Strad Energy Services Ltd.

Unaudited Condensed Interim Consolidated Financial Statements

As at and for the three and nine months ended September 30, 2015 and 2014

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

(in thousands of Canadian dollars)	As at September 30, 2015 $	As at December 31, 2014 $ (Revised - See note 2)	As at January 1, 2014 $ (Revised - See note 2)
Assets			
Current assets			
Trade receivables (note 20)	23,882	48,542	35,569
Inventories (note 6)	5,780	7,400	5,788
Prepaids and deposits	1,840	1,741	1,772
Note receivable	—	—	350
Income taxes receivable	1,066	—	40
	32,568	57,683	43,519
Assets held for sale (note 7)	—	260	3,167
Non-current assets			
Property, plant and equipment (note 8)	153,247	159,100	142,108
Intangible assets (note 9)	909	1,210	1,685
Long term assets (note 10)	2,138	1,914	—
Goodwill (note 5)	—	17,277	17,277
Deferred income tax assets	32	15	164
Total assets	188,894	237,459	207,920
Liabilities			
Current liabilities			
Bank indebtedness (note 11)	5,345	826	1,879
Accounts payable and accrued liabilities	11,296	25,207	20,854
Income taxes payable	—	1,579	—
Deferred revenue	16	259	785
Current portion of obligations under finance lease (note 12)	911	882	1,887
Dividend payable (note 14)	2,609	2,609	2,050
	20,177	31,362	27,455
Non-current liabilities			
Long-term debt (note 13)	18,500	36,000	38,500
Obligations under finance lease (note 12)	440	969	770
Deferred income tax liabilities	10,308	14,138	7,797
Total liabilities	49,425	82,469	74,522
Equity			
Share capital (note 14)	118,361	118,351	117,824
Contributed surplus (note 14)	11,968	11,757	11,612
Accumulated other comprehensive income	27,080	12,950	5,152
Retained earnings (deficit)	(17,940)	11,932	(1,190)
Total equity	139,469	154,990	133,398
Total liabilities and equity	188,894	237,459	207,920

Commitments and contingencies (note 16)
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, 2015 and 2014

(Unaudited)

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

	Three months ended September 30,		Nine months ended September 30,	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Revenue	25,299	58,115	89,576	163,695
Expenses				
Operating expenses (note 23)	17,520	34,827	62,355	105,618
Depreciation	7,579	5,622	21,324	16,479
Amortization of intangible assets	113	177	389	546
Amortization of long term assets	24	—	68	—
Selling, general and administration (note 23)	3,711	5,344	12,074	16,585
Share-based payments	47	109	215	369
(Gain) loss on disposal of property, plant and equipment	(30)	665	(155)	(334)
Foreign exchange loss (gain)	380	(181)	164	(12)
Finance fees	37	32	134	219
Interest expense	311	543	1,198	1,677
Loss on assets held for sale	—	—	—	199
Impairment (note 5)	1,900	—	1,900	—
Goodwill impairment (note 5)	17,277	—	17,277	—
(Loss) Income before income tax	(23,570)	10,977	(27,367)	22,349
Income tax (recovery) expense (note 15)	(3,208)	3,009	(5,322)	5,477
Net (loss) income for the period	(20,362)	7,968	(22,045)	16,872
Other comprehensive (loss) income				
Items that may be reclassified subsequently to net (loss) income				
Cumulative translation adjustment (Revised - See note 2)	7,000	4,113	14,130	4,431
Total comprehensive (loss) income for the period	(13,362)	12,081	(7,915)	21,303
(Loss) earnings per share:				
Basic	($0.55)	$0.22	($0.60)	$0.46
Diluted	($0.55)	$0.21	($0.60)	$0.45

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** $ (Revised - see note 2)	**Retained earnings (deficit)** $	**Total equity** $ (Revised - see note 2)
Balance - January 1, 2015	118,351	11,757	12,950	11,932	154,990
Net loss for the period	—	—	—	(22,045)	(22,045)
Other comprehensive income (net of tax):					
Cumulative translation adjustment	—	—	14,130	—	14,130
Comprehensive income for the period	—	—	14,130	(22,045)	(7,915)
Exercise of options (note 14)	4	(4)	—	—	—
Shareholder loans (net) (note 14)	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
Balance - January 1, 2014	117,824	11,612	5,152	(1,190)	133,398
Net income for the period	—	—	—	16,872	16,872
Other comprehensive income (net of tax):					
Cumulative translation adjustment	—	—	4,431	—	4,431
Comprehensive income for the period	—	—	4,431	16,872	21,303
Exercise of options	115	(212)	—	—	(97)
Dividends declared	—	—	—	(7,266)	(7,266)
Employee share options:					
Value of services recognized	—	369	—	—	369
Balance - September 30, 2014	118,360	11,769	9,583	8,416	148,128

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, 2015 and 2014
(Unaudited)

(in thousands of Canadian dollars)	2015	2014
Cash flow provided by (used in)	**$**	**$**
		(Revised - See note 2)
Operating activities		
Net (loss) income for the period	(22,045)	16,872
Adjustments for items not affecting cash:		
Depreciation and amortization	21,781	17,025
Deferred income tax (recovery) expense (note 15)	(4,766)	3,930
Share-based payments	215	157
Interest expense and finance fees	1,332	1,896
Gain on disposal of property, plant and equipment	(155)	(334)
Loss on assets held for sale	—	199
Impairment (note 5)	1,900	—
Goodwill impairment (note 5)	17,277	—
Changes in items of non-cash working capital (note 17)	11,916	(11,735)
Net cash generated from operating activities	27,455	28,010
Investing activities		
Purchase of property, plant and equipment	(8,201)	(27,210)
Proceeds from sale of property, plant and equipment	3,525	3,199
Purchase of intangible assets	(77)	(298)
Proceeds from assets held for sale	—	557
Changes in items of non-cash working capital (note 17)	(2,554)	(1,489)
Net cash used in investing activities	(7,307)	(25,241)
Financing activities		
Proceeds on issuance of long-term debt	—	7,900
Repayment of long-term debt	(17,500)	(9,000)
Repayment of finance lease obligations (net)	(794)	(648)
Issuance of shareholder loan (net of repayments)	6	421
Interest expense and finance fees	(1,332)	(1,896)
Payment of dividends	(7,827)	(6,709)
Changes in items of non-cash working capital (note 17)	20	437
Net cash (used) generated in financing activities	(27,427)	(9,495)
Effect of exchange rate changes on cash and cash equivalents	2,760	473
(Decrease) increase in cash and cash equivalents	(4,519)	(6,253)
Cash and cash equivalents (including bank indebtedness) – beginning of year	(826)	(1,879)
Cash and cash equivalents (including bank indebtedness) – end of period	(5,345)	(8,132)
Cash paid for income tax	1,908	1,089
Cash paid for interest	1,209	1,643

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, 2015 and 2014, 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, 2015.

2 Revision of prior period comparatives

A review of the Company's intercompany payable transactions denominated in Canadian dollars in the Company's U.S. foreign operation was undertaken in the first quarter of 2015. Upon completion of the review, an overstatement of accounts payable and accrued liabilities ("A/P") and understatement of accumulated other comprehensive income ("AOCI"), an equity account, in the amount of approximately $9.5 million at December 31, 2014 ($4.5 million at December 31, 2013) was identified.

At inception of the intercompany A/P balance in 2011, the Company's U.S. foreign operation (which has a USD functional currency) translated the CAD denominated inter-company A/P balance into USD. At each period-end, the USD inter-company A/P amount was translated from USD to CAD at the period-end rate. The foreign currency translation on the USD denominated inter-company payable was accumulating in A/P rather than accumulating in AOCI, which resulted in an overstatement of A/P and understatement of AOCI on the consolidated statement of financial position at each period-end. In the consolidated statement of cash flow, there was an overstatement of changes in items of non-cash working capital of $5.0 million for the year ended December 31, 2014 ($3.5 million for the year ended December 31, 2013) and an offsetting understatement of effect of exchange rate changes on cash and cash equivalents of the same amounts for the respective periods. The overstatement/understatement had no impact on net income, earnings per share or the Company's cash position at any of the periods affected.

The Company considers the intercompany receivable (in Canada) and inter-company payable (in U.S.) to be part of the Company's net investment in its U.S. foreign operation; therefore, the inter-company balances should be treated similarly to an equity transaction on consolidation, with foreign exchange differences accumulating in AOCI.

The Company assessed the materiality of the overstatement/understatement and concluded that it was not material to any of the previously issued consolidated financial statements. As a result, the Company revised its comparative consolidated financial statements to correct the effect of this matter.

The following tables present the effect of this correction on individual line items within the Company's consolidated statements of financial position, comprehensive income, changes in equity and cash flow:

(in thousands of Canadian dollars)

	As at December 31, 2014		
	As previously reported	Adjustment	As revised
Accounts Payable	$ 34,705	$ (9,498)	$ 25,207
Accumulated other comprehensive income	3,452	9,498	12,950

	As at December 31, 2013			As at January 1, 2013		
	As previously reported	Adjustment	As revised	As previously reported	Adjustment	As revised
Accounts Payable	$ 25,403	$ (4,549)	$ 20,854	$ 24,244	$ (1,031)	$ 23,213
Accumulated other comprehensive income	603	4,549	5,152	(1,451)	1,031	(420)

	Three months ended March 31, 2014		
	As previously reported	Adjustment	As revised
Total comprehensive income	$ 5,183	$ 2,139	$ 7,322
Change in non-cash working capital	(1,483)	(2,139)	(3,622)
Effect of exchange rate changes on cash and cash equivalents	(1,901)	2,139	238

	Three months ended June 30, 2014			Six months ended June 30, 2014		
	As previously reported	Adjustment	As revised	As previously reported	Adjustment	As revised
Total comprehensive income	$ 3,834	$ (1,934)	$ 1,900	$ 9,017	$ 205	$ 9,222
Change in non-cash working capital				(7,561)	(205)	(7,766)
Effect of exchange rate changes on cash and cash equivalents				(181)	205	24

	Three months ended September 30, 2014			Nine months ended September 30, 2014		
	As previously reported	Adjustment	As revised	As previously reported	Adjustment	As revised
Total comprehensive income	$ 9,353	$ 2,728	$ 12,081	$ 18,370	$ 2,933	$ 21,303
Change in non-cash working capital				(8,802)	(2,933)	(11,735)
Effect of exchange rate changes on cash and cash equivalents				(2,460)	2,933	473

	Year ended December 31, 2014			Year ended December 31, 2013		
	As previously reported	Adjustment	As revised	As previously reported	Adjustment	As revised
Total comprehensive income	$ 25,846	$ 4,949	$ 30,795	$ 7,426	$ 3,518	$ 10,944
Change in non-cash working capital	(5,867)	(4,949)	(10,816)	10,994	(3,518)	7,476
Effect of exchange rate changes on cash and cash equivalents	(1,344)	4,949	3,605	(3,049)	3,518	469

(in thousands of Canadian dollars)

3 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, 2014.

The policies applied in these condensed interim consolidated financial statements are based on applicable IFRS issued, effective and outstanding as of November 3, 2015, 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, 2015, 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, 2014.

4 Future accounting policy and disclosures

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, 2018, 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, 2014.

5 Impairment of goodwill and property, plant and equipment

The Company reviews the carrying value of its long-lived assets and cash-generating units ("CGU's") at each balance sheet date to determine whether there is any indication of impairment. During the period, significant decreases in industry activity resulting from the decline in oil and natural gas prices and its impact on current and future business were indicators of impairment and resulted in the Company conducting its test for impairment as of September 30, 2015.

In accordance with the Company's accounting policies, property, plant and equipment and goodwill is attributed to the CGU's that collectively form the Canadian Operations and U.S. Operations operating segments. To assess impairment, the recoverable amount of the CGU to which the property, plant and equipment and goodwill relates is compared to the carrying amount. If the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized.

(in thousands of Canadian dollars)

An impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU.

The carrying amount of each of the Company's Canadian Operations and U.S. Operations CGU's was compared to its recoverable amounts and the Company determined that the carrying amount of each CGU exceeded the recoverable amount indicating impairment of carrying values. The recoverable amount of each CGU was determined using fair value less costs of disposal calculations, which included discounted after-tax cash flow calculations, using forecast prices and cost estimates (Level 3) based on expected future results and discount rates of 15.0% (Canadian Operations) and 15.5% (U.S. Operations). Cash flow projections for 2015 to 2019 have assumed a gradual recovery to historical activity levels. Cash flow projections thereafter have been extrapolated based on a 2.0% per annum growth rate. To assess reasonableness, an evaluation of EBITDA multiples was also completed. As at September 30, 2015, the recoverable amount of the Canadian Operations CGU and U.S. Operations CGU was estimated to be $70.6 million and $67.1 million, respectively. The Company has $56.4 million in non-capital losses in its U.S. Operations CGU, which was excluded from the recoverable amount calculation of the U.S. Operations CGU for purposes of the impairment test. Management's estimates of recoverable amounts are subject to measurement uncertainty as the recoverable amounts are based upon current operating forecasts, utilization rates, rates for available equipment, costs to maintain the equipment and post-tax discount rates.

As a result of the impairment identified in its CGU's, management compared the estimated recoverable amount of each CGU to the carrying value of each CGU and it was determined that the carrying value exceeded the estimated recoverable amount. Accordingly, the Company recorded a goodwill impairment loss in the Canadian Operations CGU and U.S. Operations CGU of $7.7 million and $9.6 million, respectively, as at September 30, 2015. The Company also recognized a property, plant and equipment impairment charge related to its drill pipe assets in the amount of $1.9 million in the Canadian Operations segment.

6 Inventories

	As at September 30, 2015	As at December 31, 2014
Raw materials	1,153	$ 3,105
Finished goods	4,627	4,295
	5,780	7,400

The cost of inventories recognized as expense and included in 'Operating expenses' for the nine months ended September 30, 2015, amounted to $12.1 million (2014 - $24.7 million). During the nine months ended September 30, 2015 and 2014, the Company had no write-downs of inventories to net realizable value.

7 Assets held for sale

	Equipment – Canadian Operations	Equipment – U.S. Operations	Total
As at December 31, 2014	$ 82	$ 178	$ 260
Foreign currency translation	—	13	13
Transfers to property, plant and equipment	(82)	(191)	(273)
As at September 30, 2015	—	—	—

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

(in thousands of Canadian dollars)

8 Property, plant and equipment

Cost

	Rental equipment	Automotive equipment	Tools & equipment	Office furniture & fixtures	Other (1)	Total
As at December 31, 2014	$ 223,760	$ 12,950	$ 5,214	$ 2,656	$ 1,952	$ 246,532
Capital expenditures	7,791	298	13	20	79	8,201
Divestitures and transfers	(3,506)	(2,486)	1,009	—	—	(4,983)
Reclassification	(119)	—	119	—	—	—
Foreign currency translation	18,918	594	184	152	66	19,914
As at September 30, 2015	246,844	11,356	6,539	2,828	2,097	269,664

	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	38,275	2,907	769	136	40	42,127
Divestitures and transfers	(13,001)	(5,626)	(2,276)	(541)	(335)	(21,779)
Reclassification	58	(515)	457	—	—	—
Other	64	—	—	—	—	64
Foreign currency translation	9,836	354	61	83	50	10,384
As at December 31, 2014	223,760	12,950	5,214	2,656	1,952	246,532

Accumulated Depreciation and impairment

	Rental equipment	Automotive equipment	Tools & equipment	Office furniture & fixtures	Other (1)	Total
As at December 31, 2014	$ 73,506	$ 7,680	$ 2,723	$ 1,697	$ 1,826	$ 87,432
Depreciation	18,964	1,540	478	275	67	21,324
Divestitures and transfers	(1,687)	(1,671)	1,481	—	—	(1,877)
Reclassification	(44)	—	44	—	—	—
Impairment (see note 5)	1,900	—	—	—	—	1,900
Foreign currency translation	7,092	266	105	110	65	7,638
As at September 30, 2015	99,731	7,815	4,831	2,082	1,958	116,417

	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	19,941	2,302	833	579	197	23,852
Divestitures and transfers	(7,468)	(3,714)	(1,544)	(519)	(127)	(13,372)
Reclassification	39	(266)	227	—	—	—
Other	23	—	—	—	—	23
Foreign currency translation	3,057	133	27	52	32	3,301
As at December 31, 2014	73,506	7,680	2,723	1,697	1,826	87,432

Net book value

As at December 31, 2014	$ 150,254	$ 5,270	$ 2,491	$ 959	$ 126	$ 159,100
As at September 30, 2015	147,113	3,541	1,708	746	139	153,247

(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 $230 thousand (December 31, 2014 - $286 thousand) and $1.9 million (December 31, 2014 - $2.4 million) respectively.

(in thousands of Canadian dollars)

9 Intangible assets

Cost

	Patent and technology asset	Non-competition covenants	Computer software	Total
As at December 31, 2014	$ 3,239	$ 900	$ 1,980	$ 6,119
Capital expenditures	3	—	74	$ 77
Foreign currency translation	57	—	85	$ 142
Other	(17)	—	—	$ (17)
As at September 30, 2015	3,282	900	2,139	6,321

	Patent and technology asset	Non-competition covenants	Computer software	Total
As at December 31, 2013	$ 3,025	$ 900	$ 1,947	$ 5,872
Capital expenditures	277	—	35	312
Other	(98)	—	—	(98)
Foreign currency translation	35	—	(2)	33
As at December 31, 2014	3,239	900	1,980	6,119

Accumulated Amortization

	Patent and technology asset	Non-competition covenants	Computer software	Total
As at December 31, 2014	$ 2,360	$ 900	$ 1,649	$ 4,909
Amortization	156	—	233	389
Foreign currency translation	46	—	68	114
As at September 30, 2015	2,562	900	1,950	5,412

	Patent and technology asset	Non-competition covenants	Computer software	Total
As at December 31, 2013	$ 2,029	$ 898	$ 1,260	$ 4,187
Amortization	310	2	404	716
Divestitures	—		(45)	(45)
Foreign currency translation	21	—	30	51
As at December 31, 2014	2,360	900	1,649	4,909

Net Book Value

As at December 31, 2014	$ 879	$ —	$ 331	$ 1,210
As at September 30, 2015	720	—	189	909

(in thousands of Canadian dollars)

10 Long-term assets

Cost		
As at December 31, 2014	$	1,914
Foreign currency translation		296
As at September 30, 2015		2,210

Accumulated Amortization		
As at December 31, 2014	$	—
Amortization		68
Foreign currency translation		4
As at September 30, 2015		72

Net book value		
As at December 31, 2014	$	1,914
As at September 30, 2015		2,138

Long-term assets consist of land and building that are included in the U.S. Operations segment (see note 18).

11 Bank indebtedness

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, 2015, the Company had access to $108 million of credit facilities. The syndicated banking facility bears interest at a variable rate, which is dependent on the Company's funded debt(1) to Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA")(2) ratio.

Based on the Company's current funded debt to EBITDA ratio at September 30, 2015, 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, 2015, the overall effective rate on the operating facility was 4.50% (nine months ended September 30, 2014 - 4.82%). At September 30, 2015, $5.3 million (December 31, 2014 - $0.8 million) was drawn on the operating facility. All bank covenants are in compliance as at September 30, 2015. The calculations of the Company's financial covenants for its syndicated banking facility are shown below:

Financial Debt Covenants	**As at September 30, 2015**
Funded debt(1) to EBITDA(2) ratio (not to exceed 3.0:1.0)	0.8 : 1.0
EBITDA to interest expense(3) ratio (no less than 3.0:1.0)	19.8 : 1.0

(1) Funded debt includes bank indebtedness plus long-term debt plus current and long-term obligations under finance lease less cash.
(2) EBITDA is based on trailing twelve months adjusted EBITDA plus share based payments, plus additional one time charges.
(3) Interest coverage ratio is calculated as the ratio of trailing twelve months adjusted EBITDA plus share based payments to trailing twelve months interest expense on loans and borrowings.

(in thousands of Canadian dollars)

12 Obligations under finance lease

	As at September 30, 2015	As at December 31, 2014
Equipment under finance lease	$ 1,351	$ 1,851
Current portion	911	882
Long-term portion	440	969

The finance leases bear interest ranging from 0% to 7% at September 30, 2015.

13 Long-term debt

	As at September 30, 2015	As at December 31, 2014
Revolving facility	$ 18,500	$ 36,000
Current portion	—	—
Long-term portion	18,500	36,000

As at September 30, 2015, the Company had access to $83.0 million of its revolving facility (see note 11) of which $18.5 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, 2015, was 3.30% (2014 – 3.47%).

14 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, 2015, there are no Class B, C, D, E or F shares outstanding.

b) Issued and outstanding

	Nine months ended September 30, 2015		Year-ended December 31, 2014	
	Number of shares	Amount $	Number of shares	Amount $
Balance, beginning of year	37,279,200	118,351	37,251,301	117,824
Shareholder loan - repayment	—	59	—	439
Shareholder loan - issuance	—	(50)	—	(25)
Interest on shareholder loans	—	(3)	—	(22)
Exercise of options	1,197	4	27,899	135
Total common shares, end of period	37,280,397	118,361	37,279,200	118,351

(in thousands of Canadian dollars)

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, 2015, options can be exercised for shares or net shares.

	As at September 30, 2015		**As at December 31, 2014**	
	Outstanding options	Weighted average exercise price	Outstanding options	Weighted average exercise price
Balance, beginning of year	2,239,174	$3.79	2,326,834	$3.80
Granted	541,500	$2.83	656,000	$3.71
Exercised	(8,000)	$2.50	(356,978)	$3.70
Expired - vested	(5,000)	$4.00	(145,000)	$4.00
Forfeited - vested	(111,320)	$3.90	(28,994)	$4.32
Forfeited - unvested	(119,848)	$3.18	(212,688)	$3.73
Balance, end of period	2,536,506	$3.61	2,239,174	$3.78

The Company recognized compensation expense of $215 thousand during the nine months ended September 30, 2015 (2014 - $369 thousand). During the nine months ended September 30, 2015, the fair value of options granted were calculated based on the Black-Scholes option pricing model with the following assumptions: risk free interest rate - 0.53%, expected volatility - 41%, forfeiture rate of 21% and an expected quarterly dividend of 7.0 cents per share.

d) Contributed surplus

	Nine months ended September 30, 2015	**Year-ended December 31, 2014**
Balance, beginning of year	$ 11,757	$ 11,612
Share-based payments expense	215	480
Exercise of options	(4)	(335)
Balance, end of period	11,968	11,757

(in thousands of Canadian dollars)

e) Per share amounts

	Three months ended September 30,		Nine months ended September 30,	
	2015	**2014**	**2015**	**2014**
Basic weighted average shares outstanding	36,915,850	36,781,274	36,914,305	36,748,061
Dilutive effect of stock options	—	534,154	—	359,185
Dilutive effect of shareholder loans	—	479,306	—	507,392
Diluted weighted average shares outstanding	36,915,850	37,794,734	36,914,305	37,614,638

f) Dividend payable

On January 9, 2015, April 10, 2015, and July 10, 2015, the Company paid a dividend of 7.0 cents per share. On August 5, 2015, the Company's Board of Directors declared a dividend payable on October 9, 2015, to shareholders of record at the close of business on September 30, 2015.

15 Income tax

	Three months ended September 30,		Nine months ended September 30,	
	2015	**2014**	**2015**	**2014**
Current income tax (recovery) expense	$ (432)	$ 967	$ (556)	$ 1,547
Deferred income tax (recovery) expense	(2,776)	2,042	(4,766)	3,930
Income tax (recovery) expense	(3,208)	3,009	(5,322)	5,477

16 Commitments and contingencies

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

	As at September 30, 2015	As at December 31, 2014
2015	$ 1,329	$ 4,619
2016	4,418	3,627
2017	3,356	2,714
2018	2,495	1,859
2019	2,154	1,550
2020 and thereafter	5,363	2,947
	19,115	17,316

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.

(in thousands of Canadian dollars)

17 Changes in non-cash working capital

	For the nine months ended	
	September 30, 2015	**September 30, 2014**
		Revised (see note 2)
Trade receivables	$ 24,660	$ (13,010)
Inventories	1,620	(1,816)
Prepaids and deposits	(99)	(984)
Income taxes receivable	(1,066)	40
Notes receivable	—	257
Accounts payable and accrued liabilities	(13,911)	1,469
Deferred revenue	(243)	—
Income taxes payable	(1,579)	1,257
Changes in items of non-cash working capital	9,382	(12,787)
Changes in items of non-cash working capital - investing	(2,554)	(1,489)
Changes in items of non-cash working capital - financing	20	437
Changes in items of non-cash working capital - operating	11,916	(11,735)
Changes in items of non-cash working capital	9,382	(12,787)

18 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.

(in thousands of Canadian dollars)

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, 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
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

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

Three months ended September 30, 2014	**Canadian Operations**	**U.S. Operations**	**Product Sales**	**Corporate**	**Total**
Revenue	$ 33,162	$ 19,741	$ 5,212	$ —	$ 58,115
Operating expenses	21,070	9,018	4,739	—	34,827
Selling, general and administrative	2,347	2,030	46	921	5,344
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

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

(in thousands of Canadian dollars)

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
(Loss) earnings 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

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

Nine months ended September 30, 2014	Canadian Operations	U.S. Operations	Product Sales	Corporate	Total
Revenue	$ 74,191	$ 51,987	$ 37,517	$ —	$ 163,695
Operating expenses	46,970	26,651	31,997	—	105,618
Selling, general and administrative	7,162	6,509	145	2,769	16,585
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

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

Revenue by geography	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Canada	$ 16,441	$ 38,248	$ 56,780	$ 110,692
U.S.	8,858	19,867	32,796	53,003
Total	25,299	58,115	89,576	163,695

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

(in thousands of Canadian dollars)

	As at September 30, 2015			As at September 30, 2014		
	Capital assets and intangible assets	Other assets	Total assets	Capital assets, intangible assets & goodwill	Other assets	Total assets
Canada	$ 69,367	$ 21,109	$ 90,476	$ 82,070	$ 39,032	$ 121,102
U.S.	84,789	13,629	98,418	90,873	22,547	113,420
Total	154,156	34,738	188,894	172,943	61,579	234,522

During the nine months ended September 30, 2015, the Product Sales segment had intercompany sales of $0.5 million (2014 - $0.3 million) to the Canadian Operations segment and $0.1 million (2014 - $3.3 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.

19 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, 2015	As at December 31, 2014
Bank indebtedness	$ 5,345	$ 826
Long-term debt	18,500	36,000
Finance leases	1,351	1,851
Total debt	25,196	38,677
Total equity	139,469	154,990
Total capitalization	164,665	193,667

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, 2015, the Company is in compliance with respect to these covenants (see note 11).

(in thousands of Canadian dollars)

20 Financial instruments

The Company's financial instruments consist of trade receivables, prepaids and deposits, 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.

	As at September 30, 2015	As at December 31, 2014
Under 30 days	$ 18,340	$ 35,010
31-60 days	3,210	8,783
61-90 days	1,253	2,339
Over 90 days	1,079	2,410
Trade receivables	23,882	48,542

As at September 30, 2015, the Company had an allowance for doubtful accounts of $1.6 million (December 31, 2014 - $1.0 million) with respect to potentially uncollectible accounts. The Company does not have significant exposure to any one customer that accounted for more than 10% (September 30, 2014 - one customer at 14%) of revenue from operations for the nine months ended September 30, 2015.

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 receivables. None of these financial assets, other than the $1.6 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.

(in thousands of Canadian dollars)

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

	2015	2016	2017
	Less than 1 year	1 – 2 years	2 - 3 years
Accounts payable and accrued liabilities	$ 11,296	$ —	$ —
Bank indebtedness [(1)]	5,586	—	—
Long-term debt [(1)]	153	611	18,958
Obligations under finance lease [(1)]	197	924	304
Dividend payable	2,609	—	—
Total	19,841	1,535	19,262

[(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.

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, 2015, 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 $61 thousand (2014 - $25 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, 2015, if interest rates had been 1% lower with all other variables constant, after tax net earnings for the period would have been approximately $166 thousand higher (2014 - $274 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, 2015.

(in thousands of Canadian dollars)

21 Fair value measurement

Fair values of financial assets and liabilities

The Company's financial instruments consist of trade receivables, deposits, bank indebtedness, accounts payable and accrued liabilities, long-term debt, obligations under finance lease and dividend payable. The fair value of trade receivables, 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, 2015		As at December 31, 2014	
	Fair value amount	Carrying amount	Fair value amount	Carrying amount
Loans and receivables:				
Trade receivables	$ 23,882	$ 23,882	$ 48,542	$ 48,542
Deposits	852	852	721	721
Financial liabilities:				
Bank indebtedness	5,345	5,345	826	826
Accounts payable and accrued liabilities	11,296	11,296	25,207	25,207
Long-term debt	18,500	18,500	36,000	36,000
Obligations under finance lease	1,351	1,351	1,851	1,851
Dividends payable	2,609	2,609	2,609	2,609

22 Related party transactions

Loans to key management

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

	For the period ended	
	September 30, 2015	December 31, 2014
Opening balance	$ 1,050	$ 1,467
Repayment of share purchase loan	(53)	(421)
Interest charged	3	22
Interest paid	(7)	(18)
	993	1,050

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.

(in thousands of Canadian dollars)

For the period ended September 30, 2015, there were no loan advances made to key management (year-ended December 31, 2014 - $nil) and loan principal repayments of $53 thousand were received (year-ended December 31, 2014 - $421 thousand).

For the period ended September 30, 2015, interest of $3 thousand was charged by the Company on loans to key management (year-ended December 31, 2014 - $22 thousand) and interest repayments of $7 thousand were received (year-ended December 31, 2014 – $18 thousand).

23 Expenses by Nature

	Three months ended September 30,		Nine months ended September 30,	
	2015	**2014**	**2015**	**2014**
Operating Expenses				
Direct expenses:				
Rental expenses	$ 1,019	$ 6,596	$ 5,279	$ 12,544
Service and trucking	8,331	16,528	29,058	39,908
Cost of sales and consumables	4,032	5,792	12,831	35,094
Total direct expenses	13,382	28,916	47,168	87,546
Indirect expenses:				
Personnel costs	2,196	3,627	8,839	12,028
Occupancy and other	1,942	2,284	6,348	6,044
Total indirect expenses	4,138	5,911	15,187	18,072
Total Operating Expenses	17,520	34,827	62,355	105,618

	Three months ended September 30,		Nine months ended September 30,	
	2015	**2014**	**2015**	**2014**
Selling, general and administrative expenses				
Personnel costs	$ 2,517	$ 4,411	$ 8,915	$ 13,577
Occupancy and other	1,194	933	3,159	3,008
Total selling, general and administrative expenses	3,711	5,344	12,074	16,585