Strad Energy Services Ltd.

Unaudited Condensed Interim Consolidated Financial Statements

As at and for the three and nine months ended September 30, 2014 and 2013

Strad Energy Services Ltd.

Interim Consolidated Statement of Financial Position

(Unaudited)

(in thousands of Canadian dollars)	**As at September 30, 2014**	**As at December 31, 2013**
	$	**$**
Assets		
Current assets		
Trade receivables (note 18)	48,579	35,569
Inventories (note 4)	7,604	5,788
Prepaids and deposits	2,756	1,772
Note receivable (note 5)	93	350
Income taxes receivable	—	40
	59,032	43,519
Assets held for sale (note 6)	2,478	3,167
Non-current assets		
Property, plant and equipment (note 7)	154,308	142,108
Intangible assets (note 8)	1,358	1,685
Goodwill	17,277	17,277
Deferred income tax assets	69	164
Total assets	234,522	207,920
Liabilities		
Current liabilities		
Bank indebtedness (note 9)	8,132	1,879
Accounts payable and accrued liabilities	30,590	26,188
Income taxes payable	1,257	—
Current portion of obligations under finance lease (note 10)	954	1,887
Dividend payable	2,609	2,050
	43,542	32,004
Non-current liabilities		
Long-term debt (note 11)	37,400	38,500
Obligations under finance lease (note 10)	1,055	770
Deferred income tax liabilities	11,879	7,797
Total liabilities	93,876	79,071
Equity		
Share capital (note 12)	118,360	117,824
Contributed surplus (note 12)	11,769	11,612
Accumulated other comprehensive income	2,101	603
Retained earnings (deficit)	8,416	(1,190)
Total equity	140,646	128,849
Total liabilities and equity	234,522	207,920

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

Strad Energy Services Ltd.

Interim Consolidated Statement of Income and Comprehensive Income

For the three and nine months ended September 30, 2014 and 2013

(Unaudited)

(in thousands of Canadian dollars, except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	$	$	$	$
Revenue	58,115	47,425	163,695	141,724
Expenses				
Operating expenses (note 21)	34,827	31,331	105,618	94,873
Depreciation	5,622	7,025	16,479	22,755
Amortization of intangible assets	177	234	546	954
Selling, general and administration (note 21)	5,344	5,517	16,585	16,563
Share-based payments	109	155	369	438
Loss (gain) on disposal of property, plant and equipment	665	162	(334)	824
Foreign exchange gain	(181)	(63)	(12)	(202)
Finance fees	32	88	219	231
Interest expense	543	784	1,677	2,289
Loss on assets held for sale	—	—	199	175
Income before income tax	10,977	2,192	22,349	2,824
Income tax expense (recovery) (note 13)	3,009	(181)	5,477	(625)
Net income for the period	7,968	2,373	16,872	3,449
Other comprehensive income				
Items that may be reclassified subsequently to net income				
Cumulative translation adjustment	1,385	(766)	1,498	1,002
Comprehensive income for the period	9,353	1,607	18,370	4,451
Earnings per share:				
Basic	$0.22	$0.06	$0.46	$0.09
Diluted	$0.21	$0.06	$0.45	$0.09

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
(Unaudited)

(in thousands of Canadian dollars)

	Attributable to equity owners of the Company				
	Share capital $	**Contributed surplus** $	**Accumulated other comprehensive income (loss)** $	**Retained earnings (deficit)** $	**Total equity** $
Balance - January 1, 2014	117,824	11,612	603	(1,190)	128,849
Net income for the period	—	—	—	16,872	16,872
Other comprehensive income (net of tax):					
Cumulative translation adjustment	—	—	1,498	—	1,498
Comprehensive income for the period	—	—	1,498	16,872	18,370
Exercise of options (note 12)	115	(212)	—	—	(97)
Shareholder loan repayments	421	—	—	—	421
Dividends declared	—	—	—	(7,266)	(7,266)
Employee share options:					
Value of services recognized	—	369	—	—	369
Balance - September 30, 2014	118,360	11,769	2,101	8,416	140,646
Balance - January 1, 2013	117,462	11,016	(1,451)	1,632	128,659
Net income for the period	—	—	—	3,449	3,449
Other comprehensive income (net of tax):					
Cumulative translation adjustment	—	—	1,002	—	1,002
Comprehensive income for the period	—	—	1,002	3,449	4,451
Exercise of options (note 12)	—	(39)	—	—	(39)
Shareholder loan repayments	408	—	—	—	408
Dividends declared	—	—	—	(6,146)	(6,146)
Employee share options:					
Value of services recognized	—	438	—	—	438
Other	(30)	54	—	—	24
Balance - September 30, 2013	117,840	11,469	(449)	(1,065)	127,795

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, 2014 and 2013
(Unaudited)

(in thousands of Canadian dollars)

Cash flow provided by (used in)	**2014** **$**	**2013** **$**
Operating activities		
Net income for the period	16,872	3,449
Adjustments for items not affecting cash:		
Depreciation and amortization	17,025	23,709
Deferred income tax expense (recovery) (note 13)	3,930	(1,561)
Share-based payments (net of cash settlements on share option exercises)	157	399
Interest expense and finance fees	1,896	2,520
(Gain) loss on disposal of property, plant and equipment	(334)	824
Loss on assets held for sale	199	175
Changes in items of non-cash working capital (note 15)	(8,802)	3,453
Net cash generated from operating activities	30,943	32,968
Investing activities		
Purchase of property, plant and equipment	(27,210)	(4,944)
Proceeds from sale of property, plant and equipment	3,199	1,574
Purchase of intangible assets	(298)	(463)
Purchase of assets held for sale	—	(125)
Proceeds from assets held for sale	557	1,876
Changes in items of non-cash working capital (note 15)	(1,489)	(4,565)
Net cash used in investing activities	(25,241)	(6,647)
Financing activities		
Proceeds on issuance of long-term debt	7,900	2,000
Repayment of long-term debt	(9,000)	(18,500)
Repayment of finance lease obligations (net)	(648)	(1,869)
Proceeds on repayment of shareholder loan	421	378
Interest expense and finance fees	(1,896)	(2,520)
Payment of dividends	(6,709)	(6,146)
Changes in items of non-cash working capital (note 15)	437	219
Net cash used in financing activities	(9,495)	(26,438)
Effect of exchange rate changes on cash and cash equivalents	(2,460)	(1,474)
Decrease in cash and cash equivalents	(6,253)	(1,591)
Cash and cash equivalents (including bank indebtedness) – beginning of year	(1,879)	(2,488)
Cash and cash equivalents (including bank indebtedness) – end of period	(8,132)	(4,079)
Cash paid for income tax	1,089	1,290
Cash paid for interest	1,643	2,106

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

(in thousands of Canadian dollars)

1 General information

Strad Energy Services Ltd. (the "Company"), is an energy services company that focuses on providing well-site infrastructure solutions to the oil and natural gas industry in Canada and the United States (U.S.).

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, 2014 and 2013, 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 4, 2014.

2 Basis of preparation

The Company prepares its condensed interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS").

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, 2013.

The policies applied in these condensed interim consolidated financial statements are based on applicable IFRS issued, effective and outstanding as of November 4, 2014, 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, 2014, 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, 2013.

3 Changes in accounting policy and disclosures

In December 2011, the IASB issued amendments to IAS 32, *"Financial Instruments: Presentation"* ("IAS 32"), to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right to offset must be available on the current date and cannot be contingent on a future event. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014, requiring retrospective application. The adoption of this standard has not had a material impact on the Company's condensed interim consolidated financial statements.

(in thousands of Canadian dollars)

IFRIC 21, "*Levies*" ("IFRIC 21"), sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses diversity in practice around when the liability to pay a levy is recognized. IFRIC 21 addresses the accounting for a liability to pay a levy recognized in accordance with IAS 37, "*Provisions, Contingent Liabilities and Contingent Assets*", and the liability to pay a levy whose timing and amount is certain. It excludes income taxes within the scope of IAS 12, *"Income taxes"*. The adoption of this standard has not had a material impact on the Company's condensed interim consolidated financial statements.

On July 24, 2014, the IASB issued IFRS 9, "*Financial Instruments*" ("IFRS 9") to replace International Accounting Standard 39, "*Financial Instruments: Recognition and Measurement.*" IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The Company is currently evaluating the impact of adopting IFRS 9 on its consolidated financial statements.

In May 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 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The new standard is effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 15 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, 2013.

4 Inventories

	As at September 30, 2014	As at December 31, 2013
Raw materials	$ 2,278	$ 3,103
Work in progress	124	256
Finished goods	5,202	2,429
	7,604	5,788

The cost of inventories recognized as expense and included in 'Operating expenses' for the nine months ended September 30, 2014, amounted to $33.0 million (2013 - $40.7 million). During the nine months ended September 30, 2014 and 2013, the Company had no write-downs of inventories to net realizable value.

(in thousands of Canadian dollars)

5 Note receivable

	As at September 30, 2014	As at December 31, 2013
Three-year note receivable	$ 93	$ 350
Current portion	93	350
Long-term portion	—	—

On December 12, 2011, the Company sold its investment in Strad Controls Ltd. As part of the consideration, the Company received a ninety-day, non-interest bearing note receivable for $1.0 million, which was repaid in full on March 11, 2012, and a second $1.0 million three-year note receivable due December 12, 2014.

The repayment terms of the three-year note calls for monthly blended payments of principal and interest of $30 thousand commencing January 12, 2012, and ending December 12, 2014. The three-year note bears interest at 5.0% annually.

6 Assets held for sale

	Land and building	Equipment – Canadian Operations	Equipment – U.S. Operations	Total
As at December 31, 2013	$ 2,127	$ 435	$ 605	$ 3,167
Divestitures	—	(255)	(568)	(823)
Foreign currency translation	114	—	22	136
Transfers	—	(2)	—	(2)
As at September 30, 2014	2,241	178	59	2,478

Assets held for sale are accounted for at the lower of carrying value and fair value less costs to sell.

Land and building

The Company intends to sell land and building that were purchased in April 2012 for $1.4 million. Improvements of $1.2 million were made to the property since initial acquisition. For the nine months ended September 30, 2014, no impairment loss was recognized on the land and building held for sale.

Land and building held for sale are included in the U.S. Operations segment (note 16).

Rental Equipment

As at December 31, 2013, the Company classified rental equipment with a collective carrying value of $1.0 million as assets held for sale. For the nine months ended September 30, 2014, no impairment loss was recognized on the rental equipment.

The rental equipment is included in the Canadian Operations and U.S. Operations segments (see note 16).

(in thousands of Canadian dollars)

7 Property, plant and equipment

Cost

	Rental equipment	Automotive equipment	Tools & equipment	Office furniture & fixtures	Other (1)	Total
As at December 31, 2013	$ 188,528	$ 15,830	$ 6,203	$ 2,978	$ 2,197	$ 215,736
Capital expenditures	23,698	2,752	662	74	24	27,210
Divestitures	(947)	(5,414)	(2,123)	(541)	(128)	(9,153)
Transfers	(2,159)	—	12	—	—	(2,147)
Other	128	(71)	5	—	—	62
Foreign currency translation	5,687	209	33	50	32	6,011
As at September 30, 2014	214,935	13,306	4,792	2,561	2,125	237,719

	Rental equipment	Automotive equipment	Tools & equipment	Office furniture & fixtures	Other (1)	Total
As at December 31, 2012	$ 188,628	$ 16,398	$ 5,910	$ 2,595	$ 2,020	$ 215,551
Capital expenditures	3,831	1,062	213	153	25	5,284
Divestitures	(5,040)	(1,907)	(494)	(8)	(22)	(7,471)
Transfers	(7,538)	(25)	—	—	—	(7,563)
Foreign currency translation	3,296	119	19	30	31	3,495
Other	(5)	(264)	362	39	105	237
As at September 30, 2013	183,172	15,383	6,010	2,809	2,159	209,533

Accumulated Depreciation

	Rental equipment	Automotive equipment	Tools & equipment	Office furniture & fixtures	Other (1)	Total
As at December 31, 2013	$ 57,914	$ 9,225	$ 3,180	$ 1,585	$ 1,724	$ 73,628
Depreciation	13,393	1,756	673	490	167	16,479
Divestitures	(562)	(3,793)	(1,281)	(519)	(130)	(6,285)
Transfers	(2,265)	—	9	—	(2)	(2,258)
Other	24	—	—	—	—	24
Foreign currency translation	1,688	72	15	30	18	1,823
As at September 30, 2014	70,192	7,260	2,596	1,586	1,777	83,411

	Rental equipment	Automotive equipment	Tools & equipment	Office furniture & fixtures	Other (1)	Total
As at December 31, 2012	$ 45,674	$ 7,524	$ 2,891	$ 1,033	$ 1,387	$ 58,509
Depreciation	19,319	2,158	684	371	223	22,755
Divestitures	(3,070)	(1,179)	(373)	(5)	(9)	(4,636)
Transfers	(7,543)	(26)	—	—	—	(7,569)
Foreign currency translation	945	90	(260)	11	7	793
Other	(38)	(346)	332	39	34	21
As at September 30, 2013	55,287	8,221	3,274	1,449	1,642	69,873

Net book value

As at September 30, 2013	$ 127,885	$ 7,162	$ 2,736	$ 1,360	$ 517	$ 139,660
As at December 31, 2013	130,614	6,605	3,023	1,393	473	142,108
As at September 30, 2014	144,743	6,046	2,196	975	348	154,308

(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 $302 thousand (2013 - $280 thousand) and $3.0 million (2013 - $3.6 million) respectively.

(in thousands of Canadian dollars)

8 Intangible assets

Cost

	Customer relationships	Patent and technology asset	Non-competition covenants	Computer software	Total
As at December 31, 2013	$ 7,200	$ 3,025	$ 900	$ 1,947	$ 13,072
Capital expenditures	—	263	—	35	298
Divestitures	—	—	—	(47)	(47)
Other	—	(98)	—	—	(98)
Foreign currency translation	—	21	—	28	49
As at September 30, 2014	7,200	3,211	900	1,963	13,274

	Customer relationships	Patent and technology asset	Non-competition covenants	Computer software	Total
As at December 31, 2012	$ 7,200	$ 2,652	$ 900	$ 1,733	$ 12,485
Capital expenditures	—	339	—	124	463
Transfers	—	(5)	—	—	(5)
Foreign currency translation	—	11	—	8	19
As at September 30, 2013	7,200	2,997	900	1,865	12,962

Accumulated Amortization

	Customer relationships	Patent and technology asset	Non-competition covenants	Computer software	Total
As at December 31, 2013	$ 7,200	$ 2,029	$ 898	$ 1,260	$ 11,387
Amortization	—	218	2	326	546
Divestitures	—	—	—	(45)	(45)
Foreign currency translation	—	11	—	17	28
As at September 30, 2014	7,200	2,258	900	1,558	11,916

	Customer relationships	Patent and technology asset	Non-competition covenants	Computer software	Total
As at December 31, 2012	$ 6,899	$ 1,242	$ 837	$ 786	$ 9,764
Amortization	301	242	50	361	954
Foreign currency translation	—	4	—	3	7
As at September 30, 2013	7,200	1,488	887	1,150	10,725

Net Book Value

As at September 30, 2013	$ —	$ 1,509	$ 13	$ 715	$ 2,237
As at December 31, 2013	—	996	2	687	1,685
As at September 30, 2014	—	953	—	405	1,358

9 Bank indebtedness

On September 30, 2014, the Company amended its syndicated credit facility, by lowering standby rates charged on the undrawn portion of the committed facility and extending the maturity date to September 30, 2017.

(in thousands of Canadian dollars)

The Company's syndicated banking facility consists of an operating facility with a maximum principal amount of $15.0 million CAD, $10.0 million USD and an $85.0 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, 2014, the Company had access to the entire $110.0 million 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 ("EBITDA") ratio.

Based on the Company's current funded debt to EBITDA ratio at September 30, 2014, the interest rate on the syndicated credit facility is bank prime plus 0.75% on prime rate advances and at the prevailing rate plus a stamping fee of 1.75% on bankers' acceptances. The syndicated credit facility matures on September 30, 2017. For the nine months ended September 30, 2014, the overall effective rate on the operating facility was 4.20% (2013 - 4.36%). At September 30, 2014, $8.1 million (2013 - $4.1 million) was drawn on the operating facility. All bank covenants are in compliance as at September 30, 2014.

10 Obligations under finance lease

	As at September 30, 2014	As at December 31, 2013
Equipment under finance lease	$ 2,009	$ 2,657
Current portion	954	1,887
Long-term portion	1,055	770

The finance leases bear interest ranging from 3% to 5% at September 30, 2014.

11 Long-term debt

	As at September 30, 2014	As at December 31, 2013
Revolving facility	$ 37,400	$ 38,500
Current portion	—	—
Long-term portion	37,400	38,500

On September 30, 2014, the Company amended its syndicated credit facility, by lowering standby rates charged on the undrawn portion of the committed facility and extending the maturity date to September 30, 2017.

As at September 30, 2014, the Company had access to the maximum available $85.0 million revolving facility (see note 9) of which $37.4 million was drawn. Required monthly payments are interest only with the principal due September 30, 2017. The overall effective rate on the revolving facility at September 30, 2014, was 3.47% (2013 – 3.51%).

12 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, 2014, there are no Class B, C, D, E or F shares outstanding.

(in thousands of Canadian dollars)

b) Issued and outstanding

	Nine months ended September 30, 2014		Year-ended December 31, 2013	
	Number of shares	Amount $	Number of shares	Amount $
Balance, beginning of period	37,251,301	117,824	37,251,301	117,462
Shareholder loan - repayment	—	439	—	516
Shareholder loan - issuance	—	—	—	(130)
Interest on shareholder loans	—	(18)	—	(24)
Exercise of options	23,626	115	—	—
Total common shares, end of period	37,274,927	118,360	37,251,301	117,824

c) 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, 2014		As at December 31, 2013	
	Outstanding options	Weighted average exercise price	Outstanding options	Weighted average exercise price
Balance, beginning of period	2,326,834	$3.80	2,145,334	$3.99
Granted	641,000	$3.70	660,000	$3.42
Exercised	(184,148)	$3.48	(78,499)	$2.50
Expired - vested	(145,000)	$4.00	(42,000)	$6.50
Forfeited - vested	(26,994)	$4.23	(252,825)	$4.21
Forfeited - unvested	(203,354)	$3.73	(105,176)	$1.08
Balance, end of period	2,408,338	$3.79	2,326,834	$3.80

The Company recognized compensation expense of $369 thousand during the nine months ended September 30, 2014, (2013 - $438 thousand). During the nine months ended September 30, 2014, the fair value of options granted were calculated based on the Black-Scholes option pricing model with the following assumptions: risk free interest rate - 1.62%, expected volatility - 41%, forfeiture rate of 13% and an expected quarterly dividend of 5.5 - 7.0 cents per share.

(in thousands of Canadian dollars)

d) Contributed surplus

	Nine months ended September 30, 2014	Year-ended December 31, 2013
Balance, beginning of year	$ 11,612	$ 11,016
Share-based payments expense	369	590
Exercise of options	(212)	(48)
Other	—	54
Balance, end of period	11,769	11,612

e) Per share amounts

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Basic weighted average shares outstanding	36,781,274	36,620,968	36,748,061	36,575,105
Dilutive effect of stock options	534,154	137,356	359,185	93,831
Dilutive effect of shareholder loans	479,306	630,333	507,392	676,196
Diluted weighted average shares outstanding	37,794,734	37,388,657	37,614,638	37,345,132

f) Dividend payable

On both January 10, 2014 and April 11, 2014, the Company paid a dividend of 5.5 cents per share. On July 11, 2014, the Company paid a dividend of 7.0 cents per share. On August 6, 2014, the Company's Board of Directors declared a dividend payable on October 10, 2014, to shareholders of record at the close of business on September 30, 2014.

13 Income tax

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Current income tax expense	$ 967	$ 627	$ 1,547	$ 936
Deferred income tax expense (recovery)	2,042	(808)	3,930	(1,561)
Income tax expense (recovery)	3,009	(181)	5,477	(625)

(in thousands of Canadian dollars)

14 Commitments and contingencies

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

	September 30, 2014	December 31, 2013
2014	$ 1,345	$ 4,905
2015	4,629	3,791
2016	3,984	3,171
2017	2,757	2,333
2018	1,861	1,601
2019 and thereafter	4,449	4,349
	19,025	20,150

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.

15 Changes in non-cash working capital

	September 30, 2014	September 30, 2013
Trade receivables	$ (13,010)	$ (2,213)
Inventories	(1,816)	5,134
Prepaids and deposits	(984)	605
Income taxes receivable	40	1,208
Notes receivable	257	496
Accounts payable and accrued liabilities	4,402	(3,696)
Deferred revenue	—	1,305
Notes payable	—	(463)
Income taxes payable	1,257	—
Restructuring provision	—	(3,269)
Changes in items of non-cash working capital	(9,854)	(893)
Changes in items of non-cash working capital - investing	(1,489)	(4,565)
Changes in items of non-cash working capital - financing	437	219
Changes in items of non-cash working capital - operating	(8,802)	3,453
Changes in items of non-cash working capital	(9,854)	(893)

(in thousands of Canadian dollars)

16 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, Product Sales and Corporate 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 to exploration and production companies in the oil and natural gas industry. 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.

The Corporate segment 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.

Three months ended September 30, 2014	**Canadian Operations**	**U.S. Operations**	**Product Sales**	**Corporate**	**Total**
Revenue	$ 33,162	$ 19,741	$ 5,212	$ —	$ 58,115
Depreciation and amortization	2,456	3,123	122	98	5,799
Net interest expense	8	9	9	517	543
Finance fees	—	—	—	32	32
Earnings (loss) before income tax	6,725	4,288	343	(379)	10,977
Income tax expense	1,349	1,558	22	80	3,009
Capital expenditures [(1)]	4,663	1,593	10	2	6,268

Three months ended September 30, 2013	**Canadian Operations**	**U.S. Operations**	**Product Sales**	**Corporate**	**Total**
Revenue	$ 19,129	$ 13,580	$ 14,716	$ —	$ 47,425
Depreciation and amortization	3,717	3,213	194	135	7,259
Net interest expense	44	227	14	499	784
Finance fees	—	—	—	88	88
Earnings (loss) before income tax	1,015	(2,653)	2,632	1,198	2,192
Income tax (recovery) expense	(203)	(898)	837	83	(181)
Capital expenditures [(1)]	2,313	1,725	61	25	4,124

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

(in thousands of Canadian dollars)

Nine months ended September 30, 2014	Canadian Operations	U.S. Operations	Product Sales	Corporate	Total
Revenue	$ 74,191	$ 51,987	$ 37,517	$ —	$ 163,695
Depreciation and amortization	6,834	9,318	560	313	17,025
Net interest expense	53	124	33	1,467	1,677
Finance fees	—	—	—	219	219
Earnings (loss) before income tax	15,179	5,349	3,290	(1,469)	22,349
Income tax expense	2,740	1,935	592	210	5,477
Capital expenditures (1)	18,005	9,175	24	6	27,210
Goodwill	7,675	9,602	—	—	17,277
Total assets	117,832	113,418	1,665	1,607	234,522

Nine months ended September 30, 2013	Canadian Operations	U.S. Operations	Product Sales	Corporate	Total
Revenue	$ 51,202	$ 40,343	$ 50,179	$ —	$ 141,724
Depreciation and amortization	13,162	9,533	593	421	23,709
Net interest expense (recovery)	1,802	826	208	(547)	2,289
Finance fees	—	—	—	231	231
(Loss) earnings before income tax	(3,757)	(4,442)	7,319	3,704	2,824
Income tax (recovery) expense	(255)	(1,386)	827	189	(625)
Capital expenditures (1)	627	4,357	264	36	5,284
Goodwill	7,675	9,602	—	—	17,277
Total assets	100,269	103,089	838	3,252	207,448

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

Revenue from continuing operations by geography	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Canada	$ 38,248	$ 33,811	$ 110,692	$ 98,182
U.S.	19,867	13,614	53,003	43,542
Total	58,115	47,425	163,695	141,724

	As at September 30, 2014			As at September 30, 2013		
	Capital assets & goodwill	Other assets	Total assets	Capital assets & goodwill	Other assets	Total assets
Canada	$ 82,070	$ 39,032	$ 121,102	$ 73,424	$ 30,935	$ 104,359
U.S.	90,873	22,547	113,420	85,750	17,339	103,089
Total	172,943	61,579	234,522	159,174	48,274	207,448

(in thousands of Canadian dollars)

During the nine months ended September 30, 2014, the Product Sales segment had intercompany sales of $0.3 million (2013 - $1.7 million) to the Canadian Operations segment and $3.3 million (2013 - $1.4 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.

17 Capital structure

The Company's objectives when managing capital are to provide flexibility so as to maximize opportunities and to finance the growth of the Company, and to mitigate downside risk in changing economic environments. The Company's capital structure consists of shareholders' equity, bank indebtedness, long-term debt and finance leases.

	As at September 30, 2014	As at December 31, 2013
Bank indebtedness	$ 8,132	$ 1,879
Long-term debt	37,400	38,500
Finance leases	2,009	2,657
Total debt	47,541	43,036
Total equity	140,646	128,849
Total capitalization	188,187	171,885

The Company manages capital and makes adjustments taking into consideration changing market conditions and other opportunities, while remaining cognizant of the cyclical nature of the energy services sector. In order to maintain or adjust capital structure, the Company may modify its capital spending, issue shares, and add or repay debt. The Company may also revise the terms of its debt facilities as a result of expansion and growth activities.

The Company also manages capital to ensure compliance with the margin requirements and financial covenants on its credit facilities. The Company monitors compliance with these requirements on an ongoing basis and forecasts regularly to assess how certain activities may impact compliance in future periods. As at September 30, 2014, the Company is in compliance with respect to these covenants.

18 Financial instruments

The Company's financial instruments consist of trade receivables, prepaids and deposits, note receivable, bank indebtedness, accounts payable and accrued liabilities, long-term debt, obligations under finance lease and dividend payable.

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, and arises principally from the Company's trade receivables.

The vast majority of the Company's trade receivables are customers involved in the oil and natural gas industry, and the ultimate collection of trade receivables is dependent on both industry related factors and customer specific factors. Industry related factors that may affect collection include commodity prices and access to capital. Customer specific factors that may affect collection include commodity prices, the success of drilling programs, well reservoir decline rates and access to capital.

(in thousands of Canadian dollars)

	As at September 30, 2014	As at December 31, 2013
Under 30 days	$ 36,439	$ 25,857
31-60 days	6,707	5,531
61-90 days	3,212	3,168
Over 90 days	2,221	1,013
Trade receivables	48,579	35,569

As at September 30, 2014, the Company had an allowance for doubtful accounts of $0.7 million (2013 - $0.7 million) with respect to potentially uncollectible accounts. The Company has significant exposure to one customer that accounted for 14% (2013 -11%) of revenue from operations for the period ended September 30, 2014. No other customers accounted for more than 10% of revenue from operations.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. The maximum exposure to credit risk at the reporting date is the carrying value of the trade and note receivables. None of these financial assets, other than the $0.7 million of trade receivables above for which a reserve balance has been taken, are impaired.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's principal sources of liquidity are operating cash flows, existing or new credit facilities and new share equity. The Company monitors its liquidity position on an ongoing basis and manages liquidity risk by regularly evaluating capital and operating budgets, forecasting cash flows and maintaining sufficient credit facilities to meet financing requirements.

The timing of cash flows relating to financial liabilities is outlined in the table below:

	2014 Less than 1 year	2015 1 – 2 years	2016 2 - 3 years	2017 3 – 4 years	2018 4 – 5 years
Accounts payable and accrued liabilities	$ 30,590	$ —	$ —	$ —	$ —
Bank indebtedness (1)	8,473	—	—	—	—
Long-term debt (1)	1,297	1,297	38,697	—	—
Obligations under finance lease (1)	316	916	785	133	—
Dividends payable	2,609	—	—	—	—
Total	43,285	2,213	39,482	133	—

(1) Includes principal and interest

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's net earnings or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

(in thousands of Canadian dollars)

i) Foreign exchange risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company is exposed to foreign exchange risk associated with its U.S. Operations where revenues, costs, and purchases of capital assets are denominated in USD. The Company is also exposed to foreign exchange risk as certain balances within working capital may fluctuate due to changing Canada/ U.S. exchange rates. For the period ended September 30, 2014, if the exchange rate had weakened by 1% against the Canadian dollar with all other variables constant, after tax net earnings would have decreased by $25 thousand (2013 - $17 thousand). An equal and opposite impact would have occurred to after tax net earnings if the exchange rate had strengthened by 1% against the Canadian dollar.

ii) 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 fluctuations on its borrowings which are at floating rates. For the period ended September 30, 2014, if interest rates had been 1% lower with all other variables constant, after tax net earnings for the period would have been approximately $274 thousand higher (2013 - $317 thousand), due to lower interest expense. An equal and opposite impact would have occurred to net earnings had interest rates been 1% higher.

The Company had no interest rate swap or financial contracts in place as at or during the period ended September 30, 2014.

19 Fair value measurement

Fair values of financial assets and liabilities

The Company's financial instruments consist of trade receivables, deposits, note receivable, bank indebtedness, accounts payable and accrued liabilities, long-term debt, obligations under finance lease and dividend payable. The fair value of trade receivables, note receivable, bank indebtedness, accounts payable and accrued liabilities, obligations under finance lease and dividend payable approximate their carrying amounts due to their short terms to maturity. The Company's long-term debt carries interest based on specified benchmark interest rates plus a spread. The fair values of the Company's debt obligations approximate their carrying amounts due to the fact that interest is adjusted periodically based on changes in the relevant benchmark interest rates and there have been no significant changes in the Company's own credit risk.

	As at September 30, 2014		As at December 31, 2013	
	Fair value amount	Carrying amount	Fair value amount	Carrying amount
Loans and receivables:				
Trade receivables	$ 48,579	$ 48,579	$ 35,569	$ 35,569
Deposits	15	15	557	557
Note receivable	93	93	350	350
Financial liabilities:				
Bank indebtedness	8,132	8,132	1,879	1,879
Accounts payable and accrued liabilities	30,590	30,590	26,188	26,188
Long-term debt	37,400	37,400	38,500	38,500
Obligations under finance lease	2,009	2,009	2,657	2,657
Dividends payable	2,609	2,609	2,050	2,050

(in thousands of Canadian dollars)

20 Related party transactions

Loans to key management

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

	For the period ended	
	September 30, 2014	**December 31, 2013**
Opening balance	$ 1,467	$ 1,845
Share purchase loans issued	—	99
Repayment of share purchase loan	(421)	(459)
Interest charged	18	25
Interest paid	(18)	(43)
	1,046	1,467

Certain key management personnel and directors have loans outstanding totaling $1.0 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, 2014, there were no loan advances made to key management (year-ended December 31, 2013 - $99 thousand) and loan principal repayments of $421 thousand were received (year-ended December 31, 2013 - $459 thousand).

For the period ended September 30, 2014, interest of $18 thousand was charged by the Company on loans to key management (year-ended December 31, 2013 - $25 thousand) and interest repayments of $18 thousand were received (year-ended December 31, 2013 – $43 thousand).

21 Comparative figures

During the first quarter of 2014, management completed a comprehensive review of the Company’s definition of selling, general and administration expenses. The review gave consideration to employees who were previously classified in selling, general and administration and the job functions those individuals were performing for the Company. As a result of this review, management determined that a portion of these employees perform functions which are more closely related to the operations of the business and reclassified the respective costs to operating expenses in the current year. Management has reclassified $1.6 million and $5.0 million of selling, general and administrative costs to operating expenses for the three and nine months ended September 30, 2013, respectively.