Strad Energy Services Ltd.

Unaudited Interim Consolidated Financial Statements

As at and for the three months ended March 31, 2012

Strad Energy Services Ltd.

Interim Consolidated Statement of Financial Position

(Unaudited)

(in thousands of Canadian dollars)	As at March 31, 2012 $	As at December 31, 2011 $
Assets		
Current assets		
Trade receivables	51,300	49,466
Inventories (note 3)	7,403	7,950
Prepaids and deposits	5,583	4,263
Current portion of notes receivable (note 4)	640	1,352
	64,926	63,031
Non-current assets		
Property, plant and equipment (note 5)	142,425	126,439
Intangible assets (note 6)	2,518	2,752
Notes receivable (note 4)	1,230	683
Goodwill	17,277	17,277
Deferred income taxes	617	2,873
	228,993	213,055
Assets of disposal group classified as held for sale (note 13)	-	14,056
Total assets	228,993	227,111
Liabilities		
Current liabilities		
Bank indebtedness (note 7)	9,673	5,570
Accounts payable and accrued liabilities	25,270	30,812
Deferred revenue	-	2,245
Current portion of obligations under finance lease (note 8)	4,061	4,383
Income taxes payable	693	3,392
Dividend payable (note 10)	2,049	-
	41,746	46,402
Non-current liabilities		
Long-term debt (note 9)	37,500	23,500
Obligations under finance lease (note 8)	3,253	3,282
Deferred income tax liabilities	13,367	13,666
	95,866	86,850
Liabilities of disposal group classified as held for sale (note 13)	-	6,988
Total liabilities	95,866	93,838
Equity		
Equity attributable to owners of the parent		
Share capital (note 10)	157,313	157,042
Contributed surplus (note 10)	3,069	3,017
Accumulated other comprehensive loss	(1,575)	(585)
Deficit	(27,085)	(28,260)
	131,722	131,214
Non-controlling interests (note 11)	1,405	2,059
Total equity	133,127	133,273
Total liabilities and equity	228,993	227,111

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

Strad Energy Services Ltd.

Interim Consolidated Statement of Income

For the three months ended March 31, 2012 and 2011

(Unaudited)

(in thousands of Canadian dollars)

	2012	2011
	$	$
Continuing operations		
Revenue	56,301	26,782
Expenses		
Operating expenses	31,900	14,771
Depreciation	5,888	3,327
Amortization of intangible assets	365	333
Selling, general administration	8,171	4,680
Share-based payments	249	173
Loss (gain) on disposal of property, plant and equipment	35	(22)
Foreign exchange loss	401	273
Interest expense	502	202
Income before income tax from continuing operations	8,790	3,045
Income tax (note 12)	3,147	1,231
Net income from continuing operations for the period	5,643	1,814
(Loss) income from discontinued operations, net of tax (note 13)	(307)	316
Net income for the period	5,336	2,130
Net income attributable to:		
Owners of the parent	4,816	1,587
Non-controlling interests	520	543
	5,336	2,130
Earnings per share from continuing operations attributable to the equity owners of the Company:		
Basic	$0.14	$0.03
Diluted	$0.14	$0.03
(Loss) earnings per share from discontinued operations attributable to the equity owners of the Company:		
Basic	($0.01)	$0.01
Diluted	($0.01)	$0.01
Earnings per share from total operations attributable to the equity owners of the Company:		
Basic	$0.13	$0.04
Diluted	$0.13	$0.04

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

Strad Energy Services Ltd.

Interim Consolidated Statement of Comprehensive Income

For the three months ended March 31, 2012 and 2011

(Unaudited)

(in thousands of Canadian dollars)

	2012	2011
	$	$
Net income for the year	5,336	2,130
Other comprehensive (loss)		
Cumulative translation adjustment	(1,100)	(796)
Total other comprehensive (loss)	(1,100)	(796)
Comprehensive income for the year	4,236	1,334
Comprehensive income attributable to:		
Owners of the parent	3,826	871
Non-controlling interests	410	463
	4,236	1,334

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

Strad Energy Services Ltd.

Interim Consolidated Statement of Changes in Equity

(Unaudited)

(in thousands of Canadian dollars)

	Attributable to equity owners of the Company						
	Share capital $	**Contributed surplus** $	**Accumulated other comprehensive loss** $	**Deficit** $	**Total** $	**Non-controlling Interest** $	**Total equity** $
Balance – January 1, 2012	157,042	3,017	(585)	(28,260)	131,214	2,059	133,273
Net income for the period	-	-	-	4,816	4,816	520	5,336
Other comprehensive loss (net of tax):							
Cumulative translation adjustment	-	-	(990)	-	(990)	(110)	(1,100)
Comprehensive income (loss) for the period	-	-	(990)	4,816	3,826	410	4,236
Shareholder loan (note 18)	271	-	-	-	271	-	271
Purchase of non-controlling interest (note 11)	-	-	-	(1,592)	(1,592)	(1,068)	(2,660)
Dividend declared (note 10)	-	-	-	(2,049)	(2,049)	-	(2,049)
Employee share options:							
Value of services recognized	-	52	-	-	52	-	52
Other	-	-	-	-	-	4	4
Balance – March 31, 2012	157,313	3,069	(1,575)	(27,085)	131,722	1,405	133,127
Balance – January 1, 2011	157,071	2,221	(924)	(18,235)	140,133	751	140,884
Net income for the period	-	-	-	1,587	1,587	543	2,130
Other comprehensive loss (net of tax):							
Cumulative translation adjustment	-	-	(716)	-	(716)	(80)	(796)
Comprehensive income (loss) for the period	-	-	(716)	1,587	871	463	1,334
Share issuance costs	(62)	-	-	-	(62)	-	(62)
Employee share options:							
Value of services recognized	-	214	-	-	214	-	214
Balance – March 31, 2011	157,009	2,435	(1,640)	(16,648)	141,156	1,214	142,370

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

Strad Energy Services Ltd.

Interim Consolidated Statement of Cash Flow

For the three months ended March 31, 2012 and 2011

(Unaudited)

(in thousands of Canadian dollars)

	2012 $	2011 $
Cash flow provided by (used in)		
Operating activities		
Net income for the year	5,336	2,130
Adjustments for:		
Depreciation and amortization	6,253	4,681
Deferred income tax	1,956	1,122
Share-based payments	52	214
Interest expense	502	234
Loss (gain) on disposal of property, plant and equipment	35	(12)
Loss on sale of investment in subsidiary	441	-
Changes in items of non-cash working capital (note 14)	(11,929)	(7,846)
Net cash generated from operating activities	2,646	523
Investing activities		
Purchase of property, plant and equipment	(22,785)	(31,118)
Proceeds from sale of property, plant and equipment	125	152
Purchase of intangible assets	(136)	(135)
Proceeds on sale of subsidiaries	7,129	-
Purchase of non-controlling interest	(2,660)	-
Net cash used in investing activities	(18,327)	(31,101)
Financing activities		
Proceeds on issuance of long-term debt	14,000	11,000
Repayment of finance lease obligations (net)	(863)	(1,854)
Share issuance costs	-	(62)
Repayment of shareholder loan	271	-
Interest expense	(502)	(234)
Net cash generated from financing activities	12,906	8,850
Effect of exchange rate changes on cash and cash equivalents	(1,123)	(33)
(Decrease) in cash and cash equivalents	(3,898)	(21,761)
Cash and cash equivalents (including bank indebtedness) – beginning of year	(5,570)	8,416
Cash and cash equivalents included in liabilities of disposal group - beginning of year	(205)	-
Cash and cash equivalents (including bank indebtedness) – end of year	(9,673)	(13,345)
Cash paid for income tax	4,389	-

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

(in thousands of Canadian dollars)

1 General information

Strad Energy Services Ltd., (the "Company"), is an energy services provider engaged in providing support equipment and services to oil and gas exploration and production companies in Canada and the United States (U.S.).

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 as at and for the period ended March 31, 2012, and 2011, 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, 2012.

2 Basis of preparation

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") on or after January 1, 2011. Accordingly, the Company has continued reporting on this basis in these condensed interim consolidated financial statements.

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.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of May 9, 2012, 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, 2012, 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 financial statements at December 31, 2011.

(in thousands of Canadian dollars)

3 Inventories

	As at March 31, 2012	As at December 31, 2011
Raw materials	$ 5,981	$ 7,526
Work in progress	232	179
Finished goods	1,190	245
	7,403	7,950

The cost of inventories recognized as expense and included in 'Operating expenses' amounted to $10.1 million (2011 - $5.5 million).

During the period ended March 31, 2012, the Company recorded a write-down of raw materials inventories to net realizable value of $135 thousand (2011 - nil).

4 Notes receivable

	As at March 31, 2012	As at December 31, 2011
Three-year notes receivable	$ 1,870	$ 1,000
Ninety-day note receivable	-	1,035
Less: Current portion	(640)	(1,352)
	1,230	683

On January 12, 2012, the Company sold its investment in Strad Production Services Ltd. and Sunwell Industries Ltd. (see note 13). As part of the consideration, the Company received a $1.0 million three-year note receivable due January 12, 2015.

On December 12, 2011, the Company sold its investment in Strad Controls Ltd. As part of the consideration, the Company received a ninety-day, non-interest bearing note receivable for $1.0 million, which was repaid in full March 11, 2012, and a second $1.0 million three-year note receivable due December 12, 2014.

The repayment terms of both three-year notes call for monthly blended payments of principal and interest of $30 thousand commencing January 12, 2012, and February 12, 2012, respectively, and ending December 12, 2014, and January 12, 2015, respectively. The three-year notes bear interest at 5.0% annually.

(in thousands of Canadian dollars)

5 Property, plant and equipment

Cost

	Land	Buildings	Automotive equipment	Furniture & fixtures	Computers	Tools & equipment
As at December 31, 2011	172	310	4,691	1,010	1,352	5,796
Capital expenditures	11	-	959	101	63	695
Divestitures	-	-	(35)	-	-	(37)
Transfers	-	-	-	-	-	(4)
Foreign currency translation	-	-	-	(7)	(4)	(46)
As at March 31, 2012	183	310	5,615	1,104	1,411	6,404

	Leasehold improvements	Surface equipment	*Assets Under Finance Lease* Surface equipment	*Assets Under Finance Lease* Automotive equipment	Total
As at December 31, 2011	576	132,279	9,874	6,593	162,653
Capital expenditures	452	20,504	-	438	23,223
Divestitures	-	-	-	(167)	(239)
Transfers	-	(553)	(1,519)	1,519	(557)
Foreign currency translation	(1)	(1,267)	-	(41)	(1,366)
As at March 31, 2012	1,027	150,963	8,355	8,342	183,714

Accumulated Depreciation

	Land $	Buildings $	Automotive equipment $	Furniture & fixtures $	Computers $	Tools & equipment $
As at December 31, 2011	-	235	1,928	284	828	2,081
Depreciation	-	13	213	45	62	273
Divestitures	-	-	(20)	-	-	(8)
Transfers	-	-	-	-	-	(4)
Foreign currency translation	-	(1)	-	(2)	1	(4)
As at March 31, 2012	-	247	2,121	327	891	2,338
Net book value						
As at December 31, 2011	172	75	2,763	726	524	3,715
As at March 31, 2012	183	63	3,494	777	520	4,066

	Leasehold improvements	Surface equipment	*Assets Under Finance Lease* Surface equipment	*Assets Under Finance Lease* Automotive equipment	Total
As at December 31, 2011	302	24,542	4,579	1,435	36,214
Depreciation	57	4,593	224	408	5,888
Divestitures	-	-	-	(51)	(79)
Transfers	-	(553)	(1,112)	1,112	(557)
Foreign currency translation	-	(162)	-	(9)	(177)
As at March 31, 2012	359	28,420	3,691	2,895	41,289
Net book value					
As at December 31, 2011	274	107,737	5,295	5,158	126,439
As at March 31, 2012	668	122,543	4,664	5,447	142,425

(in thousands of Canadian dollars)

6 Intangible assets

Cost

	Customer relationships	Patent and technology asset	Non-competition covenants	Computer software	Total
As at December 31, 2011	7,200	1,900	800	1,047	10,947
Capital expenditures	-	-	-	136	136
Foreign currency translation	-	-	-	(5)	(5)
As at March 31, 2012	7,200	1,900	800	1,178	11,078

Accumulated Amortization

	Customer relationships	Patent and technology asset	Non-competition covenants	Computer software	Total
As at December 31, 2011	6,003	1,013	783	396	8,195
Amortization	224	48	15	78	365
As at March 31, 2012	6,227	1,061	798	474	8,560

Net book value					
As at December 31, 2011	1,197	887	17	651	2,752
As at March 31, 2012	973	839	2	704	2,518

7 Bank indebtedness

On July 25, 2011, the Company entered into a three year banking syndication credit agreement maturing on July 25, 2014. The terms of the agreement allow for the Company to borrow up to $100.0 million by way of a $15.0 million operating facility and an $85.0 million revolving facility, both subject to borrowing base margin requirements based on the Company's trade receivables, inventory and net book value of fixed assets. Monthly payments are interest only and the facility is secured by a general security agreement over the Company's assets. The syndicated 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, the interest rate on the credit facility is bank prime plus 1.00% on prime rate advances and at the prevailing rate plus a stamping fee of 2.00% on bankers' acceptances. At March 31, 2012, the overall effective rate on the operating facility was 4.18%. At March 31, 2012, $9.7 million was drawn on the operating facility.

(in thousands of Canadian dollars)

8 Obligations under finance lease

	As at March 31, 2012	As at December 31, 2011
Equipment under finance lease	$ 7,314	$ 7,665
Less: Current portion	(4,061)	(4,383)
	3,253	3,282

The finance leases bear interest ranging from 1% to 9% at March 31, 2012.

9 Long-term debt

	As at March 31, 2012	As at December 31, 2011
Revolving facility	$ 37,500	$ 23,500
Less: Current portion	-	-
	37,500	23,500

As at March 31, 2012, the Company had access to the maximum available $85.0 million revolving facility (see note 7) of which $37.5 million was drawn. Monthly payments are interest only with the principal due July 25, 2014. The overall effective rate on the revolving facility at March 31, 2012, was 4.23%.

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, 2012, there are no Class B, C, D, E or F shares outstanding.

b) Issued and outstanding

	For the three months ended March 31, 2012		Year-ended December 31, 2011	
	Number of shares	Amount $	Number of shares	Amount $
Balance, beginning of period	37,246,384	157,042	37,246,384	157,071
Shareholder loans	-	271	-	118
Share issue costs	-	-	-	(147)
Total common shares, end of period	37,246,384	157,313	37,246,384	157,042

(in thousands of Canadian dollars)

c) Share-based compensation

Options to purchase common shares may be granted by the Board of Directors to directors, officers and employees of the Company. The Company has two option plans. In November 2010, the Board of Directors approved a new stock option plan with options with a term of five years and each stock option provides the employee with the right to purchase one common share. Options vest one-third on each of the first, second and third anniversary dates of the grant date.

Options granted under the previous plan have a term of six years and either vest one-third on each of the second, third and fourth anniversary dates of the grant date or one-half on each of the first and second anniversary dates of the grant date.

	As at March 31, 2012		**As at December 31, 2011**	
	Outstanding options	Weighted average exercise price	Outstanding options	Weighted average exercise price
Balance, beginning of period	2,209,499	$4.10	1,826,667	$4.05
Granted	841,500	$4.38	619,000	$4.09
Forfeited – vested	(236,332)	$4.72	(35,333)	$5.70
Forfeited – unvested	(235,001)	$3.41	(200,835)	$3.36
Balance, end of period	2,579,666	$4.20	2,209,499	$4.10

The Company recognized compensation expense of $52 thousand net of recoveries included in loss from discontinued operations (2011 - $214 thousand) during the three months ended March 31, 2012, based on the Black-Scholes option pricing model with the following assumptions: risk free interest rate between 1% and 4%, expected volatility between 40.45% and 55.96% and an expected quarterly dividend of 5.5 cents per share.

d) Contributed surplus

	Three months ended March 31, 2012	**Year-ended December 31, 2011**
Balance, beginning of year	$ 3,017	$ 2,221
Share-based payments expense - continuing operations	249	643
Share-based payments (recovery) - discontinued operations	(197)	153
Balance, end of period	3,069	3,017

e) Per share amounts

	Three months ended March 31, 2012	**2011**
Basic weighted average shares outstanding	36,712,942	36,632,544
Dilutive effect of stock options	370,316	367,074
Dilutive effect of shareholder loans	533,442	-
Diluted weighted average shares outstanding	37,616,700	36,999,618

(in thousands of Canadian dollars)

f) Dividend payable

On March 1, 2012, the Company's Board of Directors declared a dividend of 5.5 cents per share, payable on July 13, 2012, to shareholders of record at the close of business on June 29, 2012.

11 Transactions with non-controlling interests

On March 1, 2012, the Company acquired the remaining 25% of the issued shares of one of its subsidiaries for purchase consideration of $2.7 million. The Company now holds 100% of the equity share capital of the subsidiary. The carrying amount of the non-controlling interest in the subsidiary on the date of acquisition was $1.1 million. The Company recorded a decrease in equity attributable to owners of the parent of $1.6 million, representing the excess between the consideration and the carrying amount of the non-controlling interest. The effect of changes in the ownership interest in the subsidiary on the equity attributable to owners of the Company during the year is summarized as follows:

	Three months ended March 31,	
	2012	**2011**
Carrying amount of non-controlling interests acquired	$ 1,068	$ -
Consideration paid to non-controlling interests	2,660	-
Excess of consideration paid recognized in owner's equity	1,592	-

12 Income tax

	Three months ended March 31,	
	2012	**2011**
Current income tax expense	$ 1,191	$ 20
Deferred income tax expense	1,956	1,211
Income tax expense	3,147	1,231

13 Discontinued operations and disposal groups held for sale

Discontinued operations

On January 12, 2012, the Company sold its 100% shareholdings in Strad Production Services Ltd. and Sunwell Industries Ltd. ("Production") to a related party, being a former executive of the Company. The Company received proceeds of $8.4 million consisting of $7.4 million cash and a $1.0 million note receivable. The results and cash flows of the subsidiaries are disclosed as a discontinued operation in accordance with IFRS.

(in thousands of Canadian dollars)

	Three months ended March 31, 2012	2011
Analysis of the results of discontinued operations:		
Revenue	$ 1,321	$ 17,826
Expense	1,148	17,599
Income from ordinary activities of discontinued operations	173	227
Tax expense (recovery)	39	(89)
Income after tax of ordinary activities of discontinued operations	134	316
Loss recognized on sale of investment in subsidiary (1)	(441)	-
After-tax (loss) income (2)	(307)	316

(1) After December 31, 2011, re-measurement of assets of disposal group to fair value less costs to sell.
(2) All of the (loss) income from discontinued operations is attributable to owners of the parent.

	Three months ended March 31, 2012	2011
Current income tax expense from discontinued operations	$ 39	$ -
Deferred income tax (recovery) from discontinued operations	-	(89)
Income tax expense(recovery) from discontinued operations	39	(89)

	Three months ended March 31, 2012	2011
The net cash flows attributable to the operating, investing and financing activities of discontinued operations:		
Operating cash flows	$ 205	$ 491
Investing cash flows	-	71
Financing cash flows	-	(214)
Total cash inflow	205	348

14 Changes in non-cash working capital

	Three months ended March 31, 2012	Year-ended December 31, 2011
Trade receivables	$ (1,834)	$ (5,505)
Inventories	547	459
Prepaids and deposits	(1,320)	679
Notes receivable	1,164	-
Accounts payable and accrued liabilities	(5,542)	(3,479)
Deferred revenue	(2,245)	-
Income taxes payable	(2,699)	-
	(11,929)	(7,846)

(in thousands of Canadian dollars)

15 Segment information

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

The Executive Management team views the business as two separate sources of revenue. The primary source of revenue is generated from the Company's core business of providing flexible well-site infrastructure and activation solutions to exploration and production companies in the oil and gas industry. The Company's core business is split geographically between Canada and the U.S. The Company's second source of revenue, Product Sales, is derived from manufactured Product Sales to external customers, third party equipment sales to existing customers plus sales of equipment from the Company's existing fleet to customers.

The Corporate segment 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.

The Executive Management team assesses the performance of the operating segments based on EBITDA results. Interest expense is allocated to the operating segments based on the portion of lending required to fund capital expenditures during the year.

Three months ended March 31, 2012	**Canadian Operations**	**U.S. Operations**	**Product Sales**	**Corporate**	**Total**
Revenue	$ 21,826	$ 20,913	$ 13,562	$ -	$ 56,301
Depreciation and amortization	3,268	2,789	97	99	6,253
Net interest expense	335	64	8	95	502
Earnings before income tax and non-controlling interests	3,792	4,554	1,904	(1,460)	8,790
Income tax expense (recovery)	903	2,010	260	(26)	3,147
Capital expenditures (1)	10,527	11,879	359	20	22,785
Goodwill	7,675	9,602	-	-	17,277
Total assets	109,123	108,618	6,527	4,725	228,993

(1) Capital expenditures do not include purchases of intangible assets or assets acquired under finance lease.

(in thousands of Canadian dollars)

Three months ended March 31, 2011	**Canadian Operations**	**U.S. Operations**	**Product Sales**	**Corporate**	**Total**
Revenue	$ 10,402	$ 8,688	$ 7,692	$ -	$ 26,782
Depreciation and amortization	2,256	1,281	47	76	3,660
Net interest expense	301	15	-	(114)	202
Earnings before income tax and non-controlling interests	2,436	1,521	796	(1,708)	3,045
Income tax expense (recovery)	246	605	98	282	1,231
Capital expenditures [(1)]	7,928	23,230	66	29	31,253
Goodwill	7,675	9,602	-	-	17,277
Total assets	69,094	77,440	4,700	960	152,194

Three months ended March 31, 2011	**Continuing Operations**	**Discontinued Operations**	**Total**
Capital expenditures [(1)]	$ 31,253	$ (135)	$ 31,118
Goodwill	17,277	18,727	36,004
Total assets	152,194	61,136	213,330

(1) Capital expenditures do not include purchases of intangible assets or assets acquired under finance lease.

Revenue from continuing operations by geography	**Three months ended March 31, 2012**	**Three months ended March 31, 2011**
Canada	$ 35,070	$ 17,827
U.S.	21,231	8,955
Total	56,301	26,782

			As at March 31, 2012			**As at March 31, 2011**
	Capital assets & goodwill	Other assets	Total assets	Capital assets & goodwill	Other assets	Total assets
Canada	$ 75,160	$ 45,215	$ 120,375	$ 85,074	$ 50,816	$ 135,890
U.S.	87,060	21,558	108,618	58,768	18,672	77,440
Total	162,220	66,773	228,993	143,842	69,488	213,330

During the three months ended March 31, 2012, the Canadian Operations segment had intercompany sales of $5.0 million (2011 - $1.9 million), not included in the revenue figures above, to the U.S. Operations segment. Intercompany sales consist of in-house manufactured capital assets which are sold to the U.S. Operations segment. These transactions are eliminated upon consolidation.

(in thousands of Canadian dollars)

16 Capital structure

The Company's objectives when managing capital are to provide flexibility so as to maximize opportunities and to finance the growth of the Company. The Company's capital structure consists of shareholders' equity, an operating line of credit, finance leases and long-term debt.

	As at March 31, 2012	As at December 31, 2011
Operating line of credit	$ 9,673	$ 5,570
Long-term debt	37,500	23,500
Finance leases	7,314	7,665
Total debt	54,487	36,735
Total equity	133,127	133,273
Total capitalization	187,614	170,008

The Company manages capital and makes adjustments taking into consideration changing market conditions and other opportunities, while remaining cognizant of the cyclical nature of the energy services sector. In order to maintain or adjust capital structure, the Company may modify its capital spending, issue shares, and add or repay debt. The Company may also revise the terms of its debt facilities as a result of expansion and growth activities.

The Company also manages capital to ensure compliance with the margin requirements and financial covenants on its credit facilities. The Company monitors compliance with these requirements on an ongoing basis and forecasts regularly to assess how certain activities may impact compliance in future periods. As at March 31, 2012, the Company is in compliance with respect to these covenants. The Company also monitors non-GAAP measures, specifically EBITDA, which is calculated as net income/(loss) plus interest, taxes, depreciation and amortization, loss on foreign exchange, loss on disposal of property, plant and equipment less gain on foreign exchange, and gain on disposal of property, plant and equipment. The Company's management uses EBITDA to evaluate the financial performance of each division.

On December 20, 2011, the Company obtained approval to make a normal course issuer bid (the "Bid") to purchase, from time to time, as it considers advisable, up to 1,862,319 of its issued and outstanding common shares on the open market. Common shares acquired by the Company under the Bid will be cancelled. As at March 31, 2012, the Company had not purchased, or engaged an agent to begin to purchase, any of its issued and outstanding common shares under the Bid.

(in thousands of Canadian dollars)

17 Financial instruments

The Company's financial instruments consist of trade receivables, notes receivable, bank indebtedness, accounts payable and accrued liabilities, long-term debt and obligations under finance lease. The fair value of trade receivables, notes receivable, bank indebtedness, and accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity. The Company's long-term debt carries interest based on specified benchmark interest rates plus a spread. The fair values of the Company's debt obligations approximate their carrying amounts due to the fact that interest is adjusted periodically based on changes in the relevant benchmark interest rates and there have been no significant changes in the Company's own credit risk.

	As at March 31, 2012		**As at December 31, 2011**	
	Fair value amount	Carrying amount	Fair value amount	Carrying amount
Loans and receivables:				
Trade receivables	51,300	51,300	49,466	49,466
Notes receivable	1,870	1,870	2,035	2,035
Financial liabilities:				
Bank indebtedness	9,673	9,673	5,570	5,570
Accounts payable and accrued liabilities	25,270	25,270	30,812	30,812
Long-term debt	37,500	37,500	23,500	23,500
Obligations under finance lease	7,314	7,314	7,665	7,665

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables.

The vast majority of the Company's trade receivables are customers involved in the oil and gas industry, and the ultimate collection of trade receivables is dependent on both industry related factors and customer specific factors. Industry related factors that may affect collection include commodity prices and access to capital. Customer specific factors that may affect collection include commodity prices, the success of drilling programs, well reservoir decline rates and access to capital.

	As at March 31, 2012	**As at December 31, 2011**
Under 30 days	$ 36,622	$ 32,235
31-60 days	8,663	12,520
61-90 days	3,130	3,000
Over 90 days	2,885	1,711
Trade receivables	51,300	49,466

(in thousands of Canadian dollars)

As at March 31, 2012, the Company had an allowance for doubtful accounts of $0.4 million (2011 - $0.5 million) with respect to potentially uncollectible accounts. The Company does not have a significant exposure to any individual customer or counter party, except one customer that accounted for approximately 14% of revenue from continuing operations for the period ended March 31, 2012 (2011 – one customer for 14%). No other customer accounted for more than 10% of revenue from continuing operations during the period ended March 31, 2012.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. The maximum exposure to credit risk at the reporting date is the carrying value of the trade and note receivables. None of these financial assets, other than the $0.4 million of trade receivables above for which a reserve balance has been taken, are past due or impaired.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's principal sources of liquidity are operating cash flows, existing or new credit facilities and new share equity. The Company monitors its liquidity position on an ongoing basis and manages liquidity risk by regularly evaluating capital and operating budgets, forecasting cash flows and maintaining sufficient credit facilities to meet financing requirements.

The timing of cash flows relating to financial liabilities is outlined in the table below:

	2013	**2014**	**2015**	**2016**	**2017**
	Less than 1 year	1 – 2 years	2 - 3 years	3 – 4 years	4 – 5 years
Accounts payable and accrued liabilities	$ 25,270	$ -	$ -	$ -	$ -
Bank indebtedness [(1)]	9,931	-	-	-	-
Long-term debt [(1)]	1,195	1,586	38,399	-	-
Obligations under finance lease [(1)]	4,480	2,701	507	137	-
Total	40,876	4,287	38,906	137	-

(1) Includes principal and interest

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's net earnings or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

(in thousands of Canadian dollars)

i) Foreign exchange risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company is exposed to foreign exchange risk associated with its U.S. Operations where revenues, costs, and purchases of capital assets are denominated in USD. The Company is also exposed to foreign exchange risk as certain balances within working capital may fluctuate due to changing Canada/U.S. exchange rates. The Company does not utilize derivative financial instruments with respect to foreign exchange. For the period ended March 31, 2012, if the exchange rate had weakened by 1% against the Canadian dollar with all other variables constant, after tax net earnings would have decreased by $42 thousand (2011 - $15 thousand). An equal and opposite impact would have occurred to after tax net earnings if the exchange rate had strengthened by 1% against the Canadian dollar.

ii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on its borrowings which are at floating rates. For the period ended March 31, 2012, if interest rates had been 1% lower with all other variables constant, after tax net earnings for the period would have been approximately $65 thousand higher (2011 - $25 thousand), due to lower interest expense. An equal and opposite impact would have occurred to net earnings had interest rates been 1% higher.

The Company had no interest rate swap or financial contracts in place as at or during the period ended March 31, 2012.

18 Related party transactions

Compensation of key management

Key management includes the Company's directors and members of the Executive Management team. The compensation paid or payable to key management for services is shown below:

	Three months ended March 31,	
	2012	**2011**
Salaries and short-term employee benefits	$ 285	$ 332
Share-based payments	221	195
	506	527

(in thousands of Canadian dollars)

Loans to key management

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

	As at March 31, 2012	As at December 31, 2011
Opening balance	$ 1,157	$ 1,275
Repayment of share purchase loans in 2011	-	(118)
Repayment of share purchase loans in 2012	(101)	-
	1,056	1,157

Certain key management personnel have loans outstanding totaling $1.1 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.

The opening balance of share purchase loans for the year-ended December 31, 2011, pertain to share purchase loans issued during the year-ended December 31, 2009, and 2010.

19 Comparative figures

Certain information provided for prior periods has been reclassified to conform to the presentation adopted in 2011. The comparative Statement of Income distinguishes between discontinued operations and continuing operations to conform to the presentation required under IFRS 5 Non-current assets held for sale and discontinued operations (see note 13). Operating segments for the previous period have been reclassified to conform to the change in operating segments disclosed in the 2011 annual financial statements.