Strad Energy Services Ltd.

Unaudited Condensed Interim Consolidated Financial Statements
As at and for the three months ended March 31, 2013 and 2012

Strad Energy Services Ltd.

Interim Consolidated Statement of Financial Position

(Unaudited)

(in thousands of Canadian dollars)	**As at March 31, 2013 $**	**As at December 31, 2012 $**
Assets		
Current assets		
Trade receivables	34,808	33,418
Inventories (note 4)	11,322	12,022
Prepaids and deposits	2,183	2,379
Current portion of notes receivable (note 5)	673	665
Income taxes receivable	1,546	1,526
	50,532	50,010
Assets held for sale (note 6)	2,728	4,728
Non-current assets		
Property, plant and equipment (note 7)	152,627	157,042
Intangible assets (note 8)	2,650	2,721
Notes receivable (note 5)	557	729
Goodwill	17,277	17,277
Deferred income tax assets	192	198
Total assets	226,563	232,705
Liabilities		
Current liabilities		
Bank indebtedness (note 9)	3,166	2,488
Accounts payable and accrued liabilities	19,577	24,244
Deferred revenue	-	160
Current portion of obligations under finance lease (note 10)	2,987	2,735
Note payable (note 11)	1,016	1,492
Dividend payable (note 14)	2,049	2,050
Restructuring provision (note 12)	2,594	3,813
	31,389	36,982
Non-current liabilities		
Long-term debt (note 13)	55,500	55,500
Obligations under finance lease (note 10)	1,497	2,285
Deferred income tax liabilities	9,732	9,279
Total liabilities	98,118	104,046
Equity		
Share capital (note 14)	117,467	117,462
Contributed surplus (note 14)	11,174	11,016
Accumulated other comprehensive loss	(843)	(1,451)
Retained earnings	647	1,632
Total equity	128,445	128,659
Total liabilities and equity	226,563	232,705

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

Strad Energy Services Ltd.
Interim Consolidated Statement of Income
For the three months ended March 31, 2013 and 2012
(Unaudited)

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

	2013 $	2012 $
Continuing operations		
Revenue	44,723	56,301
Expenses		
Operating expenses	26,231	31,900
Depreciation	7,187	5,888
Amortization of intangible assets	439	365
Selling, general administration	7,645	8,171
Share-based payments	188	249
Loss on disposal of property, plant and equipment	586	35
Foreign exchange (gain) loss	(121)	401
Finance fees	72	58
Interest expense	714	444
Loss on assets held for sale	158	-
Income before income tax from continuing operations	1,624	8,790
Income tax (note 16)	561	3,147
Net income from continuing operations for the period	1,063	5,643
(Loss) from discontinued operations, net of tax (note 17)	-	(307)
Net income for the period	1,063	5,336
Net income attributable to:		
Owners of the parent	1,063	4,816
Non-controlling interests (note 15)	-	520
	1,063	5,336
Earnings per share from continuing operations attributable to the equity owners of the Company:		
Basic	$0.03	$0.14
Diluted	$0.03	$0.14
Earnings per share from discontinued operations attributable to the equity owners of the Company:		
Basic	$0.00	($0.01)
Diluted	$0.00	($0.01)
Earnings per share from total operations attributable to the equity owners of the Company:		
Basic	$0.03	$0.13
Diluted	$0.03	$0.13

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

Strad Energy Services Ltd.

Interim Consolidated Statement of Comprehensive Income

For the three months ended March 31, 2013 and 2012

(Unaudited)

(in thousands of Canadian dollars)

	2013 $	2012 $
Net income for the period	1,063	5,336
Other comprehensive income (loss)		
Items that may be reclassified subsequently to net income		
Cumulative translation adjustment	608	(1,100)
Total other comprehensive income (loss)	608	(1,100)
Comprehensive income for the period	1,671	4,236
Comprehensive income attributable to:		
Owners of the parent	1,671	3,826
Non-controlling interests	-	410
	1,671	4,236

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, 2013 and 2012
(Unaudited)

(in thousands of Canadian dollars)

	Attributable to equity owners of the Company						
	Share capital $	Contributed surplus $	Accumulated other comprehensive loss $	Retained earnings (deficit) $	Total $	Non-controlling Interest $	Total equity $
Balance – December 31, 2012	117,462	11,016	(1,451)	1,632	128,659	-	128,659
Net income for the year	-	-	-	1,063	1,063	-	1,063
Other comprehensive income (net of tax):							
Cumulative translation adjustment	-	-	608	-	608	-	608
Comprehensive income for the year	-	-	608	1,063	1,671	-	1,671
Exercise of options	-	(30)	-	-	(30)	-	(30)
Interest on shareholder loans (net of repayments) (note 14)	5	-	-	-	5	-	5
Dividends declared (note 14)	-	-	-	(2,048)	(2,048)	-	(2,048)
Employee share options:							
Value of services recognized	-	188	-	-	188	-	188
Balance – March 31, 2013	117,467	11,174	(843)	647	128,445	-	128,445
Balance – December 31, 2011	157,042	3,017	(585)	(28,260)	131,214	2,059	133,273
Net income for the year	-	-	-	4,816	4,816	520	5,336
Other comprehensive loss (net of tax):							
Cumulative translation adjustment	-	-	(990)	-	(990)	(110)	(1,100)
Comprehensive (loss) income for the year	-	-	(990)	4,816	3,826	410	4,236
Shareholder loan	271	-	-	-	271	-	271
Purchase of non-controlling interest	-	-	-	(1,592)	(1,592)	(1,068)	(2,660)
Dividend declared	-	-	-	(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

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, 2013 and 2012
(Unaudited)

(in thousands of Canadian dollars)

	2013 $	2012 $
Cash flow provided by (used in)		
Operating activities		
Net income for the period	1,063	5,336
Adjustments for:		
Depreciation and amortization	7,626	6,253
Deferred income tax	345	1,956
Share-based payments	188	52
Interest expense	714	444
Finance fees	72	58
Loss on disposal of property, plant and equipment	586	35
Loss/impairment on sale of investment in subsidiary	-	441
Loss on assets held for sale (note 6)	158	-
Changes in items of non-cash working capital (note 18)	(6,442)	(9,560)
Net cash generated from operating activities	4,310	5,015
Investing activities		
Purchase of property, plant and equipment	(2,138)	(22,785)
Proceeds from sale of property, plant and equipment	695	125
Purchase of intangible assets	(363)	(136)
Proceeds on sale of subsidiaries (note 17)	-	7,129
Proceeds from sale of assets held for sale	1,802	-
Purchase of non-controlling interest (note 15)	-	(2,660)
Cash settlement on stock option exercises	(30)	-
Changes in items of non-cash working capital (note 18)	(430)	(2,369)
Net cash used in investing activities	(464)	(20,696)
Financing activities		
Proceeds on issuance of long-term debt	2,000	14,000
Repayment of long-term debt	(2,000)	-
Repayment of finance lease obligations (net)	(536)	(863)
Repayment of shareholder loan	-	271
Interest paid on debt	(714)	(444)
Finance fees	(72)	(58)
Payment of dividends	(2,048)	-
Net cash (used) generated from financing activities	(3,370)	12,906
Effect of exchange rate changes on cash and cash equivalents	(1,154)	(1,123)
Decrease in cash and cash equivalents	(678)	(3,898)
Cash and cash equivalents (including bank indebtedness) – beginning of year	(2,488)	(5,570)
Cash and cash equivalents (including bank indebtedness) – end of period	(3,166)	(9,468)
Cash and cash equivalents - included in liabilities of disposal group (note 17)	-	(205)
Cash and cash equivalents (including bank indebtedness) – end of period	(3,166)	(9,673)
Cash paid for income tax	235	4,389

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

(in thousands of Canadian dollars)

1 General information

Strad Energy Services Ltd. (the "Company"), is an energy services company that focuses on providing well-site infrastructure activation solutions to the oil and natural gas industry 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, 2013, and 2012, comprise the Company and its subsidiaries.

The head office, principal address and records office of the Company are located at 440 2nd Avenue SW, Suite 1200, Calgary, Alberta, Canada, T2P 5E9.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors ("the Board") on May 8, 2013.

2 Basis of preparation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS").

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 8, 2013, 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, 2013, 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, 2012.

3 Changes in accounting policy and disclosure

New standards adopted by the Company January 1, 2013:

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of this standard has not had a material impact on the Company's financial statements.

(in thousands of Canadian dollars)

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The adoption of this standard has not had a material impact on the Company's financial statements.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The adoption of this standard has not had a material impact on the Company's financial statements. Additional disclosures on fair value measurement required by IFRS 13 have been disclosed in note 22.

4 Inventories

	As at March 31, 2013	**As at December 31, 2012**
Raw materials	$ 5,370	$ 4,924
Work in progress	32	118
Finished goods	5,920	6,980
	11,322	12,022

The cost of inventories recognized as expense and included in 'Operating expenses' for the three months ended March 31, 2013, amounted to $5.4 million (2012 - $10.1 million).

During the three months ended March 31, 2013 and March 31, 2012, the Company had no write-downs of inventories to net realizable value.

5 Notes receivable

	As at March 31, 2013	**As at December 31, 2012**
Three-year notes receivable	$ 1,230	$ 1,394
Less: Current portion	(673)	(665)
	557	729

On January 12, 2012, the Company sold its investment in Strad Production Services Ltd. and Sunwell Industries Ltd. (see note 17). As part of the consideration, the Company received a $1.0 million three-year note receivable due January 12, 2015.

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)

6 Assets held for sale

	Land and building	Equipment – Canadian Operations	Equipment – U.S. Operations	Total
As at December 31, 2012	2,481	648	1,599	4,728
Additions	40	-	-	40
Divestitures	-	(540)	(1,460)	(2,000)
Foreign currency translation	53	-	21	74
Other	-	(108)	(6)	(114)
As at March 31, 2013	2,574	-	154	2,728

Assets held for sale are accounted for at the lower of carrying value and fair value less costs to sell.

Land and building

The Company intends to sell land and building with a collective carrying value of $2.6 million. The land and building were purchased in April 2012 for $1.4 million and improvements of $1.2 million were made to the property since initial acquisition. For the three months ended March 31, 2013, no impairment loss was recognized on the land and building held for sale.

Land and building held for sale are included in the U.S. Operations segment (note 19).

Communications equipment

As at December 31, 2012, the assets related to the Company's Communications business unit located in Canada and the U.S. have been presented as held for sale following the Company's December 4, 2012 Board approval of a sale and disposition of these assets.

The remaining equipment held for sale at March 31, 2013, is included in the U.S. Operations segment (note 19).

7 Property, plant and equipment

Cost

	Land	Buildings	Automotive equipment	Furniture & fixtures	Computers	Tools & equipment
As at December 31, 2012	168	328	6,700	1,217	1,524	5,910
Capital expenditures	-	-	346	9	7	65
Divestitures	-	-	(202)	-	-	(12)
Transfers	-	-	-	-	-	-
Foreign currency translation	15	-	(3)	10	9	12
Other	-	-	71	-	3	46
As at March 31, 2013	183	328	6,912	1,236	1,543	6,021

(in thousands of Canadian dollars)

	Leasehold improvements	Rental equipment	*Assets Under Finance Lease* Rental equipment	Automotive equipment	Total
As at December 31, 2012	1,378	181,616	7,012	9,698	215,551
Capital expenditures	54	1,657	-	164	2,302
Divestitures	(8)	(1,629)	-	(367)	(2,218)
Transfers	-	(2,326)	-	(1)	(2,327)
Foreign currency translation	10	2,059	-	80	2,192
Other	-	-	-	-	120
As at March 31, 2013	1,434	181,377	7,012	9,574	215,620

Accumulated Depreciation

	Land $	Buildings $	Automotive equipment $	Furniture & fixtures $	Computers $	Tools & equipment $
As at December 31, 2012	-	284	3,013	474	1,103	2,891
Depreciation	-	5	292	52	71	236
Divestitures	-	-	(132)	-	-	(2)
Transfers	-	-	-	-	-	-
Foreign currency translation	-	-	3	4	6	(260)
Other	-	-	-	-	-	6
As at March 31, 2013	-	289	3,176	530	1,180	2,871
Net book value						
As at December 31, 2012	168	44	3,687	743	421	3,019
As at March 31, 2013	183	39	3,736	706	363	3,150

	Leasehold improvements	Rental equipment	*Assets Under Finance Lease* Rental equipment	Automotive equipment	Total
As at December 31, 2012	559	42,474	3,200	4,511	58,509
Depreciation	76	5,817	180	458	7,187
Divestitures	(5)	(402)	-	(284)	(825)
Transfers	-	(2,324)	-	(2)	(2,326)
Foreign currency translation	5	658	-	26	442
Other	-	-	-	-	6
As at March 31, 2013	635	46,223	3,380	4,709	62,993
Net book value					
As at December 31, 2012	819	139,142	3,812	5,187	157,042
As at March 31, 2013	799	135,154	3,632	4,865	152,627

8 Intangible assets

Cost

	Customer relationships	Patent and technology asset	Non-competition covenants	Computer software	Total
As at December 31, 2012	7,200	2,652	900	1,733	12,485
Capital expenditures	-	60	-	303	363
Foreign currency translation	-	-	-	10	10
As at March 31, 2013	7,200	2,712	900	2,046	12,858

(in thousands of Canadian dollars)

Accumulated Amortization

	Customer relationships	Patent and technology asset	Non-competition covenants	Computer software	Total
As at December 31, 2012	6,899	1,242	837	786	9,764
Amortization	207	77	17	138	439
Foreign currency translation	-	-	-	5	5
As at March 31, 2013	7,106	1,319	854	929	10,208
Net book value					
As at December 31, 2012	301	1,410	63	947	2,721
As at March 31, 2013	94	1,393	46	1,117	2,650

9 Bank indebtedness

The Company's syndicated banking facility consists of an operating facility with a maximum principal amount of $15.0 million CAD and $10.0 million USD and an $85.0 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. 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, 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 banking facility matures on July 25, 2015. For the three months ended March 31, 2013, the overall effective rate on the operating facility was 4.03%. At March 31, 2013, $3.2 million (2012 - $2.5 million) was drawn on the operating facility. All bank covenants are in compliance as at March 31, 2013.

10 Obligations under finance lease

	As at March 31, 2013	**As at December 31, 2012**
Equipment under finance lease	$ 4,484	$ 5,020
Less: Current portion	(2,987)	(2,735)
	1,497	2,285

The finance leases bear interest ranging from 1% to 9% at March 31, 2013.

(in thousands of Canadian dollars)

11 Note payable

	As at March 31, 2013	As at December 31, 2012
1.5 year note payable	$ 1,016	$ 1,492
Less: Current portion	(1,016)	(1,492)
	-	-

On May 31, 2012, a note payable of $1.5 million was issued as part of consideration paid for the acquisition of the remaining shares of the non-controlling interest in a subsidiary (note 15).

On February 28, 2013, a principal repayment of $0.5 million was made. The $1.0 million principal balance owing is due November 30, 2013. Accumulated interest will be paid at the end of the term on November 30, 2013. The note bears interest at 3.0% annually.

12 Restructuring provision

	As at March 31, 2013	As at December 31, 2012
Opening balance	$ 3,813	$ -
Additions	-	3,813
Restructuring costs incurred	(1,219)	-
Closing balance	2,594	3,813

13 Long-term debt

	As at March 31, 2013	As at December 31, 2012
Revolving facility	$ 55,500	$ 55,500
Less: Current portion	-	-
	55,500	55,500

As at March 31, 2013, the Company had access to the maximum available $85.0 million revolving facility (see note 9) of which $55.5 million was drawn. Monthly payments are interest only with the principal due July 25, 2015. The overall effective rate on the revolving facility at March 31, 2013, was 3.46% (2012 – 4.23%).

14 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, 2013, there are no Class B, C, D, E or F shares outstanding.

(in thousands of Canadian dollars)

b) Issued and outstanding

	For the three months ended March 31, 2013		Year-ended December 31, 2012	
	Number of shares	Amount $	Number of shares	Amount $
Balance, beginning of period	37,251,301	117,462	37,246,384	157,042
Shareholder loan – repayment	-	-	-	271
Shareholder loan – issuance	-	-	-	(772)
Interest on shareholder loans	-	5	-	(17)
Reduction of stated capital	-	-	-	(39,086)
Exercise of options	-	-	4,917	24
Total common shares, end of period	37,251,301	117,467	37,251,301	117,462

c) Share-based payments

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, 2013		As at December 31, 2012	
	Outstanding options	Weighted average exercise price	Outstanding options	Weighted average exercise price
Balance, beginning of period	2,145,334	$3.99	2,209,499	$4.10
Granted	640,000	$3.41	1,002,500	$4.46
Exercised	(63,333)	$2.50	(39,994)	$3.83
Expired – vested	(42,000)	$6.50	(380,000)	$5.54
Forfeited – vested	(13,996)	$4.24	(301,329)	$4.85
Forfeited – unvested	(40,005)	$4.34	(345,342)	$3.60
Balance, end of period	2,626,000	$3.84	2,145,334	$3.99

The Company recognized compensation expense of $188 thousand during the three months ended March 31, 2013, and $52 thousand net of recoveries (expense) included in income (loss) from discontinued operations 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.

(in thousands of Canadian dollars)

d) Contributed surplus

	Three months ended March 31, 2013	Year-ended December 31, 2012
Balance, beginning of year	$ 11,016	$ 3,017
Share-based payments expense - continuing operations	188	819
Share-based payments (recovery) – discontinued operations	-	(197)
Exercise of options	(30)	(60)
Reduction of stated capital	-	9,234
Repurchase of minority interest	-	(1,854)
Reversal of cumulative translation adjustment on purchased non-controlling interest	-	61
Other	-	(4)
Balance, end of period	11,174	11,016

e) Per share amounts

	Three months ended March 31, 2013	2012
Basic weighted average shares outstanding	36,532,859	36,712,942
Dilutive effect of stock options	92,995	370,316
Dilutive effect of shareholder loans	718,442	533,442
Diluted weighted average shares outstanding	37,344,296	37,616,700

f) Dividend payable

On January 11, 2013, the Company paid a dividend of 5.5 cents per share. On March 11, 2013, the Company's Board of Directors declared a dividend of 5.5 cents per share, payable on April 12, 2013, to shareholders of record at the close of business on March 28, 2013.

15 Transactions with non-controlling interests

The effect of changes in the ownership interests in the subsidiaries on the equity attributable to owners of the Company during the year is summarized as follows:

	Three months ended March 31, 2013	2012
Carrying amount of non-controlling interests acquired	$ -	$ 1,068
Less: consideration paid to non-controlling interests	-	2,660
Excess of consideration paid recognized in owner's equity	-	(1,592)

(in thousands of Canadian dollars)

16 Income tax

	Three months ended March 31, 2013	2012
Current income tax expense	$ 216	$ 1,191
Deferred income tax expense	345	1,956
Income tax expense	561	3,147

17 Discontinued operations

Discontinued operations

On December 1, 2011, the Company announced its decision to initiate the sale of its Production Services Division.

On December 12, 2011, the Company sold its 100% shareholding in Strad Controls Ltd. for proceeds of $8.0 million consisting of $6.0 million cash and $2.0 million in notes receivable (see note 5). The results and cash flows of the subsidiary are disclosed as a discontinued operation in accordance with IFRS.

On January 12, 2012, the Company completed the sale of its Production Services Division with the sale of its 100% shareholding in Strad Production Services Ltd. and Sunwell Industries Ltd. 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 (see note 5).

Consolidated statement of income from discontinued operations

	Three months ended March 31, 2013	2012
Analysis of the results of discontinued operations:		
Revenue	$ -	$ 1,321
Expense	-	1,148
Income from ordinary activities of discontinued operations	-	173
Tax expense	-	39
Income after tax of ordinary activities of discontinued operations	-	134
(Loss) recognized on sale of investment in subsidiary (1)	-	(441)
After-tax (loss) from discontinued operations (2)	-	(307)

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

	Three months ended March 31, 2013	2012
Current income tax expense from discontinued operations	$ -	$ 39
Deferred income tax from discontinued operations	-	-
Income tax expense from discontinued operations	-	39

(in thousands of Canadian dollars)

Consolidated statement of cash flow from discontinued operations

	Three months ended March 31, 2013	2012
The net cash flows attributable to the operating, investing and financing activities of discontinued operations:		
Operating cash flows	$ -	$ 205
Investing cash flows	-	-
Financing cash flows	-	-
Total cash outflow	-	205

18 Changes in non-cash working capital

	March 31, 2013	March 31, 2012
Trade receivables	$ (1,390)	$ (1,834)
Inventories	700	547
Prepaids and deposits	196	(1,320)
Income taxes receivable	(20)	-
Notes receivable	164	1,164
Accounts payable and accrued liabilities	(4,237)	(3,173)
Deferred revenue	(160)	(2,245)
Notes payable	(476)	-
Income taxes payable	-	(2,699)
Restructuring provision	(1,219)	-
Operating activities	(6,442)	(9,560)
Accounts payable and accrued liabilities – investing activities	(430)	(2,369)
Operating and investing activities	(6,872)	(11,929)

19 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 well-site infrastructure activation solutions to exploration and production companies in the oil and natural 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.

(in thousands of Canadian dollars)

A portion of corporate costs directly related to the Company's core business are allocated to Canadian Operations, U.S. Operations and Product Sales.

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, 2013	**Canadian Operations**	**U.S. Operations**	**Product Sales**	**Corporate**	**Total**
Revenue	$ 17,742	$ 13,979	$ 13,002	$ -	$ 44,723
Depreciation and amortization	4,082	3,179	220	145	7,626
Net interest expense	922	288	106	(602)	714
Finance fees	-	-	-	72	72
Earnings before income tax and non-controlling interests	(1,090)	373	2,215	126	1,624
Income tax expense (recovery)	141	241	121	58	561
Capital expenditures (1)	35	1,892	203	8	2,138
Goodwill	7,675	9,602	-	-	17,277
Total Assets	108,133	112,512	1,724	4,194	226,563

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

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	37	444
Finance fees	-	-	-	58	58
Earnings before income tax and non-controlling interests	3,792	4,554	1,904	(1,460)	8,790
Income tax expense	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.

Revenue from continuing operations by geography	**Three months ended March 31,**	
	2013	**2012**
Canada	$ 29,999	$ 35,070
U.S.	14,724	21,231
Total	44,723	56,301

(in thousands of Canadian dollars)

			As at March 31, 2013			As at March 31, 2012
	Capital assets & goodwill	**Other assets**	**Total assets**	**Capital assets & goodwill**	**Other assets**	**Total assets**
Canada	$ 78,794	$ 35,256	$ 114,050	$ 75,160	$ 45,215	$ 120,375
U.S.	93,914	18,599	112,513	87,060	21,558	108,618
Total	172,708	53,855	226,563	162,220	66,773	228,993

During the three months ended March 31, 2013, the Product Sales segment had intercompany sales of $0.4 million (2012 - $2.2 million) to the Canadian Operations segment and $0.1 million (2012 - $5.0 million) 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.

20 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, and to mitigate downside risk in changing economic environments. The Company's capital structure consists of shareholders' equity, bank indebtedness, long-term debt, note payable and finance leases.

	As at March 31, 2013	**As at December 31, 2012**
Bank indebtedness	$ 3,166	$ 2,488
Long-term debt	55,500	55,500
Note payable	1,016	1,492
Finance leases	4,484	5,020
Total debt	64,166	64,500
Total equity	128,445	128,659
Total capitalization	192,611	193,159

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, 2013, the Company is in compliance with respect to these covenants.

(in thousands of Canadian dollars)

21 Financial instruments

The Company's financial instruments consist of trade receivables, notes receivable, bank indebtedness, accounts payable and accrued liabilities, long-term debt, note payable, obligations under finance lease and dividends payable.

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 natural 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, 2013	As at December 31, 2012
Under 30 days	$ 23,717	$ 20,251
31-60 days	7,721	7,419
61-90 days	1,440	3,425
Over 90 days	1,930	2,323
Trade receivables	34,808	33,418

As at March 31, 2013, the Company had an allowance for doubtful accounts of $0.7 million (2012 - $1.0 million) with respect to potentially uncollectible accounts. The Company has significant exposure to one customer that accounted for 15% (2012 - 14%) of revenue from continuing operations for the period ended March 31, 2013. No other customer accounted for more than 10% of revenue from continuing operations.

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 $0.7 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.

(in thousands of Canadian dollars)

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

	2014 Less than 1 year	2015 1 – 2 years	2016 2 - 3 years	2017 3 – 4 years	2018 4 – 5 years
Accounts payable and accrued liabilities	$ 19,577	$ -	$ -	$ -	$ -
Bank indebtedness [(1)]	3,166	-	-	-	-
Long-term debt [(1)]	1,923	1,923	56,585	-	-
Obligations under finance lease [(1)]	2,457	1,662	371	215	-
Note payable [(1)]	1,016	-	-	-	-
Dividend payable	2,049	-	-	-	-
Total	30,188	3,585	56,956	215	-

(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.

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, 2013, 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 $3 thousand (2012 - $42 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, 2013, if interest rates had been 1% lower with all other variables constant, after tax net earnings for the period would have been approximately $116 thousand higher (2012 - $65 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, 2013.

(in thousands of Canadian dollars)

22 Fair value measurement

Fair values of financial assets and liabilities

The Company's financial instruments consist of trade receivables, notes receivable, bank indebtedness, accounts payable and accrued liabilities, note payable, long-term debt, obligations under finance lease and dividends payable. The fair value of trade receivables, notes receivable, bank indebtedness, accounts payable and accrued liabilities, note payable, obligations under finance lease and dividends payable 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, 2013		**As at December 31, 2012**	
	Fair value amount	Carrying amount	Fair value amount	Carrying amount
Loans and receivables:				
Trade receivables	34,808	34,808	33,418	33,418
Notes receivable	1,230	1,230	1,394	1,394
Financial liabilities:				
Bank indebtedness	3,166	3,166	2,488	2,488
Accounts payable and accrued liabilities	19,577	19,577	24,244	24,244
Note payable	1,016	1,016	1,492	1,492
Long-term debt	55,500	55,500	55,500	55,500
Obligations under finance lease	4,484	4,484	5,020	5,020
Dividends payable	2,049	2,049	2,050	2,050

23 Related party transactions

i) 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,	
	2013	**2012**
Salaries and short-term employee benefits	$ 703	$ 285
Share-based payments	67	221
	770	506

(in thousands of Canadian dollars)

ii) Loans to key management

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

	As at March 31, 2013	**As at December 31, 2012**
Opening balance	$ 1,845	$ 1,157
Share purchase loans issued in 2012	-	772
Repayment of share purchase loan in 2012	-	(101)
Interest charged	5	17
Interest paid	(10)	-
	1,840	1,845

Certain key management personnel and directors have loans outstanding totaling $1.8 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.

For the period ended March 31, 2013, there were no loan advances made to key management (year-ended December 31, 2012 - $772 thousand) and no loan principal repayments were received (year-ended December 31, 2012 - $101 thousand).

For the period ended March 31, 2013, interest of $5 thousand was charged by the Company on loans to key management (year-ended December 31, 2012 - $17 thousand) and interest repayments of $10 thousand were received (year-ended December 31, 2012 – nil).

24 Comparative figures

Finance fees for the previous period have been reclassified to conform to the change in presentation in these March 31, 2013 financial statements.