Strad Energy Services Ltd.

Unaudited Condensed Interim Consolidated Financial Statements
As at and for the three and six months ended June 30, 2018 and 2017

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

(in thousands of Canadian dollars)	Note	As at June 30, 2018 $	As at December 31, 2017 $
Assets			
Current assets			
Cash		573	1,859
Trade receivables		23,970	26,038
Inventories		2,635	1,818
Prepaids and deposits		987	707
Other assets	6	1,347	1,289
Income taxes receivable		288	188
		29,800	31,899
Non-current assets			
Property, plant and equipment	4	139,197	141,917
Intangible assets	5	1,218	556
Income tax receivable		177	278
Deferred income tax assets		124	171
		170,516	174,821
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		14,305	11,937
Current portion of obligations under finance lease	8	168	345
		14,473	12,282
Non-current liabilities			
Long-term debt	9	6,370	10,776
Obligations under finance lease	8	218	273
Deferred income tax liabilities		11,464	11,567
Total liabilities		32,525	34,898
Equity			
Share capital	10	148,007	154,763
Contributed surplus	10	12,914	12,736
Accumulated other comprehensive income		20,971	22,635
Deficit		(43,901)	(50,211)
Total Equity		137,991	139,923
		170,516	174,821

Bank indebtedness (note 7)
Commitments and contingencies (note 12)

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

Strad Energy Services Ltd.

Interim Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)
For the three and six months ended June 30, 2018 and 2017
(Unaudited)

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

		Three months ended June 30,		Six months ended June 30,	
	Note	**2018**	**2017**	**2018**	**2017**
		$	**$**	**$**	**$**
Revenue	14	28,035	28,494	56,399	56,154
Expenses					
Operating expenses	16	20,002	19,508	39,011	39,254
Depreciation	4	5,196	7,507	10,583	13,823
Amortization of intangible assets	5	44	41	89	84
Amortization of long term assets	6	—	24	—	48
Selling, general and administration	16	3,793	3,245	7,549	6,526
Share-based payments	10	95	150	178	287
Gain on disposal of property, plant and equipment		(729)	(150)	(477)	(227)
Foreign exchange loss (gain)		44	(58)	45	(145)
Interest expense		157	492	347	1,002
Loss before income tax		(567)	(2,265)	(926)	(4,498)
Income tax (recovery) expense	11	(4,428)	(102)	(4,390)	14
Income (loss) for the period		3,861	(2,163)	3,464	(4,512)
Other comprehensive income (loss)					
Items that may be reclassified subsequently to net income					
Cumulative translation adjustment		1,118	(1,704)	2,680	(2,339)
Deferred tax expense on foreign exchange gain	11	(4,344)	—	(4,344)	—
Total comprehensive income (loss)		635	(3,867)	1,800	(6,851)
Income (loss) per share:					
Basic		$0.07	($0.04)	$0.06	($0.08)
Diluted		$0.07	($0.04)	$0.06	($0.08)

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 six months ended June 30, 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 income for the period		—	—	—	3,464	3,464
Other comprehensive income:						
Cumulative translation adjustment		—	—	2,680	—	2,680
Deferred tax expense on foreign exchange gain	11	—	—	(4,344)	—	(4,344)
Normal course issuer bid	10	(6,756)	—	—	2,846	(3,910)
Employee share options:						
Value of services recognized	10	—	178	—	—	178
Balance - June 30, 2018		148,007	12,914	20,971	(43,901)	137,991
Balance - January 1, 2017		135,935	12,243	26,963	(43,059)	132,082
Net loss for the period		—	—	—	(4,512)	(4,512)
Other comprehensive income (net of tax):						
Cumulative translation adjustment		—	—	(2,339)	—	(2,339)
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	(750)	—	—	—	(750)
Employee share options:						
Value of services recognized	10	—	287	—	—	287
Balance - June 30, 2017		154,750	12,530	24,624	(47,571)	144,333

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 six months ended June 30, 2018 and 2017

(Unaudited)

(in thousands of Canadian dollars)

	Note	Six months ended June 30, 2018 $	2017 $
Cash flow provided by (used in)			
Operating activities			
Net income (loss) for the period		3,464	(4,512)
Adjustments for items not affecting cash:			
Depreciation and amortization		10,672	13,955
Deferred income tax (recovery) expense		(4,400)	14
Share-based payments	10	178	287
Interest expense and finance fees		347	1,002
Unrealized foreign exchange loss (gain)		94	(264)
Gain on disposal of property, plant and equipment		(477)	(227)
Book value of used fleet sales in operating activities		3,702	1,348
Changes in items of non-cash working capital	13	2,543	(5,031)
Net cash generated from operating activities		16,123	6,572
Investing activities			
Purchase of property, plant and equipment	4	(10,298)	(9,734)
Proceeds from sale of property, plant and equipment		1,395	627
Purchase of intangible assets	5	(747)	—
Cash paid on business acquisition		—	(2,750)
Cash assumed on business acquisition		—	322
Changes in items of non-cash working capital	13	793	(361)
Net cash generated used in investing activities		(8,857)	(11,896)
Financing activities			
Proceeds on issuance of long-term debt		—	5,307
Repayment of long-term debt		(4,406)	(10,857)
Repayment of finance lease obligations (net)		(250)	(548)
Share issue costs		—	(1,025)
Normal course issuer bid		(3,910)	—
Interest expense and finance fees		(347)	(1,002)
Issuance of common shares		—	15,000
Changes in items of non-cash working capital	13	2	(28)
Net cash generated from (used in) financing activities		(8,911)	6,847
Effect of exchange rate changes on cash and cash equivalents		359	862
Increase (decrease) in cash and cash equivalents		(1,286)	2,385
Cash and cash equivalents (including bank indebtedness) - beginning of year		1,859	(1,109)
Cash and cash equivalents (including bank indebtedness) - end of period		573	1,276
Cash paid for income tax		—	—
Cash paid for interest		254	509

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 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 June 30, 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 August 8, 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 August 8, 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.

(in thousands of Canadian dollars)

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 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 credit 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	0.4%	0.7%	2.1%	5.2%	
Gross carrying amount	15,220	6,081	3,283	2,115	26,699
Loss allowance	61	43	69	110	283
Loss allowance based on specific customers	—	—	—	384	384
Total loss allowance	61	43	69	494	667

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 credit loss rates. The Company 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.

(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 customers 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.

(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	10,078	162	—	—	58	10,298
Divestitures and transfers	(8,550)	(2,166)	(394)	15	115	(10,980)
Reclassification	(1,075)	928	165	—	(18)	—
Foreign currency translation	5,592	107	39	50	15	5,803
As at June 30, 2018	284,827	8,819	2,628	2,838	2,475	301,587

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	9,537	726	194	56	70	10,583
Divestitures and transfers	(4,842)	(1,324)	(361)	16	115	(6,396)
Reclassification	(940)	806	152	—	(18)	—
Foreign currency translation	3,490	76	28	46	14	3,654
As at June 30, 2018	147,443	7,594	2,488	2,640	2,225	162,390

Net book Value

As at December 31, 2017	$ 138,584	$ 2,478	$ 343	$ 251	$ 261	$ 141,917
As at June 30, 2018	137,384	1,225	140	198	250	139,197

[1] Other includes land, buildings and computer hardware

5. Intangible assets

Cost

	Patent and technology asset	Computer software	Total
As at December 31, 2017	$ 3,253	$ 2,352	$ 5,605
Capital expenditures	—	747	747
Foreign currency translation	18	27	45
As at June 30, 2018	3,271	3,126	6,397

Accumulated amortization

	Patent and technology asset	Computer software	Total
As at December 31, 2017	$ 2,781	$ 2,268	$ 5,049
Amortization	36	53	89
Foreign currency translation	16	25	41
As at June 30, 2018	2,833	2,346	5,179

Net Book Value

As at December 31, 2017	$ 472	$ 84	$ 556
As at June 30, 2018	438	780	1,218

(in thousands of Canadian dollars)

6. Other assets

Cost		
As at December 31, 2017	$	2,075
Foreign currency translation		93
As at June 30, 2018		2,168

Accumulated amortization		
As at December 31, 2017	$	786
Amortization		—
Foreign currency translation		35
As at June 30, 2018		821

Net book value		
As at December 31, 2017	$	1,289
As at June 30, 2018		1,347

Other assets consist of land and building that are included in the U.S. Operations segment (see note 14). Subsequent to the quarter end, the Company sold the property included in other assets for proceeds of $1.3 million.

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 CAD 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 June 30, 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 June 30, 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 six months ended June 30, 2018, the overall effective rate on the operating facility was 3.88% (December 31, 2017 - 5.62%). At June 30, 2018, $nil (December 31, 2017 - $nil) was drawn on the operating facility. All bank covenants were in compliance as at June 30, 2018.

8. Obligations under finance lease

		As at June 30, 2018		**As at December 31, 2017**
Equipment under finance lease	$	386	$	618
Current portion		(168)		(345)
Long-term portion		218		273

(in thousands of Canadian dollars)

The finance leases bear interest ranging from 1% to 7% at June 30, 2018. Minimum lease payments for equipment under finance lease for the next three years are as follow:

	As at June 30, 2018	**As at December 31, 2017**
2018	96	370
2019	176	152
2020	155	148
Total minimum lease payments	427	670
Less: Amounts representing future interest at annual rates between 1% and 7%	(41)	(52)
	386	618

9. Long-term debt

	As at June 30, 2018	**As at December 31, 2017**
Revolving facility	6,370	10,776

As at June 30, 2018, the Company has access to all of the $36.5 million revolving facility (see note 7) of which $6.4 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 June 30, 2018, was 4.03% (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 June 30, 2018, there are no Class B, C, D, E or F shares outstanding.

b) Issued and outstanding

	Six months ended June 30, 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	(2,601,820)	(6,756)	(107,100)	(291)
Share issue costs (net of tax of $275)	—	—	—	(750)
Total common shares, end of period	57,303,820	148,007	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 ("**NCIB**"). Subsequent to June 30, 2018, on July 4, 2018, the Company obtained approval from the Toronto Stock Exchange to amend the NCIB to increase the maximum number of common shares to buy back to a maximum of 4,946,487 common shares. Since the inception of the NCIB, the Company purchased and canceled 2,708,920 common shares.

(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 June 30, 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	456,000	$1.56	15,000	$1.50
Exercised	—	$0.00	—	$0.00
Naturally expired - vested	(229,670)	$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	2,266,000	$1.98	2,054,670	$2.23

Details of the exercise prices and expiry dates of options outstanding and exercisable as at June 30, 2018, are as follows:

	As at June 30, 2018					
Exercise price	Outstanding options	Remaining contractual life (years)	Weighted average exercise price	Vested options	Remaining contractual life (years)	Weighted average exercise price
$1.00 - $1.55	970,000	3.5671	$1.54	199,505	3.4439	$1.54
$1.56 - $2.50	765,500	5.6299	$1.65	303,023	2.7315	$1.69
$2.51 - $3.50	257,000	1.6877	$2.70	257,000	1.6877	$2.70
$3.51 - $5.00	273,500	0.6577	$3.78	273,500	0.6577	$3.78
	2,266,000		$1.98	1,033,028		$2.47

The Company recognized share-based compensation expense of $0.2 million during the six months ended June 30, 2018 (June 30, 2017 - $0.3 million). During the period ended June 30, 2018, the fair value of options granted were calculated based on the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate - 2.07%, expected volatility - 46%, expected term - 5 years and forfeiture rate of 14%.

(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 (“**PA**s”), restricted awards ("**RA**s") and director awards (“**DA**s”) 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

	Six months ended June 30, 2018	**Year-ended December 31, 2017**
	Number of awards	Number of awards
Balance, beginning of year	706,819	714,319
Granted	—	—
Vested	(92,724)	—
Forfeited	—	(7,500)
Total awards, end of period	614,095	706,819

Restricted awards

	Six months ended June, 30 2018	**Year-ended December 31, 2017**
	Number of awards	Number of awards
Balance, beginning of year	—	—
Granted	422,500	—
Total awards, end of period	422,500	—

Director awards

	Six months ended June 30, 2018	**Year-ended December 31, 2017**
	Number of awards	Number of awards
Balance, beginning of year	268,217	169,126
Granted	181,686	160,671
Vested	—	(61,580)
Total awards, end of period	449,903	268,217

Under the RAP, the Company recognized an expense of $0.4 million during the six months ended June 30, 2018 (six-months ended June 30, 2017 - $0.4 million) included in selling, general and administration expenses and a liability of $1.3 million at June 30, 2018 (as at December 31, 2017 - $1.1 million) included in accounts payable.

e) Contributed surplus

	Six months ended June 30, 2018	**Year-ended December 31, 2017**
Balance, beginning of year	12,736	12,243
Share-based payments expense	178	493
Balance, end of period	12,914	12,736

(in thousands of Canadian dollars)

f) Per share amounts

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Basic weighted average shares outstanding	57,623,253	58,059,126	58,663,817	57,668,954
Diluted weighted average shares outstanding	57,946,540	58,059,126	58,987,105	57,668,954

For the six months ended June 30, 2018, there were 0.3 million potentially dilutive securities outstanding (nil - June 30, 2017).

11. Income Tax

During the quarter, management completed certain transactions resulting in a taxable foreign exchange gain recorded directly within other comprehensive income. The foreign exchange gain was entirely offset by tax loss carryforwards in the Company's U.S. operations for which no deferred tax asset was previously recognized. As a result, the Company recorded a deferred tax recovery of $4.3 million in the consolidated statement of income (loss) arising from the recognition of certain previously unrecognized tax loss carryforward amounts.

12. Commitments and contingencies

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

	As at June 30, 2018	As at December 31, 2017
2018	2,507	3,929
2019	4,611	3,431
2020	3,433	2,893
2021	2,455	2,349
2022	1,422	1,422
2023 and thereafter	1,680	1,678
	16,108	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.

(in thousands of Canadian dollars)

13. Changes in non-cash working capital

	For the six months ended	
	June 30, 2018	**June 30, 2017**
Trade receivables	2,068	(4,895)
Inventories	(817)	156
Prepaids and deposits	(280)	268
Income taxes receivable	(2)	(61)
Accounts payable and accrued liabilities	2,369	(760)
Working capital assumed on acquisition	—	(128)
Changes in items of non-cash working capital	3,338	(5,420)
Changes in items of non-cash working capital - investing	793	(361)
Changes in items of non-cash working capital - financing	2	(28)
Changes in items of non-cash working capital - operating	2,543	(5,031)
Changes in items of non-cash working capital	3,338	(5,420)

14. Segment information

The Executive Management Team is the Company's chief operating decision-maker (**"CODM"**). During the fourth quarter of 2017, the CODM decided to shut down the manufacturing division, which reported into the Product Sales segment. Due to this decision, the Company decided to remove Product Sales as a reportable segment. Management has determined the remaining operating segments to be Canadian Operations, U.S. Operations 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. 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 and U.S. Operations.

(in thousands of Canadian dollars)

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

Three months ended June 30, 2018	**Canadian Operations**	**U.S. Operations**	**Corporate**	**Total**
Revenue from operating leases[(1)]	8,026	6,266	—	14,292
Revenue from customer contracts[(1)]	9,225	4,518	—	13,743
Operating expenses	12,556	7,446		20,002
Selling, general and administrative	1,624	1,282	887	3,793
Depreciation and amortization	3,063	2,120	57	5,240
Interest expense	8	(10)	159	157
Income (loss) before income tax	272	268	(1,107)	(567)
Income tax (recovery) expense	(122)	(4,344)	38	(4,428)
Net income (loss)	394	4,612	(1,145)	3,861
Capital expenditures [(2)]	3,910	1,981	58	5,949
Other assets	—	1,347	—	1,347
Total assets	105,542	64,762	212	170,516

(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.

Three months ended June 30, 2017[(1)]	**Canadian Operations**	**U.S. Operations**	**Corporate**	**Total**
Revenue	22,176	6,318	—	28,494
Operating expenses	14,701	4,807	—	19,508
Selling, general and administrative	1,385	861	999	3,245
Depreciation and amortization	4,898	2,630	44	7,572
Interest expense	13	95	384	492
Income (loss) before income tax	1,407	(2,056)	(1,616)	(2,265)
Income tax (recovery) expense	(121)	—	19	(102)
Net income (loss)	1,528	(2,056)	(1,635)	(2,163)
Capital expenditures [(2)]	5,776	488	—	6,264
Other assets	—	1,907	—	1,907
Total assets	122,595	67,188	1,391	191,174

(1) In accordance with IFRS 8, due to the removal of the Product Sales segment, results for the three months ended June 30, 2017 have been distributed appropriately between Canada and the U.S.

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

(in thousands of Canadian dollars)

Six months ended June 30, 2018	Canadian Operations	U.S. Operations	Corporate	Total
Revenue from operating leases[1]	17,567	11,382	—	28,949
Revenue from customer contracts[1]	19,348	8,102	—	27,450
Operating expenses	26,410	12,601	—	39,011
Selling, general and administrative	3,196	2,503	1,850	7,549
Depreciation and amortization	6,355	4,205	112	10,672
Interest expense	47	(10)	310	347
Income (loss) before income tax	1,204	155	(2,285)	(926)
Income tax (recovery) expense	(103)	(4,344)	57	(4,390)
Net income (loss)	1,307	4,499	(2,342)	3,464
Capital expenditures [2]	8,089	2,151	58	10,298
Other assets	—	1,347	—	1,347
Total assets	105,542	64,762	212	170,516

[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.

Six months ended June 30, 2017[1]	Canadian Operations	U.S. Operations	Corporate	Total
Revenue	44,615	11,539	—	56,154
Operating expenses	30,381	8,873	—	39,254
Selling, general and administrative	2,818	1,757	1,951	6,526
Depreciation and amortization	8,841	5,022	92	13,955
Interest expense	30	161	811	1,002
Income (loss) before income tax	2,855	(4,263)	(3,090)	(4,498)
Income tax (recovery) expense	(2)	—	16	14
Net income (loss)	2,857	(4,263)	(3,106)	(4,512)
Capital expenditures [2]	7,061	2,673	—	9,734
Other assets	—	1,907	—	1,907
Total assets	122,595	67,188	1,391	191,174

[1] In accordance with IFRS 8, due to the removal of the Product Sales segment, results for the three months ended June 30, 2017 have been distributed appropriately between Canada and the U.S.

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

	As at June 30, 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	89,818	15,936	105,754	91,379	19,617	110,996
U.S.	50,597	14,165	64,762	51,095	12,730	63,825
Total	140,415	30,101	170,516	142,474	32,347	174,821

(in thousands of Canadian dollars)

15. Related party transactions

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

		As at June 30, 2018		As at December 31, 2017
Opening balance	$	691	$	995
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 of Directors. During the first quarter of 2018 an extension of the non-interest bearing period for the loans was approved by the Board of Directors. 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 June 30, 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 June 30, 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).

The Company has entered into a consulting services agreement and lease agreements with an entity wholly owned by Lyle Wood, a member of the Company’s Board of Directors. The Company makes payments of $59,500 per month to Mr. Wood for advisory services related to ongoing business development activities and for rent related to yard and office space in Fort Nelson, BC and Fort St. John B.C. For the six months ended June 30, 2018, the total amount paid for these services was $0.4 million (June 30, 2017 - $0.3 million) with $nil outstanding at June 30, 2018 (June 30, 2017 - $0.1 million).

(in thousands of Canadian dollars)

16. Expenses by Nature

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Operating Expenses				
Direct Expenses:				
Rental expenses	4,974	5,385	11,220	11,320
Service and trucking	7,159	7,313	13,514	15,285
Cost of sales and consumables	3,369	2,434	4,995	3,964
Total direct expenses	15,502	15,132	29,729	30,569
Indirect expenses:				
Personnel costs	1,700	1,603	3,575	3,008
Occupancy and other	2,800	2,773	5,707	5,677
Total indirect expenses	4,500	4,376	9,282	8,685
Total operating expenses	20,002	19,508	39,011	39,254

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Selling. general and administrative expenses				
Personnel costs	2,307	2,027	4,549	3,747
Occupancy and other	1,486	1,218	3,000	2,779
Total selling, general and administrative expenses	3,793	3,245	7,549	6,526