



Strad Energy Services Ltd.

Unaudited Condensed Consolidated Interim Financial Statements
As at and for the three months ended March 31, 2019 and 2018

Strad Energy Services Ltd.

Interim Consolidated Statement of Financial Position

(Unaudited)

(in thousands of Canadian dollars)	Note	As at March 31, 2019 \$	As at December 31, 2018 \$
Assets			
Current assets			
Cash		1,724	—
Trade receivables		27,307	32,013
Inventories		476	1,839
Prepays and deposits		321	2,063
Lease receivable - current portion	7	343	—
Income taxes receivable		827	710
Total current assets		30,998	36,625
Non-current assets			
Property, plant and equipment	4	134,477	136,978
Intangible assets	5	1,339	1,448
Right of use assets	6	12,795	—
Income tax receivable		299	305
Lease receivable	7	366	—
Deferred income tax assets		126	121
Total non-current assets		149,402	138,852
Total assets		180,400	175,477
Liabilities			
Current liabilities			
Bank indebtedness	8	—	762
Accounts payable and accrued liabilities		11,772	16,373
Lease liabilities - current portion	7	4,856	157
Total current liabilities		16,628	17,292
Non-current liabilities			
Long-term debt	9	9,910	12,934
Lease liabilities	7	8,672	156
Deferred income tax liabilities		9,280	9,151
Total liabilities		44,490	39,533
Equity			
Share capital	10	146,682	147,664
Contributed surplus	10	13,153	13,068
Accumulated other comprehensive income		22,134	23,439
Deficit		(46,059)	(48,227)
Total equity		135,910	135,944
Total liabilities and equity		180,400	175,477

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, 2019 and 2018

(Unaudited)

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

		Three months ended March 31,	
	Note	2019	2018
		\$	\$
Revenue	12	30,880	28,364
Expenses			
Operating expenses	14	17,562	19,009
Depreciation	4	5,636	5,387
Amortization of intangible assets	5	133	45
Amortization of right of use assets	6	1,381	—
Selling, general and administration	14	4,136	3,756
Share-based payments	10	85	83
(Gain) loss on disposal of property, plant and equipment		(113)	253
Foreign exchange loss		11	—
Interest expense		351	190
Income (loss) before income tax		1,698	(359)
Income tax expense		132	38
Income (loss) for the period		1,566	(397)
Other comprehensive (loss) income			
Items that may be reclassified subsequently to net income			
Cumulative translation adjustment		(1,305)	1,562
Total comprehensive income		261	1,165
Income (loss) per share:			
Basic		\$0.03	(\$0.01)
Diluted		\$0.03	(\$0.01)

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Strad Energy Services Ltd.Interim Consolidated Statement of Changes in Equity
For the three months ended March 31, 2019 and 2018
(Unaudited)

(in thousands of Canadian dollars)

	Note	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total equity
		\$	\$	\$	\$	\$
Balance - January 1, 2019		147,664	13,068	23,439	(48,227)	135,944
Impact of change in accounting policy	3	—	—	—	96	96
Restated balance - January 1, 2019		147,664	13,068	23,439	(48,131)	136,040
Net income for the period		—	—	—	1,566	1,566
Other comprehensive income:						
Cumulative translation adjustment		—	—	(1,305)	—	(1,305)
Shareholder loans (net)		91	—	—	(18)	73
Normal course issuer bid	10	(1,073)	—	—	524	(549)
Employee share options:						
Value of services recognized	10	—	85	—	—	85
Balance - March 31, 2019		146,682	13,153	22,134	(46,059)	135,910
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		(2,732)	—	—	1,134	(1,598)
Employee share options:						
Value of services recognized		—	83	—	—	83
Balance - March 31, 2018		152,031	12,819	24,197	(49,474)	139,573

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, 2019 and 2018

(Unaudited)

(in thousands of Canadian dollars)

	Note	Three months ended March 31,	
		2019	2018
		\$	\$
Cash flow provided by (used in)			
Operating activities			
Net income (loss) for the period		1,566	(397)
Adjustments for items not affecting cash:			
Depreciation and amortization		7,150	5,432
Deferred income tax expense		122	38
Share-based payments	10	85	83
Interest expense		351	190
Unrealized foreign exchange loss		42	31
(Gain) loss on disposal of property, plant and equipment		(113)	253
Book value of used fleet sales in operating activities		1,916	841
Changes in items of non-cash working capital	11	2,263	8
Net cash generated from operating activities		13,382	6,479
Investing activities			
Purchase of property, plant and equipment	4	(6,585)	(4,349)
Proceeds from sale of property, plant and equipment		140	1,004
Purchase of intangible assets	5	(25)	(405)
Changes in items of non-cash working capital	11	847	57
Net cash used in investing activities		(5,623)	(3,693)
Financing activities			
Repayment of long-term debt		(3,024)	(4,439)
Repayment of lease liabilities	7	(1,230)	(139)
Repayment of shareholder loan		91	—
Normal course issuer bid		(549)	(1,598)
Interest expense		(351)	(190)
Changes in items of non-cash working capital	11	(11)	97
Net cash used in financing activities		(5,074)	(6,269)
Effect of exchange rate changes on cash and cash equivalents		(199)	238
Increase (decrease) in cash and cash equivalents		2,486	(3,245)
Cash and cash equivalents (including bank indebtedness) - beginning of year		(762)	1,859
Cash and cash equivalents (including bank indebtedness) - end of period		1,724	(1,386)
Cash paid for income tax		120	—
Cash paid for interest		380	144

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Strad Energy Services Ltd.

Notes to the Interim Consolidated Financial Statements For the three months ended March 31, 2019 and 2018 (Unaudited)

(in thousands of Canadian dollars)

1. General information

Strad Energy Services Ltd. (the "Company"), is a North American services company that specializes in industrial matting and equipment rentals in many industrial 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, 2019 and 2018, 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 8, 2019.

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, 2018, with the exception of new standards applicable for the first time effective January 1, 2019 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 8, 2019, 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, 2018, 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, 2018.

3. Changes in Accounting Policies and Disclosures

New standards, amendments and interpretations issued:

IFRS 16 "Leases"

On January 1, 2019, the Company adopted IFRS 16, "Leases" ("IFRS 16"), which was issued by the IASB on January 13, 2016 to replace International Accounting Standard 17 "Leases" ("IAS 17"). This standard has been adopted using the modified retrospective approach, which does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings (deficit) and applies the standard prospectively.

On adoption of IFRS 16, the Company has recognized lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments from commitments disclosed as at December 31, 2018. Under IFRS 16, the Company utilized the practical expedient for low-value leases, such as tablets and personal computers, small items of office furniture and telephones. The Company also utilized the short-term practical expedient for leases related to facilities. The recognized lease liabilities are discounted using the Company's incremental borrowing rate as of January 1, 2019. The associated right of use ("ROU") assets were measured at the amount equal to the lease liability on January 1, 2019, adjusted by the amount of the present value of the sublease payments, with a small impact on retained earnings (deficit).

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There was no impact to lessor accounting from the adoption of IFRS 16.

Below is the opening balance sheet impact as a result of the adoption of IFRS 16.

Condensed consolidated balance sheet adjustments	As at December 31, 2018	Adjustments	As at January 1, 2019
Property, plant and equipment ⁽¹⁾	\$ 313	\$ (313)	\$ —
ROU assets	—	13,218	13,218
Lease receivable - current portion	—	441	441
Lease receivable	—	366	366
Lease liabilities - current portion	(157)	(4,944)	(5,101)
Lease liabilities	(156)	(8,672)	(8,828)
Retained earnings (deficit)	(48,227)	(96)	(48,131)

⁽¹⁾ Balance relates to leased capital assets included in property, plant and equipment at December 31, 2018

Changes in significant accounting policies:

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as “Operating leases”. All leases are recognized as a right of use asset and corresponding liability at the date of which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of income over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the lease term on a straight-line basis.

The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Lease payments on short term leases with lease terms of less than twelve months or leases on which the underlying asset is of low value are accounted for as expenses in the consolidated statement of income.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in substance fixed payments), less any lease incentives receivable, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. These lease payments are discounted using the Company’s incremental borrowing rate where the rate implicit in the lease is not readily determinable.

Operating lease commitment as at December 31, 2018	\$	17,360
Discounted using incremental borrowing rate		15,624
Less short term leases		(1,695)
Lease liabilities recognized at January 1, 2019		13,929

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4. Property, plant and equipment**Cost**

	Rental equipment	Automotive equipment	Tools & equipment	Office furniture & fixtures	Other ⁽¹⁾	Total
As at December 31, 2018	\$ 282,527	\$ 8,608	\$ 3,785	\$ 2,886	\$ 2,508	\$ 300,314
Capital expenditures	6,569	8	—	—	8	6,585
Divestitures and transfers	(9,039)	(1,116)	(60)	—	—	(10,215)
Foreign currency translation	(2,521)	(65)	(18)	(24)	(8)	(2,636)
As at March 31, 2019	277,536	7,435	3,707	2,862	2,508	294,048

Accumulated depreciation and impairment

	Rental equipment	Automotive equipment	Tools & equipment	Office furniture & fixtures	Other ⁽¹⁾	Total
As at December 31, 2018	\$ 146,871	\$ 8,329	\$ 3,255	\$ 2,648	\$ 2,233	\$ 163,336
Depreciation	5,277	256	47	15	41	5,636
Divestitures and transfers	(7,121)	(697)	(60)	—	—	(7,878)
Reclassification	983	(920)	(152)	89	—	—
Foreign currency translation	(1,432)	(46)	(14)	(23)	(8)	(1,523)
As at March 31, 2019	144,578	6,922	3,076	2,729	2,266	159,571

Net Book Value

As at December 31, 2018	\$ 135,656	\$ 279	\$ 530	\$ 238	\$ 275	\$ 136,978
As at March 31, 2019	132,958	513	631	133	242	134,477

⁽¹⁾Other includes buildings and computer hardware

5. Intangible assets**Cost**

	Patent and technology asset	Computer software	Total
As at December 31, 2018	\$ 3,287	\$ 3,590	\$ 6,877
Capital expenditures	—	25	25
Foreign currency translation	(10)	(13)	(23)
As at March 31, 2019	3,277	3,602	6,879

Accumulated amortization

	Patent and technology asset	Computer software	Total
As at December 31, 2018	\$ 2,933	\$ 2,496	\$ 5,429
Amortization	53	80	133
Foreign currency translation	(9)	(13)	(22)
As at March 31, 2019	2,977	2,563	5,540

Net Book Value

As at December 31, 2018	\$ 354	\$ 1,094	\$ 1,448
As at March 31, 2019	300	1,039	1,339

Strad Energy Services Ltd.**Notes to the Interim Consolidated Financial Statements
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6. Right of use assets

Right of use assets are measured at a cost comprising of the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date, any initial direct costs, and restoration costs.

Cost

As at January 1, 2019	\$	13,218
Additions		908
Disposal		—
Foreign currency translation		(65)
As at March 31, 2019		14,061

Accumulated amortization

As at January 1, 2019	\$	—
Depreciation		1,381
Foreign currency translation		(115)
As at March 31, 2019		1,266

Net Book Value

As at January 1, 2019	\$	13,218
As at March 31, 2019		12,795

7. Leases

The Company incurs lease payments related to head office facilities, yard and shops, and vehicles and equipment. Leases are entered into and exited in coordination with specific business requirements which includes the assessment of the appropriate durations for the related lease assets. The Company has recognized lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments from commitments disclosed as at March 31, 2019 at an incremental borrowing rate of 4.5% for facilities and an average implicit rate of 6.3% for fleet. As at March 31, 2019, there were lease additions of \$13.7 million.

Facility related short-term leases are leases with a lease term of twelve months or less while low-value assets are comprised of information technology and miscellaneous equipment. Such items are charged to operating expenses and selling and general and administrative expenses in the condensed consolidated statement of income.

As at December 31, 2018	\$	313
Adoption of IFRS 16		13,616
Interest expense		171
Lease payments		(1,230)
Foreign currency translation		658
Long-term debt repayment in Q1		13,528
Less lease liabilities - current portion		(4,856)
Lease liabilities		8,672

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The leases bear interest ranging from 1% to 6% at March 31, 2019. Minimum lease payments for equipment and facilities under lease for the next four years and thereafter are as follows:

		As at March 31, 2019		As at December 31, 2018
	2019	\$ 5,443	\$	182
	2020	4,829		160
	2021	3,208		—
	2022	1,394		—
	2023 and thereafter	1,173		—
Total minimum lease payments		16,047		342
Less: Amounts representing future interest at annual rates between 1% and 6%		(2,519)		(29)
		13,528		313

Lease receivables consist of sub lease rent related to a U.S. facility. The portion of the right of use asset related to this facility has been classified as a lease receivable, with a current and long term portion. The receivable is measured at the present value of the remaining sub lease payments.

	As at March 31, 2019
Lease receivable	\$ 709
Less lease receivable - current portion	(343)
Lease receivable	366

8. Bank indebtedness

The Company's syndicated banking facility consists of an operating facility with a maximum principal amount of \$7.0 million CAD, \$5.0 million USD and a \$36.5 million 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 March 31, 2019, 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 less cash.

Based on the Company's current funded debt to covenant EBITDA ratio at March 31, 2019, 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, 2021. For the three months ended March 31, 2019, the overall effective rate on the operating facility was 4.70% (December 31, 2018 - 4.24%). At March 31, 2019, \$nil (December 31, 2018 - \$0.8 million) was drawn on the operating facility. All bank covenants were in compliance as at March 31, 2019.

9. Long-term debt

	As at March 31, 2019		As at December 31, 2018
Revolving facility	\$ 9,910	\$	12,934

As at March 31, 2019, the Company has access to all of the \$36.5 million revolving facility (see note 8) of which \$9.9 million was drawn as compared to \$12.9 million at December 31, 2018. Required monthly payments are interest only with the principal due September 29, 2021. The overall effective rate on the revolving facility for the three months ended March 31, 2019, was 3.11% (December 31, 2018 - 4.60%).

Strad Energy Services Ltd.

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(in thousands of Canadian dollars)

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, 2019, there are no Class B, C, D, E or F shares outstanding.

b) Issued and outstanding

	Three months ended March 31, 2019		Year-ended December 31, 2018	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of year	57,244,420	\$ 147,664	59,905,640	\$ 154,763
Shareholder loan - repayment	—	91	—	—
Normal course issuer bid	(481,921)	(1,073)	(2,661,220)	(7,099)
Total common shares, end of period	56,762,499	146,682	57,244,420	147,664

On November 26, 2018, the Company obtained approval from the Toronto Stock Exchange to renew the normal course issuer bid ("NCIB") until November 27, 2019 with the number of common shares the Company can buy back limited to a maximum of 4,067,205 common shares. Under the previous NCIB, which ended on September 9, 2018, the Company purchased and canceled 2,768,320 common shares. Since the inception of the renewed NCIB, the Company purchased 481,921 common shares.

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, 2019		As at December 31, 2018	
	Outstanding Options	Weighted average exercise price	Outstanding Options	Weighted average exercise price
Balance, beginning of year	1,980,000	\$1.96	2,054,670	\$2.23
Granted	518,500	\$1.42	456,000	\$1.56
Naturally expired - vested	(220,500)	\$3.68	(229,670)	\$3.41
Expired - vested	—	\$0.00	(141,674)	\$2.60
Forfeited - unvested	—	\$0.00	(159,326)	\$1.57
Balance, end of period	2,278,000	\$1.67	1,980,000	\$1.96

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Details of the exercise prices and expiry dates of options outstanding and exercisable as at March 31, 2019, are as follows:

Exercise price	Outstanding options	As at March 31, 2019				Weighted average exercise price
		Remaining contractual life (years)	Weighted average exercise price	Vested options	Remaining contractual life (years)	
\$1.00 - \$1.55	1,367,500	3.64	\$1.49	459,172	2.79	\$1.54
\$1.56 - \$2.50	674,500	2.82	\$1.65	408,500	1.98	\$1.69
\$2.51 - \$3.50	226,000	0.94	\$2.70	226,000	0.94	\$2.70
\$3.51 - \$5.00	10,000	0.52	\$4.90	10,000	0.52	\$4.90
	2,278,000	3.12	\$1.67	1,103,672	2.09	\$1.86

The Company recognized share-based compensation expense of \$0.5 million during the three months ended March 31, 2019 (March 31, 2018 - \$0.1 million). During the period ended March 31, 2019, 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 - 1.79%, expected volatility - 47%, expected term - 5 years and forfeiture rate of 14%.

d) Performance, restricted 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 PAs, RAs, and DAs outstanding are as follows:

Performance awards

	Three months ended March 31, 2019	Year-ended December 31, 2018
	Number of awards	Number of awards
Balance, beginning of year	503,500	706,819
Exercised	(220,500)	(123,404)
Forfeited	—	(79,915)
Total awards, end of period	283,000	503,500

Restricted awards

	Three months ended March 31, 2019	Year-ended December 31, 2018
	Number of awards	Number of awards
Balance, beginning of year	407,500	—
Granted	535,000	422,500
Vested	(96,666)	—
Forfeited	—	(15,000)
Total awards, end of period	845,834	407,500

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Director awards

	Three months ended March 31, 2019	Year-ended December 31, 2018
	Number of awards	Number of awards
Balance, beginning of year	341,554	268,217
Granted	166,061	213,229
Exercised	—	(139,892)
Total awards, end of period	507,615	341,554

Under the RAP, the Company recognized an expense of \$0.1 million during the three months ended March 31, 2019 (year-ended December 31, 2018 - \$0.1 million) included in selling, general and administration expenses and a liability of \$1.2 million at March 31, 2019 (as at December 31, 2018 - \$1.1 million) included in accounts payable.

e) Contributed surplus

	Three months ended March 31, 2019	Year-ended December 31, 2018
Balance, beginning of year	\$ 13,068	\$ 12,736
Share-based payments expense	85	332
Balance, end of period	13,153	13,068

f) Per share amounts

	Three months ended March 31, 2019	Three months ended March 31, 2018
Basic weighted average shares outstanding	56,924,954	59,715,944
Diluted weighted average shares outstanding	57,669,357	59,715,944

For the three months ended March 31, 2019, there were nil potentially dilutive securities outstanding (nil - March 31, 2018).

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11. Changes in non-cash working capital

	For the three months ended	
	March 31, 2019	March 31, 2018
Trade receivables	\$ 4,706	\$ (260)
Inventories	1,363	207
Prepays and deposits	1,742	(42)
Income taxes receivable	(111)	(10)
Accounts payable and accrued liabilities	(4,601)	267
Changes in items of non-cash working capital	3,099	162
Changes in items of non-cash working capital - investing	\$ 847	\$ 57
Changes in items of non-cash working capital - financing	(11)	97
Changes in items of non-cash working capital - operating	2,263	8
Changes in items of non-cash working capital	3,099	162

12. Segment information

The Executive Management Team, comprised of the Chief Executive Officer, the Chief Financial Officer, and the Chief Operating Officer, is the Company's chief operating decision-maker ("CODM"). Industrial Matting and Equipment Rentals are monitored as the reportable segments by the Company's Executive Management Team.

Industrial Matting and Equipment Rental operating segments consist of revenue and expenses generated from the Company's core business of providing equipment and matting solutions to many industrial sectors, including Oil & Gas, Pipeline, Power Transmission and Mining. 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. Interest expense and income tax expense are not reviewed by the CODM as a part of Industrial Matting and Equipment Rentals segmented information and are therefore not allocated between the two segments.

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

Three months ended March 31, 2019	Industrial Matting	Equipment Rentals	Corporate	Total
Revenue from operating leases	\$ 10,632	\$ 8,519	\$ —	\$ 19,151
Revenue from customer contracts	7,113	4,616	—	11,729
Operating expenses	8,818	8,744	—	17,562
Selling, general and administrative	1,372	1,899	865	4,136
Share payments	30	41	14	85
Gain on property, plant and equipment disposals	(47)	(66)	—	(113)
Loss on foreign exchange	4	7	—	11
Earnings (loss) before interest, taxes, depreciation and amortization	7,568	2,510	(879)	9,199
Depreciation and amortization	3,384	3,620	146	7,150
Earnings (loss) before interest and tax	4,184	(1,110)	(1,025)	2,049
Interest expense			351	351
Income tax expense			132	132
Net (loss) income			(1,508)	1,566

Capital expenditures ⁽¹⁾	\$ 6,585	\$ —	\$ —	\$ 6,585
Property, plant and equipment	66,590	67,644	243	134,477

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

Three months ended March 31, 2018	Industrial Matting	Equipment Rentals	Corporate	Total
Revenue from operating leases	\$ 5,991	\$ 8,665	\$ —	\$ 14,656
Revenue from customer contracts	4,475	9,233	—	13,708
Operating expenses	6,173	12,836	—	19,009
Selling, general and administrative	1,196	1,602	958	3,756
Share payments	28	40	15	83
Loss on property, plant and equipment disposals	117	136	—	253
Earnings (loss) before interest, taxes, depreciation and amortization	2,952	3,284	(973)	5,263
Depreciation and amortization	1,327	4,034	71	5,432
Earnings (loss) before interest and tax	1,625	(750)	(1,044)	(169)
Interest expense			190	190
Income tax expense			38	38
Net loss			(1,272)	(397)

Capital expenditures ⁽¹⁾	\$ 3,950	\$ 399	\$ —	\$ 4,349
Property, plant and equipment	46,031	93,746	273	140,050

⁽¹⁾ 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, 2019 and 2018
(Unaudited)

(in thousands of Canadian dollars)

Revenue by Geography

	Three months ended		Three months ended	
	March 31, 2019		March 31, 2018	
Canada	\$	20,356	\$	19,664
U.S.		10,524		8,700
Total		30,880		28,364

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

	As at March 31, 2019			As at December 31, 2018		
	Capital assets and intangible assets	Other assets	Total assets	Capital assets and intangible assets	Other assets	Total assets
Canada	\$ 93,565	\$ 17,954	\$ 111,519	\$ 84,894	\$ 24,100	\$ 108,994
U.S.	55,046	13,835	68,881	53,532	12,951	66,483
Total	148,611	31,789	180,400	138,426	37,051	175,477

13. Related party transactions

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

	As at March 31, 2019	As at December 31, 2018
Opening balance	\$ 691	\$ 691
Repayment of share purchase loan	(73)	—
	618	691

Certain key management personnel and directors have loans outstanding totaling \$0.6 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 2019, an extension of the non-interest bearing period for the loans was approved by the Board of Directors. After the interest free 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, 2019, there were loan advances of \$nil made to key management (year-ended December 31, 2018 - \$nil) and \$0.1 million of shareholder loans were repaid (year-ended December 31, 2018 - \$nil).

For the period ended March 31, 2019, interest of \$nil was charged by the Company on loans to key management (year-ended December 31, 2018 - \$nil) and interest repayments of \$nil were received (year-ended December 31, 2018 - \$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 \$56,500 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 St. John, B.C. For the three months ended March 31, 2019, the total amount paid for these services was \$0.2 million (March 31, 2018 - \$0.2 million) with \$0.1 million outstanding at March 31, 2019 (year-ended December 31, 2018 - \$nil).

Strad Energy Services Ltd.

Notes to the Interim Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018

(Unaudited)

(in thousands of Canadian dollars)

14. Expenses by Nature

	Three months ended March 31,	
	2019	2018
Operating Expenses		
Direct Expenses:		
Rental expenses	\$ 1,579	\$ 6,246
Service and trucking	9,390	6,354
Cost of sales and consumables	3,476	1,627
Total direct expenses	14,445	14,227
Indirect expenses:		
Personnel costs	\$ 1,420	\$ 1,875
Occupancy and other	1,697	2,907
Total indirect expenses	3,117	4,782
Total operating expenses	17,562	19,009
	Three months ended March 31,	
	2019	2018
Selling, general and administrative expenses		
Personnel costs	\$ 2,161	\$ 2,242
Occupancy and other	1,975	1,514
Total selling, general and administrative expenses	4,136	3,756