Strad Energy Services Ltd.

Unaudited Condensed Interim Consolidated Financial Statements

As at and for the three months ended March 31, 2017 and 2016

Strad Energy Services Ltd.
Interim Consolidated Statement of Financial Position
For the three months ended March 31, 2017 and December 31, 2016
(Unaudited)

(in thousands of Canadian dollars)	**As at March 31, 2017 $**	**As at December 31, 2016 $**
Assets		
Current assets		
Cash	877	369
Trade receivables	28,303	24,460
Inventories	3,611	3,890
Prepaids and deposits	1,052	1,111
Income taxes receivable	2,087	2,022
	35,930	31,852
Non-current assets		
Property, plant and equipment (note 5)	155,074	150,622
Intangible assets (note 6)	621	665
Long term assets (note 7)	1,981	2,023
Deferred income tax assets	488	159
Total assets	194,094	185,321
Liabilities		
Current liabilities		
Bank indebtedness (note 8)	2,776	1,478
Accounts payable and accrued liabilities	14,908	13,893
Current portion of obligations under finance lease (note 9)	751	845
	18,435	16,216
Non-current liabilities		
Long-term debt (note 10)	15,589	26,501
Obligations under finance lease (note 9)	173	201
Deferred income tax liabilities	11,839	10,321
Total liabilities	46,036	53,239
Equity		
Share capital (note 11)	154,755	135,935
Contributed surplus (note 11)	12,381	12,243
Accumulated other comprehensive income	26,328	26,963
Deficit	(45,406)	(43,059)
Total equity	148,058	132,082
Total liabilities and equity	194,094	185,321

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 Loss and Comprehensive Loss
For the three months ended March 31, 2017 and 2016
(Unaudited)

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

	Three months ended March 31,	
	2017	**2016**
	$	**$**
Revenue	27,660	15,258
Expenses		
Operating expenses (note 16)	19,746	11,789
Depreciation (note 5)	6,316	4,944
Amortization of intangible assets (note 6)	43	181
Amortization of long term assets (note 7)	24	24
Selling, general and administration (note 16)	3,280	3,030
Share-based payments	138	41
Gain on disposal of property, plant and equipment	(78)	(193)
Foreign exchange gain	(87)	(437)
Finance fees	73	47
Interest expense	436	244
Loss before income tax	(2,231)	(4,412)
Income tax expense (recovery)	116	(1,418)
Loss for the period	(2,347)	(2,994)
Other comprehensive loss		
Items that may be reclassified subsequently to net loss		
Cumulative translation adjustment	(635)	(5,790)
Total comprehensive loss for the period	(2,982)	(8,784)
Loss per share:		
Basic	($0.04)	($0.08)
Diluted	($0.04)	($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 three months ended March 31, 2017 and 2016

(Unaudited)

(in thousands of Canadian dollars)

	Share capital $	Contributed surplus $	Accumulated other comprehensive income $	Deficit $	Total equity $
Balance - January 1, 2017	135,935	12,243	26,963	(43,059)	132,082
Net loss for the period	—	—	—	(2,347)	(2,347)
Cumulative translation adjustment	—	—	(635)	—	(635)
Shares issued on acquisition	4,565	—	—	—	4,565
Issuance of common shares	15,000				15,000
Share issue costs (net of tax of $275)	(745)	—	—	—	(745)
Employee share options:					
Value of services recognized	—	138	—	—	138
Balance - March 31, 2017	154,755	12,381	26,328	(45,406)	148,058
Balance - January 1, 2016	118,401	12,012	30,153	(26,256)	134,310
Net loss for the period	—	—	—	(2,994)	(2,994)
Cumulative translation adjustment	—	—	(5,790)	—	(5,790)
Shareholder loans (net)	58	—	—	—	58
Employee share options:					
Value of services recognized	—	41	—	—	41
Balance - March 31, 2016	118,459	12,053	24,363	(29,250)	125,625

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, 2017 and 2016
(Unaudited)

(in thousands of Canadian dollars)	Three months ended March 31, 2017	2016
		(revised - see note 17)
Cash flow provided by (used in)	**$**	**$**
Operating activities		
Loss for the period	(2,347)	(2,994)
Adjustments for items not affecting cash:		
Depreciation and amortization	6,383	5,149
Deferred income tax expense (recovery)	116	(1,201)
Share-based payments	138	41
Interest expense and finance fees	509	291
Unrealized foreign exchange loss (gain)	559	(455)
Gain on disposal of property, plant and equipment	(78)	(193)
Book value of used fleet sales in operating activities (note 17)	247	1,099
Changes in items of non-cash working capital (note 13)	(1,986)	3,509
Net cash generated from operating activities	3,541	5,246
Investing activities		
Purchase of property, plant and equipment	(3,470)	(379)
Proceeds from sale of property, plant and equipment	145	611
Purchase of intangible assets	—	(42)
Cash paid on business acquisition	(2,750)	—
Cash assumed on business acquisition	322	—
Changes in items of non-cash working capital (note 13)	(549)	(3)
Net cash generated from (used in) investing activities	(6,302)	187
Financing activities		
Proceeds on issuance of long-term debt	—	3,000
Repayment of long-term debt	(10,912)	(3,000)
Repayment of finance lease obligations (net)	(258)	(178)
Issuance of shareholder loan (net of repayments)	—	58
Interest expense and finance fees	(509)	(291)
Issuance of common shares	15,000	—
Share issue costs	(1,020)	—
Changes in items of non-cash working capital (note 13)	(148)	(2)
Net cash generated from (used in) financing activities	2,153	(413)
Effect of exchange rate changes on cash and cash equivalents	(182)	(545)
Increase (decrease) in cash and cash equivalents	(790)	4,475
Cash and cash equivalents – beginning of year	(1,109)	(2,874)
Cash and cash equivalents – end of period	(1,899)	1,601
Cash paid for income tax	—	—
Cash paid for interest	262	262

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

(in thousands of Canadian dollars)

1 General information

Strad is a North American energy services company that provides rental equipment and matting solutions to the oil and gas and energy infrastructure sectors. Strad focuses on providing complete 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, 2017 and 2016, 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, 2017.

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, 2016.

The policies applied in these condensed interim consolidated financial statements are based on applicable IFRS issued, effective and outstanding as of May 9, 2017, 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, 2016, 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, 2016.

3 Future accounting policy and disclosures

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

On July 24, 2014, the IASB issued the complete IFRS 9, "*Financial Instruments*" ("IFRS 9") to replace International Accounting Standard 39, "Financial Instruments: Recognition and Measurement." The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Company is currently evaluating the impact of adopting IFRS 9 on its consolidated financial statements. The extent of the impact of adoption of the standard has not yet been determined.

On May 28, 2014, the IASB published IFRS 15, "*Revenue From Contracts With Customers*" ("IFRS 15") replacing IAS 11, "Construction Contracts", IAS 18, "Revenue" and several revenue-related interpretations. IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. On April 12, 2016, the IASB issued Clarifications to IFRS 15. The clarifications provide additional guidance with respect to the five-step analysis and transition to the Standard. The new

(in thousands of Canadian dollars)

standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company intends to adopt IFRS 15 and the clarifications in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

On January 13, 2016, the IASB issued IFRS 16, "*Leases*" ("IFRS 16"), which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases. 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 standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 16 on its consolidated financial statements.

On June 20, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) a modification to the terms and conditions of share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. Amendments can be applied prospectively. The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the amendments has not yet been determined.

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, 2016.

(in thousands of Canadian dollars)

4 Acquisitions

Effective February 15, 2016, the Company acquired a private company, Got Mats?, located in Manitoba, in exchange for 2,143,375 common shares of Strad Energy Services Ltd and $1.0 million in cash consideration, representing a total value of approximately $4.5 million. The common shares have been ascribed a fair value of $1.65 per common share, as determined based on the Company's closing share price at the date of closing, which was February 15, 2017. In addition, within 90 days following the closing date of February 15, 2017, Strad shall prepare a closing working capital calculation based on the closing date financial statements. If the closing date working capital is greater or less than the working capital target of $450 thousand, then the consideration will be adjusted accordingly. The estimated adjustment to closing working capital recognized as a payable was $0.5 million as at February 15, 2017. Transaction costs were minimal and were expensed.

The Got Mats? acquisition signifies Strad's further expansion into the energy infrastructure sector as well as the extended reach into Central Canada. Additionally this acquisition helps to improve Strad's ability to serve oil and gas customers located on the eastern edge of the Western Canadian Sedimentary Basin and in the Bakken region.

The transaction was accounted for by the purchase method. The allocation of the purchase price, based on management's best estimates of fair values, is as follows:

Fair Value of the net assets acquired		
Property, plant and equipment (note 5)	$	4,781
Working capital		450
Deferred income tax liability		(694)
Net assets acquired		**4,537**

Consideration		
Common shares (2,143,375 at $1.65 per share) (note 11)	$	3,537
Cash Consideration		1,000
Total consideration paid		**4,537**

Included in the statement of loss and comprehensive loss are the following amounts relating to the Got Mats? acquisition, from February 15 to March 31, 2017.

Revenue	$	527
Net income and comprehensive income		140

If the Got Mats? acquisition had occurred on January 1, 2017, the Company's pro forma results of revenue and net loss and comprehensive loss for the three months ended March 31, 2017 would have been as follows:

		Strad, as stated in the statement of loss and comprehensive loss		Got Mats? acquisition (from January 1, 2017 to closing date)		Pro forma
Revenue	$	27,660	$	539	$	28,199
Net income and comprehensive income		(2,193)		144		(2,049)

Effective February 22, 2017, the Company acquired two private companies based in Fort St. John, British Columbia, in exchange for 561,798 common shares of Strad Energy Services Ltd and $1.75 million in cash representing a total

(in thousands of Canadian dollars)

consideration of approximately $2.8 million. The acquisition was accounted for using the purchase method with $3.4 million allocated to property, plant and equipment and a deferred tax liability of $0.6 million.

5 Property, plant and equipment

Cost

	Rental equipment	Automotive equipment	Tools & equipment	Office furniture & fixtures	Other [1]	Total
As at December 31, 2016	$ 273,819	$ 9,531	$ 4,157	$ 2,920	$ 2,075	$ 292,502
Capital expenditures	3,262	151	20	11	26	3,470
Acquisitions	7,361	423	363	—	41	8,188
Divestitures and transfers	(2,148)	(373)	—	—	—	(2,521)
Reclassification	2,311	—	—	—	—	2,311
Foreign currency translation	(1,228)	(19)	(9)	(10)	(4)	(1,270)
As at March 31, 2017	283,377	9,713	4,531	2,921	2,138	302,680

Accumulated depreciation

	Rental equipment	Automotive equipment	Tools & equipment	Office furniture & fixtures	Other [1]	Total
As at December 31, 2016	$ 127,695	$ 6,298	$ 3,410	$ 2,417	$ 2,060	$ 141,880
Depreciation	5,455	637	139	69	18	6,318
Divestitures and transfers	(1,901)	(306)	—	—	—	(2,207)
Reclassification	2,311	—	—	—	—	2,311
Foreign currency translation	(663)	(12)	(6)	(9)	(6)	(696)
As at March 31, 2017	132,897	6,617	3,543	2,477	2,072	147,606

Net book value

	Rental equipment	Automotive equipment	Tools & equipment	Office furniture & fixtures	Other [1]	Total
As at December 31, 2016	$ 146,124	3,233	747	503	15	150,622
As at March 31, 2017	$ 150,480	3,096	988	444	66	155,074

[1] Other includes land, buildings and computer hardware

Included in Rental equipment and Automotive equipment are assets under financial lease with a net carrying amount of $15 thousand (December 31, 2016 - $162 thousand) and $1.4 million (December 31, 2016 - $1.9 million) respectively.

(in thousands of Canadian dollars)

6 Intangible assets

Cost

	Patent and technology asset	Computer software	Total
As at December 31, 2016	$ 3,280	$ 2,328	$ 5,608
Foreign currency translation	(4)	(6)	(10)
As at March 31, 2017	3,276	2,322	5,598

Accumulated Amortization

	Patent and technology asset	Computer software	Total
As at December 31, 2016	$ 2,739	$ 2,204	$ 4,943
Amortization	17	26	$ 43
Foreign currency translation	(3)	(6)	$ (9)
As at March 31, 2017	2,753	2,224	$ 4,977

Net Book Value

	Patent and technology asset	Computer software	Total
As at December 31, 2016	$ 541	$ 124	$ 665
As at March 31, 2017	523	98	621

7 Long-term assets

Cost	
As at December 31, 2016	$ 2,215
Foreign currency translation	(19)
As at March 31, 2017	2,196

Accumulated Amortization	
As at December 31, 2016	$ 192
Amortization	24
Foreign currency translation	(1)
As at March 31, 2017	215

Net book value	
As at December 31, 2016	$ 2,023
As at March 31, 2017	1,981

Long-term assets consist of land and building that are included in the U.S. Operations segment (see note 14).

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 revolving facility, both of which are subject to certain limitations on accounts receivable, inventory and net book value of fixed assets and are secured by a general security agreement over the Company's assets. As at March 31, 2017, the Company had access to the maximum credit facilities. The syndicated

(in thousands of Canadian dollars)

banking facility bears interest at a variable rate, which is dependent on the Company’s funded debt to earnings before Interest, Taxes, Depreciation and Amortization (“EBITDA”) ratio.

Based on the Company's amended credit facility, the interest rate will increase to bank prime plus 3.50% on prime rate advances and at the prevailing rate plus a stamping fee of 4.50% on bankers’ acceptances during the covenant waiver period in the fourth quarter of 2016 and the first quarter of 2017. The covenant waiver was obtained as a result of the Redneck acquisition and not as a result of any covenant breach. The syndicated credit facility matures on September 29, 2018. For the three months ended March 31, 2017, the overall effective rate on the operating facility was 5.30% (three months ended March 31, 2016 - 3.71%). At March 31, 2017, $2.8 million (December 31, 2016 - $1.5 million) was drawn on the operating facility. All bank covenants are in compliance as at March 31, 2017.

9 Obligations under finance lease

		As at March 31, 2017		As at December 31, 2016
Equipment under finance lease	$	924	$	1,046
Current portion		751		845
Long-term portion		173		201

The finance leases bear interest ranging from 0% to 7% at March 31, 2017. Minimum lease payments for equipment under finance for the next two years are as follows:

		As at March 31, 2017		As at December 31, 2016
2017	$	668	$	871
2018		235		203
2019		27		—
2020		27		—
Total minimum lease payments		957		1,074
Less: Amounts representing future interest at annual rates between 0% and 7%		(33)		(28)
		924		1,046

10 Long-term debt

		As at March 31, 2017		As at December 31, 2016
Revolving facility	$	15,589	$	26,501

As at March 31, 2017, the Company had access to $36.5 million of its revolving facility (see note 8) of which $15.6 million was drawn (December 31, 2016 - $26.5 million). Required monthly payments are interest only with the principal due September 29, 2018. The overall effective rate on the revolving facility at March 31, 2017, was 5.60% (December 31, 2016 – 3.57%).

(in thousands of Canadian dollars)

11 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, 2017, there are no Class B, C, D, E or F shares outstanding.

b) Issued and outstanding

	Three months ended March 31, 2017		Year-ended December 31, 2016	
	Number of shares	Amount $	Number of shares	Amount $
Balance, beginning of year	48,378,995	135,935	37,280,397	118,401
Acquisitions	2,705,173	4,565	11,098,598	17,536
Shareholder loan - repayment	—	—	—	157
Shareholder loan - issuance	—	—	—	(159)
Issuance of common shares	8,928,572	15,000	—	—
Share issue costs (net of tax of $275)	—	(745)	—	—
Total common shares, end of period	60,012,740	154,755	48,378,995	135,935

c) Stock options

Options to purchase common shares may be granted by the Board of Directors to 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, 2017		As at December 31, 2016	
	Outstanding options	Weighted average exercise price	Outstanding options	Weighted average exercise price
Balance, beginning of year	2,439,837	$2.54	2,378,497	$3.62
Granted	—	$0.00	1,382,500	$1.60
Naturally expired - vested	(322,500)	$4.39	(479,334)	$3.33
Expired - vested	—	$0.00	(683,477)	$3.85
Forfeited - unvested	(11,000)	$1.58	(158,349)	$2.52
Balance, end of period	2,106,337	$2.26	2,439,837	$2.54

For the three months ended March 31, 2017, the weighted average share price on exercises was $nil (December 31, 2016 - $nil)

Details of the exercise prices and expiry dates of options outstanding and exercisable as at March 31, 2017, are as follows:

(in thousands of Canadian dollars)

As at March 31, 2017

Exercise Price	Outstanding Options	Remaining contractual life (years)	Weighted average exercise price	Vested options	Remaining contractual life (years)	Weighted average exercise price
$1.50 - $2.99	1,562,500	4.14	$4.14	325,168	3.43	$2.22
$3.00 - $3.99	510,837	1.38	$3.55	510,837	1.38	$3.55
$4.00 - $4.99	30,000	2.62	$4.63	20,000	2.62	$4.63
$5.00 - $5.99	3,000	0.17	$5.45	3,000	0.17	$5.45
	2,106,337		$2.25	859,005		$3.08

The Company recognized compensation expense of $138 thousand during the three months ended March 31, 2017 (2016 - $41 thousand). During the three months ended March 31, 2017, nil options were issued.

d) Performance and Director awards

The Company has a Retention Award Plan ("**RAP**") which authorizes the Board of Directors to grant performance awards (“**PA**s”) and director awards (“**DA**s”) to directors, officers, employees, consultants and other service providers of the Company.

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

Performance Awards

	Three months ended March 31, 2017	Year-ended December 31, 2016
Balance, beginning of year	714,319	216,291
Granted	—	586,000
Exercised	—	(18,314)
Forfeited	—	(69,658)
Total awards, end of period	714,319	714,319

Director Awards

	Three months ended March 31, 2017	Year-ended December 31, 2016
Balance, beginning of year	169,126	77,553
Granted	—	190,782
Exercised	—	(99,209)
Total awards, end of period	169,126	169,126

The Company recognized an expense of $243 thousand during the three months ended March 31, 2017 (year-ended December 31, 2016 - $178 thousand) included in selling, general and administration expenses and recognized a liability of $553 thousand as at March 31, 2017 (as at December 31, 2016 - $374 thousand) included in accounts payable.

(in thousands of Canadian dollars)

e) Contributed surplus

	Three months ended March 31, 2017	Year-ended December 31, 2016
Balance, beginning of year	$ 12,243	$ 12,012
Share-based payments expense	138	231
Balance, end of period	12,381	12,243

f) Per share amounts

	Three months ended March 31, 2017	Three months ended March 31, 2016
Basic and diluted weighted average shares outstanding	55,642,586	36,943,812

For the period-ended March 31, 2017, all options were excluded from the diluted per share calculation as their effect was anti-dilutive.

12 Commitments and contingencies

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

	As at March 31, 2017	As at December 31, 2016
2017	$ 3,511	4,097
2018	3,591	3,165
2019	2,918	2,706
2020	2,650	2,442
2021	2,049	1,839
2022 and thereafter	2,104	1,970
	$ 16,823	16,219

On June 1, 2016, a Statement of Claim in respect of a proposed class action lawsuit was filed in Alberta Court of Queen's Bench by certain plaintiffs, against the Company and its directors. The statement of claim contains various claims relating to historical communications regarding a possible business combination among the Company and Total Energy Services Inc. The plaintiffs are seeking, among other things, certification as a class action, general damages of $18.5 million and punitive damages of $5.0 million. Management asserts that the plaintiff's allegations are unfounded and without merit and the Company intends to vigorously defend the action.

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 three months ended March 31, 2017	For the three months ended March 31, 2016
Trade receivables	$ (3,843)	$ 5,638
Inventories	279	385
Prepaids and deposits	59	36
Income taxes receivable	(65)	(217)
Accounts payable and accrued liabilities	1,015	(2,338)
Working capital assumed on acquisition	(128)	—
Changes in items of non-cash working capital	(2,683)	3,504
Changes in items of non-cash working capital - investing	(549)	(3)
Changes in items of non-cash working capital - financing	(148)	(2)
Changes in items of non-cash working capital - operating	(1,986)	3,509
Changes in items of non-cash working capital	(2,683)	3,504

14 Segment information

The Executive Management Team is the Company's chief operating decision-maker. Management has determined the operating segments to be Canadian Operations, U.S. Operations and Product Sales based on the information reviewed by the Executive Management Team for the purposes of allocating resources and assessing performance.

The 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 the 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, corporate accounting, rent and utilities and external professional services. A portion of corporate costs directly related to the Company's core business are allocated to Canadian Operations, U.S. Operations and Product Sales.

(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
Net interest expense	17	66	1	352	436
Finance fees	—	—	—	73	73
Earnings (loss) before income tax	1,775	(2,207)	(327)	(1,472)	(2,231)
Income tax expense (recovery)	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
Long-term 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.

Three months ended March 31, 2016	Canadian Operations	U.S. Operations	Product Sales	Corporate	Total
Revenue	$ 8,575	$ 4,786	$ 1,897	$ —	$ 15,258
Operating expenses	5,814	4,130	1,845	—	11,789
Selling, general and administrative	1,076	1,092	—	903	3,071
Depreciation and amortization	2,090	2,912	73	74	5,149
Net interest expense	14	37	—	193	244
Finance fees	—	—	—	47	47
Earnings (loss) before income tax	229	(3,041)	(369)	(1,231)	(4,412)
Income tax (recovery) expense	(211)	(1,131)	(75)	(1)	(1,418)
Net income (loss)	440	(1,910)	(294)	(1,230)	(2,994)
Capital expenditures [1]	83	296	—	—	379
Long-term assets	—	2,024	—	—	2,024
Total assets	74,779	82,491	67	(2,129)	155,208

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

Revenue by geography	Three months ended March 31, 2017	Three months ended March 31, 2016
Canada	$ 22,439	$ 10,472
U.S.	5,221	4,786
Total	27,660	15,258

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

(in thousands of Canadian dollars)

	As at March 31, 2017			As at December 31, 2016		
	Capital assets and intangible assets	Other assets	Total assets	Capital assets and intangible assets	Other assets	Total assets
Canada	$ 93,982	$ 30,468	$ 124,450	$ 85,711	$ 28,762	$ 114,473
U.S.	61,718	7,926	69,644	63,337	7,511	70,848
Total	155,700	38,394	194,094	149,048	36,273	185,321

During the three months ended March 31, 2017, the Product Sales segment had intercompany sales of $0.1 million (2016 - $nil) to the Canadian Operations segment and $nil (2016 - $nil) to the U.S. Operations segment, not included in the revenue figures above. Intercompany sales consist of in-house manufactured capital assets and inventory which are sold to the Canadian Operations and U.S. Operations segments. These transactions are eliminated upon consolidation.

15 Related party transactions

Loans to key management

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

	As at March 31, 2017	As at December 31, 2016
Opening balance	$ 995	$ 993
Share purchase loans issued	—	159
Repayment of share purchase loan	—	(157)
	995	995

Certain key management personnel and directors have loans outstanding totaling $1.0 million from the Company. Proceeds of the loans were used to purchase common shares in the Company. The loan balances are non-interest bearing for the first three years the loan balances are outstanding. After three years, the notes bear interest at the prime lending rate per annum established by the Company's bank, plus 1% interest. The loans are required to be repaid in full on the maturity date, being 10 years from the date of issuance.

For the period ended March 31, 2017, there were no loan advances made to key management (year-ended December 31, 2016 - $159) and no loan principal repayments were received (year-ended December 31, 2016 - $157 thousand).

For the period ended March 31, 2017, no interest was charged by the Company on loans to key management (year-ended December 31, 2016 - $nil) and no interest repayments were received (year-ended December 31, 2016 – $nil).

(in thousands of Canadian dollars)

16 Expenses by nature

	Three months ended March 31,	
	2017	**2016**
Operating Expenses		
Direct expenses:		
Rental expenses	$ 5,934	$ 640
Service and trucking	7,972	5,575
Cost of sales and consumables	1,530	1,874
Total direct expenses	15,436	8,089
Indirect expenses:		
Personnel costs	1,405	1,281
Occupancy and other	2,905	2,419
Total indirect expenses	4,310	3,700
Total Operating Expenses	19,746	11,789

	Three months ended March 31,	
	2017	**2016**
Selling, general and administrative expenses		
Personnel costs	$ 1,720	$ 1,430
Occupancy and other	1,560	1,600
Total selling, general and administrative expenses	3,280	3,030

(in thousands of Canadian dollars)

17 Prior period reclassifications

During the fourth quarter of 2016, the Company completed a review of the presentation of rental asset disposals on the consolidated statement of cash flows and it was determined that the book value of used fleet sales, previously reported as an investing cash flow are more appropriately reflected in operating activities. To be consistent with the consolidated financial statements for the year ended December 31, 2016, the same reclassifications were completed for the three months ended March 31, 2017. Prior period comparative amounts have been reclassified to conform to the current period presentation. This reclassification had the following impact on cash flow from operations and cash flow from investing activities:

	Three months ended March 31,	
	2017	**2016**
Cash flow from operations		
Book value of used fleet sales in operating activities	247	1,099
Cash flow from investing		
Proceeds of sale of property, plant and equipment	(247)	(1,099)
Increase (decrease) in cash and cash equivalents	—	—