Strad Energy Services Ltd.

Unaudited Condensed Interim Consolidated Financial Statements
As at and for the three and six months ended June 30, 2017 and 2016

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

(in thousands of Canadian dollars)	**As at June 30, 2017** **$**	**As at December 31, 2016** **$**
Assets		
Current assets		
Cash	1,276	369
Trade receivables	29,355	24,460
Inventories	3,734	3,890
Prepaids and deposits	843	1,111
Income tax receivable	2,083	2,022
	37,291	31,852
Non-current assets		
Property, plant and equipment (note 5)	150,946	150,622
Intangible assets (note 6)	578	665
Long term assets (note 7)	1,907	2,023
Deferred income tax assets	452	159
Total assets	191,174	185,321
Liabilities		
Current liabilities		
Bank indebtedness (note 8)	—	1,478
Accounts payable and accrued liabilities	13,133	13,893
Current portion of obligations under finance lease (note 9)	729	845
	13,862	16,216
Non-current liabilities		
Long-term debt (note 10)	20,951	26,501
Obligations under finance lease (note 9)	328	201
Deferred income tax liabilities	11,700	10,321
	46,841	53,239
Equity		
Share capital (note 11)	154,750	135,935
Contributed surplus (note 11)	12,530	12,243
Accumulated other comprehensive income	24,624	26,963
Deficit	(47,571)	(43,059)
Total equity	144,333	132,082
Total liabilities and equity	191,174	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 and six months ended June 30, 2017 and 2016

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Revenue	28,494	9,580	56,154	24,838
Expenses				
Operating expenses (note 16)	19,508	7,948	39,254	19,737
Depreciation (note 5)	7,507	4,441	13,823	9,385
Amortization of intangible assets (note 6)	41	51	84	232
Amortization of long term assets (note 7)	24	24	48	48
Selling, general and administration (note 16)	3,245	3,537	6,526	6,567
Share-based payments	150	78	287	119
Gain on disposal of property, plant and equipment	(150)	(268)	(227)	(461)
Foreign exchange (gain) loss	(58)	3	(145)	(434)
Finance fees	73	47	147	94
Interest expense	419	157	855	401
Loss before income tax	(2,265)	(6,438)	(4,498)	(10,850)
Current income tax recovery	—	(919)	—	(1,136)
Deferred income tax expense (recovery)	(102)	1,439	14	238
Loss for the period	(2,163)	(6,958)	(4,512)	(9,952)
Other comprehensive loss				
Items that may be reclassified subsequently to net loss				
Cumulative translation adjustment	(1,704)	168	(2,339)	(5,622)
Total comprehensive loss for the period	(3,867)	(6,790)	(6,851)	(15,574)
Loss per share:				
Basic	($0.04)	($0.19)	($0.08)	($0.27)
Diluted	($0.04)	($0.19)	($0.08)	($0.27)

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, 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	—	—	—	(4,512)	(4,512)
Cumulative translation adjustment	—	—	(2,339)	—	(2,339)
Shares issued on acquisition	4,565	—	—	—	4,565
Issuance of common shares	15,000	—	—	—	15,000
Share issue costs (net of tax $275)	(750)	—	—	—	(750)
Employee share options:					
Value of services recognized	—	287	—	—	287
Balance - June 30, 2017	154,750	12,530	24,624	(47,571)	144,333
Balance - January 1, 2016	118,401	12,012	30,153	(26,256)	134,310
Net loss for the period	—	—	—	(9,952)	(9,952)
Cumulative translation adjustment	—	—	(5,622)	—	(5,622)
Shareholder loans (net)	(22)	—	—	—	(22)
Employee share options:					
Value of services recognized	—	119	—	—	119
Balance - June 30, 2016	118,379	12,131	24,531	(36,208)	118,833

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, 2017 and 2016
(Unaudited)

(in thousands of Canadian dollars)	**Six months ended June 30,**	
	2017	**2016**
		(revised - see note 17)
Cash flow provided by (used in)	**$**	**$**
Operating activities		
Loss for the period	(4,512)	(9,952)
Adjustments for items not affecting cash:		
Depreciation and amortization	13,955	9,665
Deferred income tax expense	14	238
Share-based payments	287	119
Interest expense and finance fees	1,002	495
Unrealized foreign exchange gain	(264)	(437)
Gain on disposal of property, plant and equipment	(227)	(461)
Book value of used fleet sales in operating activities (note 17)	1,348	1,309
Changes in items of non-cash working capital (note 13)	(5,031)	8,705
Net cash generated from operating activities	6,572	9,681
Investing activities		
Purchase of property, plant and equipment	(9,734)	(591)
Proceeds from sale of property, plant and equipment	627	1,281
Purchase of intangible assets	—	(65)
Cash paid on business acquisition (note 4)	(2,750)	—
Cash assumed on business acquisition (note 4)	322	—
Changes in items of non-cash working capital (note 13)	(361)	8
Net cash (used in) generated from investing activities	(11,896)	633
Financing activities		
Proceeds on issuance of long-term debt	5,307	3,000
Repayment of long-term debt	(10,857)	(9,500)
Repayment of finance lease obligations (net)	(548)	(273)
Issuance of shareholder loan (net of repayments)	—	(22)
Interest expense and finance fees	(1,002)	(495)
Issuance of common shares	15,000	—
Share issue costs	(1,025)	—
Changes in items of non-cash working capital (note 13)	(28)	10
Net cash generated from (used in) financing activities	6,847	(7,280)
Effect of exchange rate changes on cash and cash equivalents	862	(682)
Increase in cash and cash equivalents	2,385	2,352
Cash and cash equivalents – beginning of year	(1,109)	(2,874)
Cash and cash equivalents – end of period	1,276	(522)
Cash paid for income tax	—	—
Cash paid for interest	509	412

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 June 30, 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 August 8, 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 August 8, 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, 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, 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 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 but management has created a plan to determine whether the new standard may have an impact and to subsequently identify the changes, if any, which need to be made to the Company's current revenue recognition practice.

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*" ("IFRS 2"), 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 payments 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.

4 Acquisitions

Effective February 15, 2017, 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 prepared 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 adjustment to closing working capital paid was $0.5 million based on the closing working capital calculation. Transaction costs were minimal and were expensed.

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:

(in thousands of Canadian dollars)

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, 2017 to June 30, 2017.

Revenue	$	1,727
Net income and comprehensive income		1,302

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 six months ended June 30, 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	$	56,154	$	539	$	56,693
Net income and comprehensive income		(6,851)		144		(6,707)

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 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		8,212		1,425		24		11		62		9,734
Acquisitions		7,361		423		363		—		41		8,188
Divestitures and transfer		(5,751)		(891)		(216)		—		(75)		(6,933)
Reclassification		(107)		—		107		—		—		—
Foreign currency translation		(4,850)		120		(28)		(39)		(16)		(4,813)
As at June 30, 2017		278,684		10,608		4,407		2,892		2,087		298,678

(in thousands of Canadian dollars)

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	12,088	1,278	283	137	37	13,823
Divestitures and transfers	(4,420)	(691)	(18)	—	(76)	(5,205)
Reclassification	(9)	—	9	—	—	—
Foreign currency translation	(2,831)	138	(23)	(37)	(13)	(2,766)
As at June 30, 2017	132,523	7,023	3,661	2,517	2,008	147,732

Net book value

As at December 31, 2016	$ 146,124	$ 3,233	$ 747	$ 503	$ 15	$ 150,622
As at June 30, 2017	146,161	3,585	746	375	79	150,946

[1] Other includes land, buildings and computer hardware

Included in Automotive equipment are assets under financial lease with a net carrying amount of $1.6 million (December 31, 2016 - $1.9 million).

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	(15)	(22)	(37)
As at June 30, 2017	3,265	2,306	5,571

Accumulated Amortization

	Patent and technology asset	Computer software	Total
As at December 31, 2016	$ 2,739	$ 2,204	$ 4,943
Amortization	34	50	84
Foreign currency translation	(13)	(21)	(34)
As at June 30, 2017	2,760	2,233	4,993

Net book value

As at December 31, 2016	$ 541	$ 124	$ 665
As at June 30, 2017	505	73	578

7 Long-term assets

Cost

As at December 31, 2016	$ 2,215
Foreign currency translation	(21)
As at June 30, 2017	2,194

(in thousands of Canadian dollars)

Accumulated Amortization		
As at December 31, 2016	$	192
Amortization		48
Foreign currency translation		47
As at June 30, 2017		287

Net book value		
As at December 31, 2016	$	2,023
As at June 30, 2017		1,907

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 CAD 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 June 30, 2017, 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 earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio.

Based on the Company's current funded debt to EBITDA ratio at June 30, 2017, the interest rate on the syndicated credit facility is bank prime plus 1.25% on prime rate advances and at the prevailing rate plus a stamping fee of 2.25% on bankers' acceptances. The syndicated credit facility matures on September 29, 2018. For the six months ended June 30, 2017, the overall effective rate on the operating facility was 6.19% (December 31, 2016 - 5.25%). At June 30, 2017, $nil (December 31, 2016 - $1.5 million) was drawn on the operating facility. All bank covenants are in compliance as at June 30, 2017.

9 Obligations under finance lease

		As at June 30, 2017		**As at December 31, 2016**
Equipment under finance lease	$	1,057	$	1,046
Current portion		729		845
Long-term portion		328		201

The finance leases bear interest ranging from 0% to 7% at June 30, 2017. Minimum lease payments for equipment under finance leases for the next three years are as follows:

		As at June 30, 2017		**As at December 31, 2016**
2017	$	486	$	871
2018		352		203
2019		132		—
2020		155		—
Total minimum lease payments		1,125		1,074
Less: Amounts representing future interest at annual rates between 0% and 7%		(68)		(28)
		1,057		1,046

(in thousands of Canadian dollars)

10 Long-term debt

	As at June 30, 2017	As at December 31, 2016
Revolving facility	$ 20,951	$ 26,501

As at June 30, 2017, the Company had access to $36.5 million CAD of its revolving facility (see note 8) of which $21.0 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 June 30, 2017, was 5.32% (December 31, 2016 - 3.57%).

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 June 30, 2017, there are no Class B, C, D, E or F shares outstanding.

b) Issued and outstanding

	Six months ended June 30, 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
Issuance due to acquisitions (note 4)	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)	—	(750)	—	—
Total common shares, end of period	60,012,740	154,750	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.

(in thousands of Canadian dollars)

	Six months ended June 30, 2017		**Year ended 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	—	—	1,382,500	$1.60
Naturally expired - vested	(325,500)	$4.40	(479,334)	$3.33
Forfeited - vested	(34,000)	$3.55	(683,477)	$3.85
Forfeited - unvested	(11,000)	$1.58	(158,349)	$2.52
Balance, end of period	2,069,337	$2.23	2,439,837	$2.54

Details of the exercise prices and expiry dates of options outstanding and exercisable as at June 30, 2017, are as follows:

As at June 30, 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	3.9	$1.78	325,168	3.18	$2.22
$3.00 - $3.99	476,837	1.14	$3.55	476,837	1.14	$3.55
$4.00 - $4.99	30,000	2.37	$4.63	20,000	2.37	$4.63
	2,069,337		$2.23	822,005		$3.05

The Company recognized compensation expense of $287 thousand during the six months ended June 30, 2017 (2016 - $119 thousand). During the six months ended June 30, 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	**Six months ended June 30, 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

(in thousands of Canadian dollars)

Director Awards	**Six months ended June 30, 2017**	**Year ended December 31, 2016**
Balance, beginning of year	169,126	77,553
Granted	125,050	190,782
Exercised	(61,580)	(99,209)
Total awards, end of period	232,596	169,126

The Company recognized an expense of $354 thousand during the six months ended June 30, 2017 (year-ended December 31, 2016 - $178 thousand) included in selling, general and administration expenses and has a liability of $642 thousand (as at December 31, 2016 - $374 thousand) included in accounts payable at June 30, 2017.

e) Contributed surplus

	Six months ended June 30, 2017	**Year ended December 31, 2016**
Balance, beginning of year	$ 12,243	$ 12,012
Share-based payments expense	287	231
Balance, end of period	12,530	12,243

f) Per share amounts

	Three months ended June 30,		**Six months ended June 30,**	
	2017	**2016**	**2017**	**2016**
Basic and diluted weighted average shares outstanding	58,059,126	36,945,501	57,668,954	36,944,657

For the three and six months ended June 30, 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 over the next seven years as follows:

	As at June 30, 2017	**As at December 31, 2016**
2017	$ 2,286	$ 4,097
2018	3,799	3,165
2019	3,104	2,706
2020	2,837	2,442
2021	2,239	1,839
2022 and thereafter	2,279	1,970
	16,544	16,219

On July 11, 2017, the Company and its directors announced that the plaintiffs in the proposed class action proceeding previously filed in the Alberta Court of Queen's Bench (the "Action"), which Action was previously disclosed in the Company's MD&A, have filed a discontinuance of the Action against all defendants named in the Action including the Company and certain of its current and former directors on a without costs basis. The discontinuance was filed with the Court without any admission of liability or wrongdoing on the part of the defendants and no settlement proceeds have been paid or are payable by the Company or the individual defendants in the Action.

(in thousands of Canadian dollars)

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.

13 Changes in non-cash working capital

	For the six months ended	
	June 30, 2017	**June 30, 2016**
Trade receivables	$ (4,895)	$ 11,311
Inventories	156	522
Prepaids and deposits	268	364
Income taxes receivable	(61)	(1,115)
Accounts payable and accrued liabilities	(760)	(2,359)
Working capital assumed on acquisition	(128)	—
Changes in items of non-cash working capital	(5,420)	8,723
Changes in items of non-cash working capital - investing	(361)	8
Changes in items of non-cash working capital - financing	(28)	10
Changes in items of non-cash working capital - operating	(5,031)	8,705
Changes in items of non-cash working capital	(5,420)	8,723

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 June 30, 2017	Canadian Operations	U.S. Operations	Product Sales	Corporate	Total
Revenue	$ 19,208	$ 6,252	$ 3,034	$ —	$ 28,494
Operating expenses	12,751	4,766	1,991	—	19,508
Selling, general and administrative	1,336	861	49	999	3,245
Depreciation and amortization	4,842	2,630	57	43	7,572
Net interest expense	13	95	—	311	419
Finance fees	—	—	—	73	73
Earnings (loss) before income tax	1,394	(4,411)	13	739	(2,265)
Income tax expense (recovery)	(138)	—	17	19	(102)
Net income (loss)	1,532	(4,411)	(4)	720	(2,163)
Capital expenditures [1]	5,776	488	—	—	6,264
Long-term assets	—	1,907	—	—	1,907
Total assets	122,561	67,188	34	1,391	191,174

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

Three months ended June 30, 2016	Canadian Operations	U.S. Operations	Product Sales	Corporate	Total
Revenue	$ 4,833	$ 2,515	$ 2,232	$ —	$ 9,580
Operating expenses	4,018	2,314	1,616	—	7,948
Selling, general and administrative	1,269	1,420	21	827	3,537
Depreciation and amortization	1,880	2,492	68	76	4,516
Net interest expense	6	(37)	—	188	157
Finance fees	—	—	—	47	47
Earnings (loss) before income tax	(1,316)	(6,022)	(283)	1,183	(6,438)
Income tax expense (recovery)	(623)	1,147	(31)	27	520
Net income (loss)	(693)	(7,169)	(252)	1,156	(6,958)
Capital expenditures [1]	27	143	—	65	235
Long-term assets	—	2,006	—	—	2,006
Total assets	68,514	72,825	52	866	142,257

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

Six months ended June 30, 2017	Canadian Operations	U.S. Operations	Product Sales	Corporate	Total
Revenue	$ 40,154	$ 11,318	$ 4,682	$ —	$ 56,154
Operating expenses	27,462	8,718	3,074	—	39,254
Selling, general and administrative	2,719	1,757	99	1,951	6,526
Depreciation and amortization	8,724	5,022	117	92	13,955
Net interest expense	30	161	—	664	855
Finance fees	—	—	—	147	147
Earnings (loss) before income tax	3,169	(6,618)	(314)	(735)	(4,498)
Income tax expense (recovery)	38	—	(40)	16	14
Net income (loss)	3,131	(6,618)	(274)	(751)	(4,512)
Capital expenditures [1]	7,036	2,673	25	—	9,734
Long-term assets	—	1,907	—	—	1,907
Total assets	122,561	67,188	34	1,391	191,174

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

(in thousands of Canadian dollars)

Six months ended June 30, 2016	Canadian Operations	U.S. Operations	Product Sales	Corporate	Total
Revenue	$ 13,408	$ 7,301	$ 4,129	$ —	$ 24,838
Operating expenses	9,832	6,444	3,461	—	19,737
Selling, general and administrative	2,326	2,508	22	1,711	6,567
Depreciation and amortization	3,969	5,404	141	151	9,665
Net interest expense	20	—	2	379	401
Finance fees	—	—	—	94	94
Earnings (loss) before income tax	(1,087)	(9,063)	(652)	(48)	(10,850)
Income tax expense (recovery)	(834)	16	(106)	26	(898)
Net income (loss)	(253)	(9,079)	(546)	(74)	(9,952)
Capital expenditures (1)	110	439	—	107	656
Long-term assets	—	2,006	—	—	2,006
Total assets	68,514	72,825	52	866	142,257

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

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

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Canada	$ 22,242	$ 7,065	$ 44,836	$ 17,537
U.S.	6,252	2,515	11,318	7,301
Total	28,494	9,580	56,154	24,838

	As at June 30, 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	$ 94,836	$ 29,150	$ 123,986	$ 85,711	$ 28,762	$ 114,473
U.S.	56,688	10,500	67,188	63,337	7,511	70,848
Total	151,524	39,650	191,174	149,048	36,273	185,321

During the six months ended June 30, 2017, the Product Sales segment had intercompany sales of $0.8 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:

(in thousands of Canadian dollars)

	As at June 30, 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, which were then used to secure these loans. 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 June 30, 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 June 30, 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).

16 Expenses by nature

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Operating expenses				
Direct expenses:				
Rental expenses	$ 5,385	$ 1,314	$ 11,320	$ 3,866
Service and trucking	7,313	2,294	15,285	5,957
Cost of sales and consumables	2,434	1,450	3,964	3,324
Total direct expenses	15,132	5,058	30,569	13,147
Indirect expenses:				
Personnel costs	$ 1,603	$ 1,045	$ 3,008	$ 2,461
Occupancy and other	2,773	1,845	5,677	4,129
Total indirect expenses	4,376	2,890	8,685	6,590
Total operating expenses	19,508	7,948	39,254	19,737

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Selling, general and administrative expenses				
Personnel costs	$ 2,027	$ 1,646	$ 3,747	$ 3,171
Occupancy and other	1,218	1,891	2,779	3,396
Total selling, general and administrative expenses	3,245	3,537	6,526	6,567

(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 six months ended June 30, 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:

	Six months ended June 30,	
	2017	**2016**
Cash flow from operating activities		
Book value of used fleet sales in operating activities	$ 1,348	$ 1,309
Cash flow from investing activities		
Proceeds of sale of property, plant and equipment	(1,348)	(1,309)
Increase (decrease) in cash and cash equivalents	—	—