

Strad Energy Services Ltd.

Unaudited Condensed Interim Consolidated Financial Statements
As at and for the three months ended March 31, 2018 and 2017

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

(in thousands of Canadian dollars)	Note	As at March 31, 2018 \$	As at December 31, 2017 \$
Assets			
Current assets			
Cash		283	1,859
Trade receivables		26,298	26,038
Inventories		1,611	1,818
Prepays and deposits		749	707
Other assets	6	1,322	1,289
Income taxes receivable		190	188
		30,453	31,899
Non-current assets			
Property, plant and equipment	4	140,050	141,917
Intangible assets	5	918	556
Income tax receivable		283	278
Deferred income tax assets		151	171
		171,855	174,821
Liabilities			
Current liabilities			
Bank indebtedness	7	1,669	—
Accounts payable and accrued liabilities		12,202	11,937
Current portion of obligations under finance lease	8	229	345
		14,100	12,282
Non-current liabilities			
Long-term debt	9	6,337	10,776
Obligations under finance lease	8	259	273
Deferred income tax liabilities		11,586	11,567
Total liabilities		32,282	34,898
Equity			
Share capital	10	152,031	154,763
Contributed surplus	10	12,819	12,736
Accumulated other comprehensive income		24,197	22,635
Deficit		(49,474)	(50,211)
Total Equity		139,573	139,923
		171,855	174,821

Commitments and contingencies (note 11)

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

Strad Energy Services Ltd.

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

For the three months ended March 31, 2018 and 2017

(Unaudited)

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

		Three months ended March 31,	
	Note	2018	2017
		\$	\$
Revenue	13	28,364	27,660
Expenses			
Operating expenses	15	19,009	19,746
Depreciation	4	5,387	6,316
Amortization of intangible assets	5	45	43
Amortization of long term assets	6	—	24
Selling, general and administration	15	3,756	3,280
Share-based payments	10	83	138
Loss (gain) on disposal of property, plant and equipment		253	(78)
Foreign exchange gain		—	(87)
Finance fees		44	73
Interest expense		146	436
Loss before income tax		(359)	(2,231)
Income tax expense		38	116
Loss for the period		(397)	(2,347)
Other comprehensive income			
Items that may be reclassified subsequently to net income			
Cumulative translation adjustment		1,562	(635)
Total comprehensive income		1,165	(2,982)
Loss per share:			
Basic		(\$0.01)	(\$0.04)
Diluted		(\$0.01)	(\$0.04)

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 three months ended March 31, 2018 and 2017
(Unaudited)

(in thousands of Canadian dollars)

	Note	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total equity \$
Balance - January 1, 2018		154,763	12,736	22,635	(50,211)	139,923
Net loss for the period		—	—	—	(397)	(397)
Other comprehensive income (net of tax):						
Cumulative translation adjustment		—	—	1,562	—	1,562
Normal course issuer bid	10	(2,732)	—	—	1,134	(1,598)
Employee share options:						
Value of services recognized	10	—	83	—	—	83
Balance - March 31, 2018		152,031	12,819	24,197	(49,474)	139,573
Balance - January 1, 2017		135,935	12,243	26,963	(43,059)	132,082
Net loss for the period		—	—	—	(2,347)	(2,347)
Other comprehensive income (net of tax):						
Cumulative translation adjustment		—	—	(635)	—	(635)
Shares issued on acquisition	10	4,565	—	—	—	4,565
Issuance of common shares	10	15,000	—	—	—	15,000
Share issue costs (net of tax \$275)	10	(745)	—	—	—	(745)
Employee share options:						
Value of services recognized	10	—	138	—	—	138
Balance - March 31, 2017		154,755	12,381	26,328	(45,406)	148,058

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 three months ended March 31, 2018 and 2017
(Unaudited)

(in thousands of Canadian dollars)

	Note	Three months ended March 31, 2018 \$	2017 \$
Cash flow provided by (used in)			
Operating activities			
Net loss for the period		(397)	(2,347)
Adjustments for items not affecting cash:			
Depreciation and amortization		5,432	6,383
Deferred income tax expense		38	116
Share-based payments	10	83	138
Interest expense and finance fees		190	509
Unrealized foreign exchange gain		31	559
Loss (gain) on disposal of property, plant and equipment		253	(78)
Book value of used fleet sales in operating activities		841	247
Changes in items of non-cash working capital	12	8	(1,986)
Net cash generated from operating activities		6,479	3,541
Investing activities			
Purchase of property, plant and equipment	4	(4,349)	(3,470)
Proceeds from sale of property, plant and equipment		1,004	145
Purchase of intangible assets	5	(405)	—
Cash paid on business acquisition		—	(2,750)
Cash assumed on business acquisition		—	322
Changes in items of non-cash working capital	12	57	(549)
Net cash generated used in investing activities		(3,693)	(6,302)
Financing activities			
Repayment of long-term debt		(4,439)	(10,912)
Repayment of finance lease obligations (net)		(139)	(258)
Share issue costs		—	(1,020)
Normal course issuer bid		(1,598)	—
Interest expense and finance fees		(190)	(509)
Issuance of common shares		—	15,000
Changes in items of non-cash working capital	12	97	(148)
Net cash generated from (used in) financing activities		(6,269)	2,153
Effect of exchange rate changes on cash and cash equivalents		238	(182)
Decrease in cash and cash equivalents		(3,245)	(790)
Cash and cash equivalents (including bank indebtedness) - beginning of year		1,859	(1,109)
Cash and cash equivalents (including bank indebtedness) - end of period		(1,386)	(1,899)
Cash paid for income tax		—	—
Cash paid for interest		144	262

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 months ended March 31, 2018 and 2017
(Unaudited)

(in thousands of Canadian dollars)

1. General information

Strad Energy Services Ltd. (the "Company"), is a North American energy services company that provides matting solutions and rental equipment to the oil and gas and energy infrastructure sectors. Strad focuses on providing 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 March 31, 2018 and 2017, 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 May 9, 2018.

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, 2017, with the exception of new standards applicable for the first time effective January 1, 2018 as disclosed in note 3. In addition, income taxes on earnings or loss in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual earnings or loss.

The policies applied in these condensed interim consolidated financial statements are based on applicable IFRS issued, effective and outstanding as of May 9, 2018, the date the Board approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2017, could result in restatement of these condensed interim consolidated financial statements.

These condensed interim consolidated financial statements should be read in conjunction with the Company's IFRS annual consolidated financial statements at December 31, 2017.

3. Significant Accounting Policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Changes in accounting policy and disclosures

New standards, amendments and interpretations issued:

a. IFRS 9 "Financial Instruments"

On January 1, 2018, the Company adopted IFRS 9, "Financial Instruments" ("**IFRS 9**"), which was issued by the IASB on July 24, 2014 to replace International Accounting Standard 39, "Financial Instruments: Recognition and Measurement." This standard was adopted by the Company retrospectively without requiring restatement of prior year balances.

Strad Energy Services Ltd.
Notes to the Interim Consolidated Financial Statements
For the three months ended March 31, 2018 and 2017
(Unaudited)

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Classification of financial assets

Under IFRS 9, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income ("OCI"), or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The assets, including cash and cash equivalents, that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit and loss.

Impairment of financial assets

From January 1, 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognized from initial recognition of the receivables.

On that basis the loss allowance as at January 1, 2018 was determined as follows for trade receivables:

January 1, 2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0.35%	0.74%	2.08%	5.23%	
Gross carrying amount	15,219,830	6,081,143	3,282,565	2,114,997	26,698,535
Loss allowance	53,269	45,000	68,277	110,614	277,160
Loss allowance based on specific customers	—	—	—	383,683	383,683
Total loss allowance	53,269	45,000	68,277	494,297	660,843

The loss allowances for trade receivables as at December 31, 2017 reconcile to the total opening loss allowances noted in the table above.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgment in making these assumptions and selecting inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the table above.

Strad Energy Services Ltd.
Notes to the Interim Consolidated Financial Statements
For the three months ended March 31, 2018 and 2017
(Unaudited)

(in thousands of Canadian dollars)

b. *IFRS 15 "Revenue From Contracts With Customers"*

On January 1, 2018 the Company adopted IFRS 15 "Revenue from Contracts with Customers" ("**IFRS 15**"), which was issued on May 28, 2014 to replace IAS 11 "Construction contracts", IAS 18 "Revenue" and several revenue-related interpretations. The Company has adopted the new standard using the modified retrospective approach. As such, the Company has used the practical expedient not to restate the contracts which were considered completed contracts at the beginning of the earliest period presented.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payments by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Classification of Revenue

(i) Services:

The Company performs services based upon service orders with customer that include fixed prices based upon job rates. Revenue is recognized when the service has been provided in accordance with the agreed arrangement, the rate is fixed and determinable, and the collection of the amounts owed to the Company is considered probable. Service work performed by the Company can include, but are not limited to transportation, cleaning services and maintenance.

(ii) Sale of goods:

Revenue for the sale of goods (inventories or rental assets) is recognized when it is probable that the economic benefits will flow to the Company, delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured. These criteria are generally met at the time the product is shipped and delivered to the customer. Depending on the delivery conditions, title and risk have passed to the customer and acceptance of the product, when contractually required, has been obtained when delivery has occurred.

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

On January 13, 2016, the IASB issued IFRS 16, "*Leases*" ("**IFRS 16**"). The standard introduces a single lease accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. 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 Company intends to adopt IFRS 16 and the clarifications in its financial statements for the annual period beginning on January 1, 2019. 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, 2017.

Strad Energy Services Ltd.
Notes to the Interim Consolidated Financial Statements
For the three months ended March 31, 2018 and 2017
(Unaudited)

(in thousands of Canadian dollars)

4. Property, plant and equipment

Cost

	Rental equipment	Automotive equipment	Tools & equipment	Office furniture & fixtures	Other ⁽¹⁾	Total
As at December 31, 2017	\$ 278,782	\$ 9,788	\$ 2,818	\$ 2,773	\$ 2,305	\$ 296,466
Capital expenditures	4,343	6	—	—	—	4,349
Divestitures and transfers	(4,661)	(520)	(215)	(2)	—	(5,398)
Reclassification	(893)	899	(6)	—	—	—
Foreign currency translation	3,230	61	24	29	7	3,351
As at March 31, 2018	280,801	10,234	2,621	2,800	2,312	298,768

Accumulated depreciation

	Rental equipment	Automotive equipment	Tools & equipment	Office furniture & fixtures	Other ⁽¹⁾	Total
As at December 31, 2017	\$ 140,198	\$ 7,310	\$ 2,475	\$ 2,522	\$ 2,044	\$ 154,549
Depreciation	4,828	396	99	31	33	5,387
Divestitures and transfers	(2,624)	(478)	(207)	(1)	—	(3,310)
Reclassification	(776)	782	(6)	—	—	—
Foreign currency translation	1,997	43	17	26	9	2,092
As at March 31, 2018	143,623	8,053	2,378	2,578	2,086	158,718

Net book Value

As at December 31, 2017	\$ 138,584	\$ 2,478	\$ 343	\$ 251	\$ 261	\$ 141,917
As at March 31, 2018	137,178	2,181	243	222	226	140,050

⁽¹⁾Other includes land, buildings and computer hardware

Included in Automotive equipment are assets under financial lease with a net carrying amount of \$0.7 million (December 31, 2017 - \$0.9 million) respectively.

5. Intangible assets

Cost

	Patent and technology asset	Computer software	Total
As at December 31, 2017	\$ 3,253	\$ 2,352	\$ 5,605
Capital expenditures	—	405	405
Foreign currency translation	10	15	25
As at March 31, 2018	3,263	2,772	6,035

Accumulated amortization

	Patent and technology asset	Computer software	Total
As at December 31, 2017	\$ 2,781	\$ 2,268	\$ 5,049
Amortization	18	27	45
Foreign currency translation	9	14	23
As at March 31, 2018	2,808	2,309	5,117

Net Book Value

As at December 31, 2017	\$ 472	\$ 84	\$ 556
As at March 31, 2018	455	463	918

Strad Energy Services Ltd.
Notes to the Interim Consolidated Financial Statements
For the three months ended March 31, 2018 and 2017
(Unaudited)

(in thousands of Canadian dollars)

6. Other assets

Cost

As at December 31, 2017	\$	2,075
Foreign currency translation		53
As at March 31, 2018		2,128

Accumulated amortization

As at December 31, 2017	\$	786
Amortization		—
Foreign currency translation		20
As at March 31, 2018		806

Net book value

As at December 31, 2017	\$	1,289
As at March 31, 2018		1,322

Other assets consist of land and building that are included in the U.S. Operations segment (see Note 13).

7. 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, 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 March 31, 2018, the Company had access to the maximum credit facilities. The syndicated banking facility bears interest at a variable rate, which is dependent on the Company's funded debt to covenant Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio. Funded debt is defined in the credit facility agreement as bank indebtedness plus long-term debt plus current and long-term obligations under finance lease less cash.

Based on the Company's current funded debt to covenant EBITDA ratio at March 31, 2018, the interest rate on the syndicated credit facility is bank prime plus 0.50% on prime rate advances and at the prevailing rate plus a stamping fee of 1.50% on bankers' acceptances. The current debt agreement will mature on September 29, 2020. For the three months ended March 31, 2018, the overall effective rate on the operating facility was 3.76% (December 31, 2017 - 5.62%). At March 31, 2018, \$1.7 million (December 31, 2017 - \$nil) was drawn on the operating facility. All bank covenants were in compliance as at March 31, 2018.

8. Obligations under finance lease

	As at March 31, 2018	As at December 31, 2017
Equipment under finance lease	\$ 488	\$ 618
Current portion	(229)	(345)
Long-term portion	259	273

Strad Energy Services Ltd.
Notes to the Interim Consolidated Financial Statements
For the three months ended March 31, 2018 and 2017
(Unaudited)

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The finance leases bear interest ranging from 1% to 7% at March 31, 2018. Minimum lease payments for equipment under finance lease for the next three years are as follow:

	As at March 31, 2018	As at December 31, 2017
2018	211	370
2019	173	152
2020	152	148
Total minimum lease payments	536	670
Less: Amounts representing future interest at annual rates between 1% and 7%	(48)	(52)
	488	618

9. Long-term debt

	As at March 31, 2018	As at December 31, 2017
Revolving facility	6,337	10,776

As at March 31, 2018, the Company has access to all of the \$36.5 million revolving facility (see note 7) of which \$6.3 million was drawn as compared to \$10.8 million at December 31, 2017. Required monthly payments are interest only with the principal due September 29, 2020. The overall effective rate on the revolving facility for the three months ended March 31, 2018, was 3.39% (December 31, 2017 – 4.12%).

10. Share capital

a) Authorized

An unlimited number of Classes A, B, C, D, E and F shares without nominal or par value.

As at March 31, 2018, there are no Class B, C, D, E or F shares outstanding.

b) Issued and outstanding

	Three months ended March 31, 2018		Year ended December 31, 2017	
	Number of shares	Amount \$	Number of shares	Amount \$
Balance, beginning of year	59,905,640	154,763	48,378,995	135,935
Acquisition	—	—	2,705,173	4,565
Shareholder loan - repayment	—	—	—	304
Issuance of common shares	—	—	8,928,572	15,000
Normal course issuer bid	(1,047,760)	(2,732)	(107,100)	(291)
Share issue costs (net of tax of \$275)	—	—	—	(750)
Total common shares, end of period	58,857,880	152,031	59,905,640	154,763

On September 9, 2017 the Company received approval by the Toronto Stock Exchange to buy back up to a maximum of 3,000,637 common shares of the Corporation under a normal course issuer bid. As of March 31, 2018, the Company purchased and canceled 1,154,860 common shares. Subsequent to quarter end, the Company repurchased and canceled an additional 1,527,560 common shares at an average cost of \$1.49 per share.

Strad Energy Services Ltd.
Notes to the Interim Consolidated Financial Statements
For the three months ended March 31, 2018 and 2017
(Unaudited)

(in thousands of Canadian dollars)

c) Stock options

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

	As at March 31, 2018		As at December 31, 2017	
	Outstanding Options	Weighted average exercise price	Outstanding Options	Weighted average exercise price
Balance, beginning of year	2,054,670	\$2.23	2,439,837	\$2.54
Granted	145,000	\$1.52	15,000	\$1.50
Exercised	—	\$0.00	—	\$0.00
Naturally expired - vested	(219,670)	\$3.41	(325,500)	\$4.40
Expired - vested	(1,667)	\$1.69	(38,333)	\$3.53
Forfeited - unvested	(13,333)	\$1.58	(36,334)	\$1.56
Balance, end of period	1,965,000	\$2.05	2,054,670	\$2.23

Details of the exercise prices and expiry dates of options outstanding and exercisable as at March 31, 2018, are as follows:

Exercise price	As at March 31, 2018					
	Outstanding options	Remaining contractual life (years)	Weighted average exercise price	Vested options	Remaining contractual life (years)	Weighted average exercise price
\$1.00 - \$1.75	1,424,500	3.55	\$1.59	500,861	3.26	\$1.63
\$1.76 - \$3.50	267,000	1.87	\$2.72	267,000	1.87	\$2.72
\$3.51 - \$4.25	243,500	0.82	\$3.68	243,500	0.82	\$3.68
\$4.26 - \$5.00	30,000	1.62	\$4.63	30,000	1.62	\$4.63
	1,965,000		\$2.05	1,041,361		\$2.48

The Company recognized share-based compensation expense of \$0.1 million during the three months ended March 31, 2018 (March 31, 2017 - \$0.1 million).

Strad Energy Services Ltd.
Notes to the Interim Consolidated Financial Statements
For the three months ended March 31, 2018 and 2017
(Unaudited)

(in thousands of Canadian dollars)

d) Performance, retention and director awards

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

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

Performance awards

	Three months ended March 31, 2018	Year-ended December 31, 2017
	Number of awards	Number of awards
Balance, beginning of year	706,819	714,319
Granted	—	—
Exercised	—	—
Forfeited	—	(7,500)
Total awards, end of period	706,819	706,819

Restricted awards

	Three months ended March 31, 2018	Year-ended December 31, 2017
	Number of awards	Number of awards
Balance, beginning of year	—	—
Granted	290,000	—
Total awards, end of period	290,000	—

Director awards

	Three months ended March 31, 2018	Year-ended December 31, 2017
	Number of awards	Number of awards
Balance, beginning of year	268,217	169,126
Granted	150,000	160,671
Exercised	—	(61,580)
Total awards, end of period	418,217	268,217

The Company recognized an expense of \$0.2 million during the three months ended March 31, 2018 (year-ended December 31, 2017 - \$0.8 million) included in selling, general and administration expenses and a liability of \$1.3 million at March 31, 2018 (as at December 31, 2017 - \$1.1 million) included in accounts payable.

e) Contributed surplus

	Three months ended March 31, 2018	Year-ended December 31, 2017
Balance, beginning of year	12,736	12,243
Share-based payments expense	83	493
Exercise of options	—	—
Balance, end of period	12,819	12,736

Strad Energy Services Ltd.
Notes to the Interim Consolidated Financial Statements
For the three months ended March 31, 2018 and 2017
(Unaudited)

(in thousands of Canadian dollars)

f) Per share amounts

	Three months ended March 31, 2018	Three months ended March 31, 2017
Basic weighted average shares outstanding	59,715,944	55,642,586
Diluted weighted average shares outstanding	60,040,459	55,642,586

For the three months ended March 31, 2018, there were approximately 0.3 million potentially dilutive securities outstanding (\$nil - March 31, 2017).

11. Commitments and contingencies

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

	As at March 31, 2018	As at December 31, 2017
2018	2,904	3,929
2019	3,408	3,431
2020	2,886	2,893
2021	2,345	2,349
2022	1,419	1,422
2023 and thereafter	1,673	1,678
	14,635	15,702

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

12. Changes in non-cash working capital

	For the three months ended	
	March 31, 2018	March 31, 2017
Trade receivables	(260)	(3,843)
Inventories	207	279
Prepays and deposits	(42)	59
Income taxes receivable	(10)	(65)
Accounts payable and accrued liabilities	267	1,015
Working capital assumed on acquisition	—	(128)
Changes in items of non-cash working capital	162	(2,683)
Changes in items of non-cash working capital - investing	57	(549)
Changes in items of non-cash working capital - financing	97	(148)
Changes in items of non-cash working capital - operating	8	(1,986)
Changes in items of non-cash working capital	162	(2,683)

Strad Energy Services Ltd.
Notes to the Interim Consolidated Financial Statements
For the three months ended March 31, 2018 and 2017
(Unaudited)

(in thousands of Canadian dollars)

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

Information regarding the Company's reportable operating segments is as follows:

Three months ended March 31, 2018	Canadian Operations	U.S. Operations	Product Sales	Corporate	Total
Revenue from operating leases ⁽¹⁾	9,127	5,115	414	—	14,656
Revenue from customer contracts ⁽¹⁾	9,999	3,160	549	—	13,708
Operating expenses	13,100	4,734	1,175	—	19,009
Selling, general and administrative	1,528	1,221	44	963	3,756
Depreciation and amortization	3,283	2,084	10	55	5,432
Interest expense	39	—	—	107	146
Finance fees	—	—	—	44	44
Income (loss) before income tax	1,077	(112)	(145)	(1,179)	(359)
Income tax expense	7	—	12	19	38
Net income (loss)	1,070	(112)	(157)	(1,198)	(397)
Capital expenditures ⁽²⁾	4,179	170	—	—	4,349
Other assets	—	1,322	—	—	1,322
Total assets	112,046	58,851	—	958	171,855

⁽¹⁾ In accordance with IFRS 15, as of January 1, 2018, revenue from operating leases and revenue from contracts with customers are shown separately.

⁽²⁾ Capital expenditures do not include purchases of intangible assets.

Strad Energy Services Ltd.
Notes to the Interim Consolidated Financial Statements
For the three months ended March 31, 2018 and 2017
(Unaudited)

(in thousands of Canadian dollars)

Three months ended March 31, 2017	Canadian Operations	U.S. Operations	Product Sales	Corporate	Total
Revenue	\$ 20,946	\$ 5,066	\$ 1,648	\$ —	\$ 27,660
Operating expenses	14,711	3,952	1,083	—	19,746
Selling, general and administrative	1,383	896	50	951	3,280
Depreciation and amortization	3,882	2,392	60	49	6,383
Interest expense	17	66	1	352	436
Finance fees	—	—	—	73	73
Income (loss) before income tax	1,775	(2,207)	(327)	(1,472)	(2,231)
Income tax (recovery) expense	176	—	(57)	(3)	116
Net income (loss)	1,599	(2,207)	(270)	(1,469)	(2,347)
Capital expenditures ⁽¹⁾	1,260	2,185	25	—	3,470
Other assets	—	1,981	—	—	1,981
Total assets	123,519	69,644	27	904	194,094

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

Revenue by Geography

	Three months ended March 31, 2018	Three months ended March 31, 2017
Canada	\$ 19,664	\$ 22,439
U.S.	8,700	5,221
Total	28,364	27,660

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

	As at March 31, 2018			As at December 31, 2017		
	Capital assets and intangible assets	Other assets	Total assets	Capital assets and intangible assets	Other assets	Total assets
Canada	\$ 92,439	\$ 20,565	\$ 113,004	\$ 91,379	\$ 19,617	\$ 110,996
U.S.	48,529	10,322	58,851	51,095	12,730	63,825
Total	140,968	30,887	171,855	142,474	32,347	174,821

During the three months ended March 31, 2018, the Product Sales segment had intercompany sales of \$0.1 million (March 31, 2017 - \$0.1 million) to the Canadian Operations segment and \$nil (March 31, 2017 - \$nil) to the U.S. Operations segment, which are not included in the revenue figures above. Intercompany sales consist of inventory which are sold to the Canadian Operations and U.S. Operations segments. These transactions are eliminated upon consolidation.

Strad Energy Services Ltd.
Notes to the Interim Consolidated Financial Statements
For the three months ended March 31, 2018 and 2017
(Unaudited)

(in thousands of Canadian dollars)

14. Related party transactions

Loans to key management

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

	As at March 31, 2018	As at December 31, 2017
Opening balance	\$ 691	\$ 995
Share purchase loans issued	—	—
Repayment of share purchase loan	—	(304)
	691	691

Certain key management personnel and directors have loans outstanding totaling \$0.7 million from the Company. Proceeds of the loans were used to purchase common shares in the Company. The loan balances are non-interest bearing for the first three years the loan balances are outstanding unless further extensions are approved by the board. During the first quarter of 2018 an extension of the non-interest bearing period for the loans was approved by the board. After the interest waived period, 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 March 31, 2018, there were loan advances of \$nil made to key management (year-ended December 31, 2017 - \$nil) and \$nil of shareholder loans were settled (year-ended December 31, 2017 - \$0.3 million).

For the period ended March 31, 2018, interest of \$nil was charged by the Company on loans to key management (year-ended December 31, 2017 - \$nil) and interest repayments of \$nil were received (year-ended December 31, 2017 - \$nil).

15. Expenses by Nature

	Three months ended March 31,	
	2018	2017
Operating Expenses		
Direct Expenses:		
Rental expenses	6,246	5,934
Service and trucking	6,354	7,972
Cost of sales and consumables	1,627	1,530
Total direct expenses	14,227	15,436
Indirect expenses:		
Personnel costs	1,875	1,405
Occupancy and other	2,907	2,905
Total indirect expenses	4,782	4,310
Total operating expenses	19,009	19,746

Strad Energy Services Ltd.
Notes to the Interim Consolidated Financial Statements
For the three months ended March 31, 2018 and 2017
(Unaudited)

(in thousands of Canadian dollars)

	Three months ended March 31,	
	2018	2017
Selling, general and administrative expenses		
Personnel costs	2,242	1,720
Occupancy and other	1,514	1,560
Total selling, general and administrative expenses	3,756	3,280