trade receivables	$ (10,768)	$ (2,687)
Inventories	408	1,103
Prepaids and deposits	145	(39)
Income taxes receivable	310	(1,881)
Accounts payable and accrued liabilities	(2,131)	5,541
Working capital assumed on acquisition	(128)	2,105
Changes in items of non-cash working capital	(12,164)	4,142
Changes in items of non-cash working capital - investing	117	157
Changes in items of non-cash working capital - financing	(76)	10
Changes in items of non-cash working capital - operating	(12,205)	3,975
Changes in items of non-cash working capital	(12,164)	4,142

14 Segment information

The Executive Management Team is the Company's chief operating decision-maker. Management has determined the operating segments to be Canadian Operations, U.S. Operations and Product Sales based on the information reviewed by the Executive Management Team for the purposes of allocating resources and assessing performance.

The Canadian Operations and U.S. Operations operating segments consist of revenue and expenses generated from the Company's core business of providing equipment and matting solutions to exploration and production, as well as energy infrastructure, companies in the energy industry. The Company's core business is split geographically between Canada and the U.S., which are monitored as separate reportable segments by the Company's Executive Management Team. Product Sales segment generates revenue through manufactured Product Sales to external customers, third party equipment sales to existing customers plus the sale of equipment from the Company's existing fleet to customers. Corporate consists of costs incurred to operate a public company, including a portion of the Executive Management Team, corporate

(in thousands of Canadian dollars)

accounting, rent and utilities and external professional services. A portion of corporate costs directly related to the Company's core business are allocated to Canadian Operations, U.S. Operations and Product Sales.

Three months ended September 30, 2017	**Canadian Operations**	**U.S. Operations**	**Product Sales**	**Corporate**	**Total**
Revenue	$ 23,366	$ 7,776	$ 2,781	$ —	$ 33,923
Operating expenses	12,745	4,925	2,673	—	20,343
Selling, general and administrative	2,081	993	52	954	4,080
Depreciation and amortization	5,041	2,220	48	50	7,359
Net interest expense	—	—	—	301	301
Finance fees	—	—	—	58	58
Earnings (loss) before income tax	4,003	(1,621)	(513)	(148)	1,721
Income tax expense (recovery)	1,285	—	(96)	(66)	1,123
Net income (loss)	2,718	(1,621)	(417)	(82)	598
Capital expenditures (1)	7,136	21	—	76	7,233
Long-term assets	—	1,812	—	—	1,812
Total assets	124,322	64,070	104	892	189,388

(1) Capital expenditures do not include purchases of intangible assets

(2) Canadian operations include the results from the GotMats? acquisition from the closing date

Three months ended September 30, 2016	**Canadian Operations (2)**	**U.S. Operations**	**Product Sales**	**Corporate**	**Total**
Revenue	$ 13,730	$ 2,950	$ 3,597	$ —	$ 20,277
Operating expenses	9,726	2,403	3,240	—	15,369
Selling, general and administrative	1,462	858	24	1,266	3,610
Depreciation and amortization	2,322	2,488	64	56	4,930
Net interest expense	—	—	—	318	318
Finance fees	—	—	—	44	44
Earnings (loss) before income tax	2,012	(4,028)	(239)	(1,772)	(4,027)
Income tax expense (recovery)	(192)	—	(79)	(10)	(281)
Net income (loss)	2,204	(4,028)	(160)	(1,762)	(3,746)
Capital expenditures (1)	2,441	774	—	—	3,215
Long-term assets	—	2,000	—	—	2,000
Total assets	114,402	73,341	137	1,085	188,965

(1) Capital expenditures do not include purchases of intangible assets

(2) Canadian operations include the results from the Redneck acquisition from the closing date

(in thousands of Canadian dollars)

Nine months ended September 30, 2017	**Canadian Operations**	**U.S. Operations**	**Product Sales**	**Corporate**	**Total**
Revenue	$ 63,521	$ 19,094	$ 7,462	$ —	$ 90,077
Operating expenses	40,207	13,643	5,747	—	59,597
Selling, general and administrative	4,800	2,750	151	2,904	10,605
Depreciation and amortization	13,765	7,242	165	142	21,314
Net interest expense	—	—	—	1,156	1,156
Finance fees	—	—	—	204	204
Earnings (loss) before income tax	7,172	(8,238)	(827)	(882)	(2,775)
Income tax expense (recovery)	1,323	—	(136)	(51)	1,136
Net income (loss)	5,849	(8,238)	(691)	(831)	(3,911)
Capital expenditures [(1)]	14,172	2,694	25	76	16,967
Long-term assets	—	1,812	—	—	1,812
Total assets	124,322	64,070	104	892	189,388

(1) Capital expenditures do not include purchases of intangible assets

(2) Canadian operations include the results from the GotMats? acquisition from the closing date

Nine months ended September 30, 2016	**Canadian Operations (2)**	**U.S. Operations**	**Product Sales**	**Corporate**	**Total**
Revenue	$ 27,139	$ 10,251	$ 7,725	$ —	$ 45,115
Operating expenses	19,557	8,848	6,701	—	35,106
Selling, general and administrative	3,775	3,355	44	3,002	10,176
Depreciation and amortization	6,291	7,892	205	206	14,594
Net interest expense	—	—	—	718	718
Finance fees	—	—	—	138	138
Earnings (loss) before income tax	925	(13,091)	(891)	(1,819)	(14,876)
Income tax expense (recovery)	(1,026)	16	(185)	16	(1,179)
Net income (loss)	1,951	(13,107)	(706)	(1,835)	(13,697)
Capital expenditures [(1)]	2,550	1,214	—	42	3,806
Long-term assets	—	2,000	—	—	2,000
Total assets	114,402	73,341	137	1,085	188,965

(1) Capital expenditures do not include purchases of intangible assets

(2) Canadian operations include the results from the Redneck acquisition from the closing date

Revenue is allocated to each geographic location based on the country in which the revenue is generated.

	Three months ended		**Nine months ended**	
	September 30, 2017	**September 30, 2016**	**September 30, 2017**	**September 30, 2016**
Canada	$ 26,147	$ 17,327	$ 70,983	$ 34,864
U.S.	7,776	2,950	19,094	10,251
Total	33,923	20,277	90,077	45,115

(in thousands of Canadian dollars)

	As at September 30, 2017			As at December 31, 2016		
	Capital assets and intangible assets	**Other assets**	**Total assets**	**Capital assets and intangible assets**	**Other assets**	**Total assets**
Canada	$ 94,741	$ 30,577	$ 125,318	$ 85,711	$ 28,762	$ 114,473
U.S.	52,288	11,782	64,070	63,337	7,511	70,848
Total	147,029	42,359	189,388	149,048	36,273	185,321

During the nine months ended September 30, 2017, the Product Sales segment had intercompany sales of $1.0 million (2016 - $nil) to the Canadian Operations segment and $0.1 million (2016 - $nil) to the U.S. Operations segment, not included in the revenue figures above. Intercompany sales consist of in-house manufactured capital assets and inventory which are sold to the Canadian Operations and U.S. Operations segments. These transactions are eliminated upon consolidation.

15 Related party transactions

Loans to key management

The share purchase loans outstanding with key management are shown below:

	As at September 30, 2017	**As at December 31, 2016**
Opening balance	$ 995	$ 993
Share purchase loans issued	—	159
Repayment of share purchase loan	(304)	(157)
	691	995

Certain key management personnel and directors have loans outstanding totaling $0.7 million from the Company. Proceeds of the loans were used to purchase common shares in the Company, which were then used to secure these loans. The loan balances are non-interest bearing for the first three years the loan balances are outstanding. After three years, the notes bear interest at the prime lending rate per annum established by the Company's bank, plus 1% interest. The loans are required to be repaid in full on the maturity date, being 10 years from the date of issuance.

For the period ended September 30, 2017, there were no loan advances made to key management (year-ended December 31, 2016 - $0.2 million) and loan principal repayments of $0.3 million were received (year-ended December 31, 2016 - $0.2 million).

For the period ended September 30, 2017, no interest was charged by the Company on loans to key management (year-ended December 31, 2016 - $nil) and no interest repayments were received (year-ended December 31, 2016 - $nil).

(in thousands of Canadian dollars)

16 Expenses by nature

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
Operating expenses				
Direct expenses:				
Rental expenses	$ 5,738	$ 2,644	$ 17,058	$ 6,510
Service and trucking	7,544	6,688	22,829	12,645
Cost of sales and consumables	2,826	3,037	6,789	6,361
Total direct expenses	16,108	12,369	46,676	25,516
Indirect expenses:				
Personnel costs	$ 1,517	$ 992	$ 4,525	$ 3,453
Occupancy and other	2,718	2,008	8,396	6,137
Total indirect expenses	4,235	3,000	12,921	9,590
Total operating expenses	20,343	15,369	59,597	35,106

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
Selling, general and administrative expenses				
Personnel costs	$ 2,651	$ 1,785	$ 6,398	$ 5,073
Occupancy and other	1,429	1,825	4,207	5,103
Total selling, general and administrative expenses	4,080	3,610	10,605	10,176

17 Prior period reclassifications

During the fourth quarter of 2016, the Company completed a review of the presentation of rental asset disposals on the consolidated statement of cash flows and it was determined that the book value of used fleet sales, previously reported as an investing cash flow are more appropriately reflected in operating activities. To be consistent with the consolidated financial statements for the year ended December 31, 2016, the same reclassifications were completed for the nine months ended September 30, 2017. Prior period comparative amounts have been reclassified to conform to the current period presentation. This reclassification had the following impact on cash flow from operations and cash flow from investing activities:

	Nine months ended September 30,	
	2017	**2016**
Cash flow from operating activities		
Book value of used fleet sales in operating activities	$ 3,460	$ 2,559
Cash flow from investing activities		
Proceeds of sale of property, plant and equipment	(3,460)	(2,559)
Increase (decrease) in cash and cash equivalents	—	—