

Strad Energy Services Ltd.

Unaudited Condensed Interim Consolidated Financial Statements

As at and for the three and nine months ended September 30, 2016 and 2015

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

(in thousands of Canadian dollars)	As at September 30, 2016	As at December 31, 2015
	\$	\$
Assets		
Current assets		
Trade receivables	19,441	16,754
Inventories	4,090	5,193
Prepays and deposits	1,523	1,484
Income taxes receivable	3,485	1,604
	<u>28,539</u>	<u>25,035</u>
Non-current assets		
Property, plant and equipment (note 5)	157,684	140,977
Intangible assets (note 6)	583	800
Long term assets (note 7)	2,000	2,184
Deferred income tax assets	159	210
Total assets	<u>188,965</u>	<u>169,206</u>
Liabilities		
Current liabilities		
Bank indebtedness (note 8)	3,088	2,874
Accounts payable and accrued liabilities	14,516	8,881
Deferred revenue	—	94
Current portion of obligations under finance lease (note 9)	968	783
	<u>18,572</u>	<u>12,632</u>
Non-current liabilities		
Long-term debt (note 10)	25,761	15,500
Obligations under finance lease (note 9)	357	228
Deferred income tax liabilities	11,053	6,536
Total liabilities	<u>55,743</u>	<u>34,896</u>
Equity		
Share capital (note 11)	135,843	118,401
Contributed surplus (note 11)	12,183	12,012
Accumulated other comprehensive income	25,149	30,153
Deficit	(39,953)	(26,256)
Total equity	<u>133,222</u>	<u>134,310</u>
Total liabilities and equity	<u>188,965</u>	<u>169,206</u>

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 Loss and Comprehensive Loss

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Revenue	20,277	25,299	45,115	89,576
Expenses				
Operating expenses (note 16)	15,369	17,520	35,106	62,355
Depreciation (note 5)	4,864	7,579	14,248	21,324
Amortization of intangible assets (note 6)	43	113	275	389
Amortization of long term assets (note 7)	23	24	71	68
Selling, general and administration (note 16)	3,610	3,711	10,176	12,074
Share-based payments	51	47	171	215
Gain on disposal of property, plant and equipment	(35)	(30)	(496)	(155)
Foreign exchange loss (gain)	17	380	(416)	164
Finance fees	44	37	138	134
Interest expense	318	311	718	1,198
Impairment	—	1,900	—	1,900
Goodwill impairment	—	17,277	—	17,277
Loss before income tax	(4,027)	(23,570)	(14,876)	(27,367)
Income tax recovery	(281)	(3,208)	(1,179)	(5,322)
Loss for the period	(3,746)	(20,362)	(13,697)	(22,045)
Other comprehensive loss				
Items that may be reclassified subsequently to net loss				
Cumulative translation adjustment	618	7,000	(5,004)	14,130
Total comprehensive loss for the period	(3,128)	(13,362)	(18,701)	(7,915)
Loss per share:				
Basic	(\$0.09)	(\$0.55)	(\$0.36)	(\$0.60)
Diluted	(\$0.09)	(\$0.55)	(\$0.36)	(\$0.60)

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, 2016 and 2015
(Unaudited)

(in thousands of Canadian dollars)

	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income \$	Retained earnings (deficit) \$	Total equity \$
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) (note 11)	(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
Balance - January 1, 2015	118,351	11,757	12,950	11,932	154,990
Net loss for the period	—	—	—	(22,045)	(22,045)
Cumulative translation adjustment	—	—	14,130	—	14,130
Exercise of options	4	(4)	—	—	—
Shareholder loans (net) (note 11)	6	—	—	—	6
Dividends declared	—	—	—	(7,827)	(7,827)
Employee share options:					
Value of services recognized	—	215	—	—	215
Balance - September 30, 2015	118,361	11,968	27,080	(17,940)	139,469

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, 2016 and 2015
(Unaudited)

(in thousands of Canadian dollars)	Nine months ended September 30,	
	2016	2015
Cash flow provided by (used in)	\$	\$
Operating activities		
Loss for the period	(13,697)	(22,045)
Adjustments for items not affecting cash:		
Depreciation and amortization	14,594	21,781
Deferred income tax recovery	231	(4,766)
Share-based payments	171	215
Interest expense and finance fees	856	1,332
Unrealized foreign exchange gains	(379)	—
Gain on disposal of property, plant and equipment	(496)	(155)
Impairment	—	1,900
Goodwill impairment	—	17,277
Changes in items of non-cash working capital (note 13)	3,975	11,916
Net cash generated from operating activities	5,255	27,455
Investing activities		
Purchase of property, plant and equipment	(3,806)	(8,201)
Proceeds from sale of property, plant and equipment	2,926	3,525
Purchase of intangible assets	(65)	(77)
Changes in items of non-cash working capital (note 13)	157	(2,554)
Net cash generated from (used in) investing activities	(788)	(7,307)
Financing activities		
Proceeds on issuance of long-term debt	20,000	—
Repayment of long-term debt	(9,739)	(17,500)
Repayment of long-term debt assumed in business acquisition	(12,995)	—
Repayment of finance lease obligations (net)	(453)	(794)
Issuance of shareholder loan (net of repayments)	(94)	6
Interest expense and finance fees	(856)	(1,332)
Payment of dividends	—	(7,827)
Cash assumed on business acquisition	196	—
Changes in items of non-cash working capital (note 13)	10	20
Net cash used in financing activities	(3,931)	(27,427)
Effect of exchange rate changes on cash and cash equivalents	(750)	2,760
Decrease in cash and cash equivalents	(214)	(4,519)
Cash and cash equivalents – beginning of year	(2,874)	(826)
Cash and cash equivalents – end of period	(3,088)	(5,345)
Cash paid for income tax	—	1,908
Cash paid for interest	706	1,209

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

Strad Energy Services Ltd.

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

(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, 2016 and 2015, 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 3, 2016.

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, 2015.

The policies applied in these condensed interim consolidated financial statements are based on applicable IFRS issued, effective and outstanding as of November 3, 2016, 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, 2016, 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, 2015.

3 Future accounting policy and disclosures

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.

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, 2015.

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Notes to the Interim Consolidated Financial Statements

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4 Acquisition

Effective August 31, 2016, the Company acquired all of the issued and outstanding common shares of Redneck Oilfield Services Ltd ("Redneck") and Raptor Oilfield Services Ltd ("Raptor"), together the "Redneck acquisition", in exchange for 11,098,598 common shares of Strad Energy Services Ltd with a fair value of \$17.5 million. The common shares have been ascribed a fair value of \$1.58 per common share, as determined based on the Company's closing share price at the date of closing, which was August 31, 2016. In addition, within 180 days following the closing date of August 31, 2016, Strad shall prepare 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 \$2.3 million, then the consideration will be adjusted accordingly. The estimated adjustment to closing working capital recognized as a payable was \$0.1 million as at August 31, 2016. Transaction costs of \$0.9 million have been expensed.

The Redneck acquisition creates a strong, more diverse rental platform to better service customers focused in the Montney and Duvernay plays of Northeast British Columbia and Northwest Alberta (the "Deep Basin"). The operating results of Redneck and Raptor have been included in the results of Strad commencing September 1, 2016.

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:

Fair Value of the net assets acquired

Property, plant and equipment (note 5)	\$	33,565
Term loan and long term debt		(12,995)
Working capital		2,393
Obligations under finance lease (note 9)		(1,005)
Deferred income tax liability		(4,330)
Net assets acquired		17,628

Consideration

Common shares (11,098,598 at \$1.58 per share) (note 11)	\$	17,536
Working capital adjustment		92
Total consideration paid		17,628

Included in the statement of loss and comprehensive loss are the following amounts relating to the Redneck acquisition, from August 31, 2016 to September 30, 2016.

Revenue	\$	692
Net loss and comprehensive loss		(662)

If the Redneck acquisition had occurred on January 1, 2016, the Company's pro forma results of revenue and net loss and comprehensive loss for the nine months ended September 30, 2016 would have been as follows:

	Strad, as stated in the statement of loss and comprehensive loss	Strad, Redneck acquisition (from January 1, 2016 to closing date)	Pro forma (unaudited)
Revenue	\$	45,115	\$ 50,639
Net loss and comprehensive loss		(13,697)	(16,589)

Strad Energy Services Ltd.

Notes to the Interim Consolidated Financial Statements

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(in thousands of Canadian dollars)

5 Property, plant and equipment**Cost**

	Rental equipment	Automotive equipment	Tools & equipment	Office furniture & fixtures	Other ⁽¹⁾	Total
As at December 31, 2015	\$ 251,296	\$ 10,476	\$ 5,484	\$ 2,866	\$ 2,112	\$ 272,234
Capital expenditures	3,633	112	8	45	8	3,806
Acquisition	31,176	2,218	71	97	3	33,565
Divestitures and transfers	(4,279)	(3,109)	(1,468)	(51)	—	(8,907)
Reclassification	—	(45)	66	(21)	—	—
Foreign currency translation	(7,661)	(172)	(97)	(62)	(26)	(8,018)
As at September 30, 2016	274,165	9,480	4,064	2,874	2,097	292,680

Accumulated depreciation

	Rental equipment	Automotive equipment	Tools & equipment	Office furniture & fixtures	Other ⁽¹⁾	Total
As at December 31, 2015	\$ 115,035	\$ 7,507	\$ 4,433	\$ 2,212	\$ 2,070	\$ 131,257
Depreciation	12,693	933	334	247	41	14,248
Divestitures and transfers	(2,724)	(2,297)	(1,402)	(67)	(1)	(6,491)
Reclassification	—	(12)	30	(18)	—	—
Foreign currency translation	(3,775)	(85)	(81)	(51)	(26)	(4,018)
As at September 30, 2016	121,229	6,046	3,314	2,323	2,084	134,996

Net book value

As at December 31, 2015	136,261	2,969	1,051	654	42	140,977
As at September 30, 2016	152,936	3,434	750	551	13	157,684

⁽¹⁾Other includes land, buildings and computer hardware

Included in Rental equipment and Automotive equipment are assets under financial lease with a net carrying amount of \$583 thousand (December 31, 2015 - \$212 thousand) and \$1.6 million (December 31, 2015 - \$1.6 million) respectively.

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Notes to the Interim Consolidated Financial Statements

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(in thousands of Canadian dollars)

6 Intangible assets

Cost

	Patent and technology asset	Computer software	Total
As at December 31, 2015	\$ 3,293	\$ 2,163	5,456
Capital expenditures	—	65	65
Foreign currency translation	(23)	(34)	(57)
As at September 30, 2016	3,270	2,194	5,464

Accumulated Amortization

	Patent and technology asset	Computer software	Total
As at December 31, 2015	\$ 2,624	\$ 2,032	\$ 4,656
Amortization	110	165	\$ 275
Foreign currency translation	(22)	(28)	\$ (50)
As at September 30, 2016	2,712	2,169	\$ 4,881

Net Book Value

As at December 31, 2015	\$ 669	\$ 131	\$ 800
As at September 30, 2016	558	25	583

7 Long-term assets

Cost

As at December 31, 2015	\$ 2,285
Foreign currency translation	(121)
As at September 30, 2016	2,164

Accumulated Amortization

As at December 31, 2015	\$ 101
Amortization	71
Foreign currency translation	(8)
As at September 30, 2016	164

Net book value

As at December 31, 2015	\$ 2,184
As at September 30, 2016	2,000

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 revolving facility, both of which 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, 2016, the Company had access to the maximum credit facilities. The syndicated

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Notes to the Interim Consolidated Financial Statements

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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 ("EBITDA") ratio.

Based on the Company's amended credit facility, the interest rate will increase to bank prime plus 3.50% on prime rate advances and at the prevailing rate plus a stamping fee of 4.50% on bankers' acceptances during the covenant waiver period in the fourth quarter of 2016 and the first quarter of 2017. The syndicated credit facility matures on September 29, 2018. For the nine months ended September 30, 2016, the overall effective rate on the operating facility was 4.68% (nine months ended September 30, 2015 - 4.50%). At September 30, 2016, \$3.1 million (December 31, 2015 - \$2.9 million) was drawn on the operating facility. All bank covenants are in compliance as at September 30, 2016.

9 Obligations under finance lease

	As at September 30, 2016	As at December 31, 2015
Equipment under finance lease	\$ 393	\$ 1,011
Acquired equipment under finance lease	932	—
	1,325	1,011
Current portion	968	783
Long-term portion	357	228

The finance leases bear interest ranging from 0% to 7% at September 30, 2016.

10 Long-term debt

	As at September 30, 2016	As at December 31, 2015
Revolving facility	\$ 25,761	\$ 15,500

As at September 30, 2016, the Company had access to \$36.5 million of its revolving facility (see note 8) of which \$25.8 million was drawn (December 31, 2015 - \$15.5 million). Required monthly payments are interest only with the principal due September 29, 2018. The overall effective rate on the revolving facility at September 30, 2016, was 3.07% (December 31, 2015 - 3.78%).

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, 2016, there are no Class B, C, D, E or F shares outstanding.

Strad Energy Services Ltd.

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

(in thousands of Canadian dollars)

b) Issued and outstanding

	Nine months ended September 30, 2016		Year-ended December 31, 2015	
	Number of shares	Amount \$	Number of shares	Amount \$
Balance, beginning of year	37,280,397	118,401	37,279,200	118,351
Acquisitions	11,098,598	17,536	—	—
Shareholder loan - repayment	—	65	—	95
Shareholder loan - issuance	—	(159)	—	(50)
Interest on shareholder loans	—	—	—	2
Exercise of options	—	—	1,197	3
Total common shares, end of period	48,378,995	135,843	37,280,397	118,401

Share-based payments

Options to purchase common shares may be granted by the Board of Directors to directors, officers and employees of the Company. The Company has two option plans. In November 2010, the Board of Directors approved a new stock option plan with options with a term of five years and each stock option provides the employee with the right to purchase one common share. Options vest one-third on each of the first, second and third anniversary dates of the grant date.

Options granted under the previous plan have a term of six years and either vest one-third on each of the second, third and fourth anniversary dates of the grant date or one-half on each of the first and second anniversary dates of the grant date. As at September 30, 2016, options can be exercised for shares or net shares.

	As at September 30, 2016		As at December 31, 2015	
	Outstanding options	Weighted average exercise price	Outstanding options	Weighted average exercise price
Balance, beginning of year	2,378,497	\$3.62	2,239,174	\$3.79
Granted	764,000	\$1.64	541,500	\$2.83
Exercised	—	—	(8,000)	\$2.50
Naturally expired - vested	(463,000)	\$3.31	(5,000)	\$4.00
Expired - vested	(601,816)	\$3.88	(143,652)	\$3.89
Forfeited - unvested	(73,679)	\$2.99	(245,525)	\$3.25
Balance, end of period	2,004,002	\$2.87	2,378,497	\$3.62

The Company recognized compensation expense of \$171 thousand during the nine months ended September 30, 2016 (2015 - \$215 thousand). During the nine months ended September 30, 2016, the fair value of options granted were calculated based on the Black-Scholes option pricing model with the following assumptions: risk free interest rate - 0.56%, expected volatility - 43%, a forfeiture rate of 15%, no expected quarterly dividend per share and an expected life of 5 years.

Strad Energy Services Ltd.

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

(in thousands of Canadian dollars)

c) Contributed surplus

	Nine months ended September 30, 2016	Year-ended December 31, 2015
Balance, beginning of year	\$ 12,012	\$ 11,757
Share-based payments expense	171	258
Exercise of options	—	(3)
Balance, end of period	12,183	12,012

d) Per share amounts

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Basic and diluted weighted average shares outstanding	40,492,958	36,915,850	38,122,839	36,914,305

12 Commitments and contingencies

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

	As at September 30, 2016
2016	\$ 1,175
2017	4,012
2018	3,033
2019	2,579
2020	2,318
2021 and thereafter	3,459
	\$ 16,576

The Company is involved in a limited number of legal claims associated with the normal course of operations. The Company believes it has made adequate provisions for such legal claims. There are no individually or collectively significant claims.

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Notes to the Interim Consolidated Financial Statements

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(in thousands of Canadian dollars)

13 Changes in non-cash working capital

	For the nine months ended	
	September 30, 2016	September 30, 2015
Trade receivables	\$ (2,687)	\$ 24,660
Inventories	1,103	1,620
Prepays and deposits	(39)	(99)
Income taxes receivable	(1,881)	(1,066)
Accounts payable and accrued liabilities	5,635	(13,911)
Deferred revenue	(94)	(243)
Income taxes payable	—	(1,579)
Working capital assumed on acquisition	2,105	—
Changes in items of non-cash working capital	4,142	9,382
Changes in items of non-cash working capital - investing	157	(2,554)
Changes in items of non-cash working capital - financing	10	20
Changes in items of non-cash working capital - operating	3,975	11,916
Changes in items of non-cash working capital	4,142	9,382

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 Executive Management Team views the business as two separate sources of revenue. The primary source of revenue is generated from the Company's core business of providing well-site infrastructure solutions, which include Surface Equipment, Environmental & Access Matting, Solids Control and Waste Management, Drill Pipe, EcoPond[®] (frac-water storage) and Matting Manufacturing to exploration and production companies in the oil and natural gas industry. Surface Equipment offerings provide support to drilling and completions projects for the oil and natural gas industry from start to finish. Environmental & Access Matting is used for a variety of applications from roads to rig site platforms and is proven to increase access to remote locations, protect sensitive terrain from damage and reduce reclamation costs. Solids Control and Waste Management is a closed-loop, zero discharge solids control and waste management system solution that is designed to maximize separation efficiency, lower drilling costs, reduce dilution volumes, and meet stricter environmental practices and standards. Drill Pipe is a comprehensive range of drilling-related subsurface equipment for purchase, lease or rent including drill pipe, heavy weight drill pipe, drill collars, and other handling equipment. EcoPond[®] is a frac-water storage solution that is designed to work safely, reduce environmental impact and lower completion costs. The Company's core business is split geographically between Canada and the U.S. The Company's second source of revenue, Product Sales, is derived from manufactured Product Sales to external customers, third party equipment sales to existing customers plus sales 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 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.

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(in thousands of Canadian dollars)

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	12	34	2	270	318
Finance fees	—	—	—	44	44
Earnings (loss) before income tax	2,012	(4,028)	(239)	(1,772)	(4,027)
Income tax recovery	(192)	—	(79)	(10)	(281)
Capital expenditures ⁽¹⁾	2,441	774	—	—	3,215
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 results from the Redneck acquisition from the closing date.

Three months ended September 30, 2015	Canadian Operations	U.S. Operations	Product Sales	Corporate	Total
Revenue	\$ 13,359	\$ 8,715	\$ 3,225	\$ —	\$ 25,299
Operating expenses	8,492	6,117	2,911	—	17,520
Selling, general and administrative	1,877	1,323	42	469	3,711
Depreciation and amortization	2,692	4,826	112	86	7,716
Net interest expense	41	4	77	189	311
Finance fees	—	—	—	37	37
Earnings (loss) before income tax	(9,706)	(13,118)	(22)	(724)	(23,570)
Income tax (recovery) expense	(1,283)	(1,981)	23	33	(3,208)
Capital expenditures ⁽¹⁾	292	473	—	1	766
Total assets	89,359	98,418	149	968	188,894

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

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Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

(in thousands of Canadian dollars)

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	32	34	4	648			718
Finance fees	—	—	—	138			138
Earnings (loss) before income tax	925	(13,091)	(891)	(1,819)			(14,876)
Income tax (recovery) expense	(1,026)	16	(185)	16			(1,179)
Capital expenditures (1)	2,550	1,214	—	42			3,806
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 results from the Redneck acquisition from the closing date.

Nine months ended September 30, 2015	Canadian Operations		U.S. Operations		Product Sales	Corporate	Total
	\$	\$	\$	\$			
Revenue	\$ 46,337	\$ 32,208	\$ 11,031	\$ —			89,576
Operating expenses	30,646	21,182	10,527	—			62,355
Selling, general and administrative	5,564	4,723	126	1,661			12,074
Depreciation and amortization	7,212	13,951	337	281			21,781
Net interest expense	131	99	99	869			1,198
Finance fees	—	—	—	134			134
Earnings (loss) before income tax	(7,645)	(17,148)	57	(2,631)			(27,367)
Income tax (recovery) expense	(513)	(4,955)	57	89			(5,322)
Capital expenditures ⁽¹⁾	5,675	2,453	—	73			8,201
Total assets	89,359	98,418	149	968			188,894

Revenue by geography	Three months ended September 30,				Nine months ended September 30,	
	2016		2015		2016	2015
	\$	\$	\$	\$	\$	\$
Canada	\$ 17,327	\$ 16,441	\$ 34,863	\$ 56,780		
U.S.	2,950	8,858	10,252	32,796		
Total	20,277	25,299	45,115	89,576		

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

Strad Energy Services Ltd.

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

(in thousands of Canadian dollars)

	As at September 30, 2016			As at September 30, 2015		
	Capital assets and intangible assets	Other assets	Total assets	Capital assets and intangible assets	Other assets	Total assets
Canada	\$ 91,561	\$ 24,063	\$ 115,624	\$ 69,367	\$ 21,109	\$ 90,476
U.S.	66,706	6,635	73,341	84,789	13,629	98,418
Total	158,267	30,698	188,965	154,156	34,738	188,894

During the nine months ended September 30, 2016, the Product Sales segment had intercompany sales of \$nil (2015 - \$0.5 million) to the Canadian Operations segment and \$nil (2015 - \$0.1 million) 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:

	For the period ended	
	September 30, 2016	December 31, 2015
Opening balance	\$ 993	\$ 1,050
Share purchase loans issued	159	—
Repayment of share purchase loan	(65)	(53)
Interest charged	—	3
Interest paid	—	(7)
	1,087	993

Certain key management personnel and directors have loans outstanding totaling \$1.1 million from the Company. Proceeds of the loans were used to purchase common shares in the Company. 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, 2016, there were \$159 thousand of loan advances made to key management (year-ended December 31, 2015 - \$nil) and loan principal repayments of \$65 thousand were received (year-ended December 31, 2015 - \$53 thousand).

For the period ended September 30, 2016, no interest was charged by the Company on loans to key management (year-ended December 31, 2015 - \$3 thousand) and no interest repayments were received (year-ended December 31, 2015 - \$7 thousand).

Strad Energy Services Ltd.

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and 2015

(Unaudited)

(in thousands of Canadian dollars)

16 Expenses by Nature

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Operating Expenses				
Direct expenses:				
Rental expenses	\$ 2,644	\$ 1,019	\$ 6,510	\$ 5,279
Service and trucking	6,688	8,331	12,645	29,058
Cost of sales and consumables	3,037	4,032	6,361	12,831
Total direct expenses	12,369	13,382	25,516	47,168
Indirect expenses:				
Personnel costs	992	2,196	3,453	8,839
Occupancy and other	2,008	1,942	6,137	6,348
Total indirect expenses	3,000	4,138	9,590	15,187
Total Operating Expenses	15,369	17,520	35,106	62,355
	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Selling, general and administrative expenses				
Personnel costs	\$ 1,785	\$ 2,517	\$ 5,073	\$ 8,915
Occupancy and other	1,825	1,194	5,103	3,159
Total selling, general and administrative expenses	3,610	3,711	10,176	12,074