# CWC ENERGY SERVICES CORP.

Unaudited Condensed Interim Financial Statements

For the three months ended March 31, 2015 and 2014

# CWC ENERGY SERVICES CORP.

**STATEMENTS OF FINANCIAL POSITION**

As at March 31, 2015 and December 31, 2014

(unaudited)

| *(Stated in thousands of Canadian dollars)* | Note | **March 31, 2015** | December 31, 2014 |
|---|---|---|---|
| **ASSETS** | | | |
| Current | | | |
| Cash | | **$ 67** | $ 69 |
| Accounts receivable | | **17,839** | 34,826 |
| Inventory | | **2,278** | 2,335 |
| Prepaid expenses and deposits | | **1,011** | 1,175 |
| | | **21,195** | 38,405 |
| Property and equipment | 5 | **219,667** | 218,910 |
| Intangibles | | **1,311** | 1,390 |
| Goodwill | | **16,662** | 16,648 |
| | | **$ 258,835** | $ 275,353 |
| **LIABILITIES** | | | |
| Current | | | |
| Accounts payable and accrued liabilities | | **$ 8,139** | $ 13,064 |
| Dividend payable | 7 | **1,395** | 4,738 |
| Current portion of long-term debt | 6 | **185** | 201 |
| | | **9,719** | 18,003 |
| Deferred tax liability | | **19,280** | 19,180 |
| Long-term debt | 6 | **54,911** | 65,465 |
| | | **83,910** | 102,648 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 7 | **222,971** | 219,677 |
| Contributed surplus | 7 | **6,855** | 6,546 |
| Deficit | | **(54,901)** | (53,518) |
| | | **174,925** | 172,705 |
| | | **$ 258,835** | $ 275,353 |

*See accompanying notes to the financial statements.*

# CWC ENERGY SERVICES CORP.

## STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended March 31, 2015 and 2014
(unaudited)

| *Stated in thousands of Canadian dollars except per share amounts* | Note | **2015** | 2014 |
|---|---|---|---|
| **Revenue** | | **$ 27,830** | $ 38,373 |
| **Expenses** | 10 | | |
| Direct operating expenses | | **18,219** | 24,863 |
| Selling and administrative expenses | | **4,357** | 4,127 |
| Stock based compensation | 7 | **323** | 280 |
| Finance costs | 6 | **574** | 443 |
| Depreciation and amortization | | **4,184** | 4,265 |
| Loss on disposal of equipment | | **35** | - |
| | | **27,692** | 33,978 |
| **Net income before income taxes** | | **138** | 4,395 |
| **Deferred income tax expense** | | **100** | 1,150 |
| **Net income and comprehensive income** | | **$ 38** | $ 3,245 |
| **Earnings per share** | | | |
| Basic and diluted | 7 | **$ 0.00** | $ 0.02 |

*See accompanying notes to the financial statements.*

# CWC ENERGY SERVICES CORP.

**STATEMENTS OF CHANGES IN EQUITY**

For the three months ended March 31, 2015 and 2014

(unaudited)

| *Stated in thousands of Canadian dollars except share amounts* | Note | Number of Shares | Share Capital | Contributed Surplus | Deficit | Total Equity |
|---|---|---|---|---|---|---|
| **Balance – January 1, 2014** | | 155,323,066 | $ 108,184 | $ 6,056 | $ (22,896) | $ 91,344 |
| Net income and comprehensive income | | - | - | - | 3,245 | 3,245 |
| Stock based compensation expense | 7 | - | - | 243 | - | 243 |
| Exercise of stock options | 7 | 30,000 | 13 | (5) | - | 8 |
| Dividends declared | 7 | - | - | - | (2,638) | (2,638) |
| **Balance – March 31, 2014** | | 155,353,066 | $ 108,197 | $ 6,294 | $ (22,289) | $ 92,202 |
| **Balance January 1, 2015** | | **270,762,224** | **219,677** | **6,546** | **(53,518)** | **172,705** |
| Net income and comprehensive income | | **-** | **-** | **-** | **38** | **38** |
| Stock based compensation expense | **7** | **-** | **-** | **315** | **-** | **315** |
| Exercise of stock options | **7** | **30,000** | **13** | **(6)** | **-** | **7** |
| Issued common shares under dividend reinvestment and stock dividend plans | **7** | **8,283,106** | **3,281** | **-** | **-** | **3,281** |
| Dividends declared | **7** | **-** | **-** | **-** | **(1,421)** | **(1,421)** |
| **Balance – March 31, 2015** | | **279,075,330** | **$ 222,971** | **$ 6,855** | **$ (54,901)** | **$ 174,925** |

*See accompanying notes to the financial statements.*

# CWC ENERGY SERVICES CORP.

## STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2015 and 2014
(unaudited)

| *Stated in thousands of Canadian dollars* | Note | **2015** | 2014 |
|---|---|---|---|
| **Operating activities:** | | | |
| Net income from operations | | **$ 38** | $ 3,245 |
| Adjustments for: | | | |
| Stock based compensation expense | 7 | **323** | 280 |
| Finance costs | | **574** | 443 |
| Depreciation and amortization | | **4,184** | 4,265 |
| Loss on disposal of equipment | | **35** | - |
| Deferred income tax expense | | **100** | 1,150 |
| | | **5,254** | 9,383 |
| Changes in non-cash working capital balances | 8 | **12,234** | (2,922) |
| Operating cash flow | | **17,488** | 6,461 |
| | | | |
| **Investing activities:** | | | |
| Purchase of equipment | | **(5,011)** | (3,011) |
| Proceeds on disposal of equipment | | **114** | 11 |
| Investing cash flow | | **(4,897)** | (3,000) |
| | | | |
| **Financing activities:** | | | |
| Repayment of long-term debt | | **(10,359)** | (471) |
| Finance costs paid | | **(200)** | - |
| Interest paid | | **(530)** | (409) |
| Finance lease repayments | | **(54)** | (56) |
| Common shares issued on exercise of options | 7 | **7** | 8 |
| Dividends paid | 7 | **(1,457)** | (2,524) |
| Financing cash flow | | **(12,593)** | (3,452) |
| | | | |
| (Decrease) increase in cash during the period | | **(2)** | 9 |
| Cash, beginning of period | | **69** | 202 |
| Cash, end of period | | **$ 67** | $ 211 |

*See accompanying notes to the financial statements.*

## 1. Reporting entity

CWC Energy Services Corp. ("CWC" or the "Company") is incorporated under the *Business Corporations Act* (Alberta). The address of the Company's head office is Suite 610, 205 – 5th Avenue SW, Calgary, Alberta, Canada. The Company is an oilfield services company providing drilling and production services to oil and gas exploration and development companies throughout the Western Canadian Sedimentary Basin ("WCSB"). The Company's common stock is listed and traded on the TSX Venture Exchange under the symbol CWC. Additional information regarding CWC's business is available in CWC's most recent Annual Information Form available on SEDAR at www.sedar.com, on the Company's website www.cwcenergyservices.com, or by contacting the Company at the address noted above.

## 2. Basis of presentation

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and do not include all the information required for full annual financial statements.

These condensed interim financial statements were approved by the Board of Directors on May 13, 2015.

(b) Use of estimates and judgments

The preparation of the condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the report amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended December 31, 2014.

(c) Comparative figures

Certain comparative amounts have been reclassified to conform to the current period's presentation.

## 3. Significant accounting policies

The accounting policies applied by the Company in these interim financial statements are the same as those applied by the Company in its financial statements as at and for the year ended December 31, 2014. These unaudited interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2014 as filed on SEDAR.

## 4. Seasonality of operations

The Company's operations are located in Western Canada. The ability to move heavy equipment safely and efficiently in Western Canadian oil and natural gas fields is dependent on weather conditions. Activity levels during the first quarter are typically the most robust as the frost creates a stable ground mass that allows for easy access to well sites and easier service rig movement. The second quarter is traditionally the slowest due to road bans during spring break-up. When winter's frost leaves the ground, it renders many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. Road bans during this time restrict service and support equipment access to well sites. The third quarter has more activity as the summer months are typically drier than the second quarter. The fourth quarter is again quite active as winter temperatures freeze the ground once more maximizing site access. However, there may be temporary halts to operations in extreme cold weather when the temperature falls below -35C.

*Stated in thousands of Canadian dollars except share and per share amounts*

## 5. Property and equipment

| | Contract drilling equipment | Production services equipment | Other equipment | Total |
|---|---|---|---|---|
| **Costs** | | | | |
| Balance, December 31, 2014 | $ 104,749 | $ 205,233 | $ 1,638 | $ 311,620 |
| Additions | 1,770 | 3,234 | 7 | 5,011 |
| Transfers | (39) | 39 | - | - |
| Disposals | (30) | (508) | - | (538) |
| Balance, March 31, 2015 | 106,450 | 207,998 | 1,645 | 316,093 |
| **Accumulated depreciation** | | | | |
| Balance, December 31, 2014 | 4,543 | 86,825 | 1,342 | 92,710 |
| Depreciation | 1,234 | 2,830 | 41 | 4,105 |
| Disposals | (6) | (383) | - | (389) |
| Transfers | 6 | (6) | - | - |
| Balance, March 31, 2015 | 5,777 | 89,266 | 1,383 | 96,426 |
| **Net book value** | | | | |
| Balance, December 31, 2014 | $ 100,206 | $ 118,408 | $ 296 | $ 218,910 |
| Balance, March 31, 2015 | $ 100,673 | $ 118,732 | $ 262 | $ 219,667 |

At March 31, 2015, property and equipment includes equipment under finance leases which are recorded at cost totaling $887 (December 31, 2014: $887), less accumulated depreciation of $531 (December 31, 2014: $476).

## 6. Loans and borrowings

The following table provides information with respect to amounts included in the statement of financial position related to loans and borrowings:

| | **March 31, 2015** | December 31, 2014 |
|---|---|---|
| Current liabilities: | | |
| Current portion of finance lease liabilities | $ 185 | $ 201 |
| | $ 185 | $ 201 |
| Non-current liabilities: | | |
| Bank Loan | $ 55,299 | $ 65,657 |
| Finance lease liabilities | 177 | 215 |
| Financing fees | (565) | (407) |
| | $ 54,911 | $ 65,465 |
| Total loans and borrowings | $ 55,096 | $ 65,666 |

The Company has a credit facility with a syndicate of four Canadian financial institutions (the "Credit Facility"). The Credit Facility provides the Company with a $100 million extendible revolving term facility (the "Bank Loan") and other credit instruments. The Bank Loan is for a committed term until June 21, 2017 (the "Maturity Date"). No principal payments are required under the Bank Loan until the Maturity Date, at which time any amounts outstanding are due and payable. The Company may, on an annual basis, request the Maturity Date be extended for a period not to exceed three years from the date of the request. If a request for an extension is not approved by the banking syndicate, the Maturity Date will remain unchanged.

*Stated in thousands of Canadian dollars except share and per share amounts*

The Bank Loan bears interest based on a sliding scale pricing grid tied to the Company's trailing Consolidated Debt to Consolidated EBITDA(1) ratio from a minimum of the bank's prime rate plus 0.75% to a maximum of the bank's prime rate plus 2.75% or from a minimum of the bankers acceptances rate plus a stamping fee of 1.75% to a maximum of the bankers acceptances rate plus a stamping fee of 3.75%. Standby fees under the Bank Loan range between 0.39% and 0.84%. Interest and fees under the Bank Loan is payable monthly. The Company has the option to borrow funds denominated in either Canadian or United States dollars under the Credit Facility. Borrowings under the Bank Loan are limited to an aggregate of 75% of accounts receivable outstanding less than 90 days plus 60% of the net book value of property and equipment less certain priority payables. As at March 31, 2015, $100 million was available for immediate borrowing under the $100 million Bank Loan facility and $55.3 million was outstanding (December 31, 2014: $65.7 million). The Bank Loan has an accordion feature which provides the Company with an ability to increase the maximum borrowings to up to $125 million, subject to the approval of the lenders. The Bank Loan is secured by a security agreement covering all of the assets of the Company and a first charge Security Interest covering all assets of the Company. Effective March 31, 2015 the applicable rates under the Bank Loan are: bank prime rate plus 1.0%, bankers acceptances rate plus a stamping fee of 2.0%, and standby fee rate of 0.55%.

Under the terms of the Credit Facility, the Company is required to comply with the following financial covenants:

| | Covenant limits | Actual March 31, 2015 |
|---|---|---|
| Consolidated Debt(2) to Consolidated EBITDA(1) | 3.00:1.00 or less | 1.89:1.00 |
| Consolidated Debt(2) to Capitalization(3) | 0.50:1.00 or less | 0.24:1.00 |
| Consolidated Adjusted Cash Flow(4) to Consolidated Finance Obligations(5) | 1.15:1.00 or more | 5.41:1.00 |

(1) Consolidated EBITDA is calculated as net income plus finance costs, plus current and deferred income taxes, plus depreciation, plus stock based compensation, plus any non recurring losses or impairment losses, minus any non recurring gain, plus any expenses related to corporate or business acquisitions with all amounts being for the twelve month period ended the calculation date. EBITDA is adjusted to reflect the inclusion of material acquisitions or material dispositions on a pro forma basis for the twelve month period ended the calculation date.
(2) Consolidated Debt is calculated as total loans and borrowings as shown in the schedule above adjusted to remove any financing fees included.
(3) Capitalization is calculated as Consolidated Debt plus Shareholders' Equity as at the calculation date.
(4) Consolidated Adjusted Cash Flow is calculated as Consolidated EBITDA minus amounts paid for transaction costs, dividends or share repurchases in the twelve month period ended the calculation date.
(5) Consolidated Finance Obligations is calculated as finance costs plus scheduled principal payments on debt including scheduled principal payments under finance leases minus accretion of finance fees included in finance costs for the twelve month period ended the calculation date.
(6) Pursuant to the Second Amending Agreement dated March 13, 2015, the Consolidated Debt to Consolidated EBITDA covenant limit is 3.00:1.00 for Q1-Q3 2015; 3.5:1.00 for Q4 2015 and Q1 2016; 3.25:1.00 for Q2 and Q3 2016 and returns to 3.00:1.00 thereafter.

Obligations under finance leases are primarily for leased automobiles with an expected term of three years and a one year minimum term. Interest rates on finance leases are specific to each leased asset, are fixed for the lease term and vary between 4.4% and 5.3% per annum.

Financing fees consist of commitment fees and legal expenses relating to the Credit Facility and are being amortized using the effective interest rate method over the term of the Credit Facility. Financing fees of $44 were amortized and included in finance costs during the three months ended March 31, 2015 (year ended December 31, 2014: $158).

## 7. Share capital

(a) Authorized
Unlimited number of common voting shares without par value.
Unlimited number of preferred shares without par value.

(b) Normal course issuer bid
The Company has a program to purchase its common shares from time to time in accordance with the normal course issuer bid procedures under Canadian securities laws. Pursuant to the issuer bid, CWC is allowed to purchase for cancellation up to 13,520,411 of its issued and outstanding common shares at prevailing market prices on the TSX Venture Exchange or other recognized marketplaces during the 12-month period ending May 21, 2015. There were no purchases made under the NCIB in the first three months of 2015. For the year ended December 31, 2014, 1,091,000 shares for consideration of $941 including commissions were purchased under the NCIB.

*Stated in thousands of Canadian dollars except share and per share amounts*

(c) Stock options
The following table summarizes changes in the number of stock options outstanding:

| | Number of options | Weighted average exercise price |
|---|---|---|
| Balance at December 31, 2014 | 13,020,012 | 0.54 |
| Exercised for common shares | **(30,000)** | **0.25** |
| Forfeited | **(400,000)** | **0.68** |
| Balance at March 31, 2015 | **12,590,012** | **$ 0.53** |

For the three months ended March 31, 2015, stock-based compensation expense relating to stock options totaled $161 (three months ended March 31, 2014: $66).

The Company has a Dividend Bonus Plan whereby holders of vested and in-the-money stock options receive a payment equal to the declared dividend amount. A portion of the dividend bonus is treated as stock based compensation while the remainder is recorded as a dividend. For the three months ended March 31, 2015, stock-based compensation relating the dividend bonus plan totaled $8 (March 31, 2014: $38).

Subsequent to March 31, 2015, 2,100,002 stock options were exercised, 400,000 were forfeited and 765,000 expired.

(d) Restricted share unit plan
The following table summarizes information about RSU’s outstanding as at March 31, 2015:

| Issue date fair value | Number of RSU’s outstanding | Weighted average remaining life (years) contractual | Weighted average exercise price ($) | Number of RSU’s exercisable |
|---|---|---|---|---|
| **$0.39 - $1.04** | **1,990,000** | **2.1** | **n/a** | **-** |

For the three months ended March 31, 2015, stock-based compensation expense relating to RSU’s totaled $154 (March 31, 2014: $176)

During the first quarter of 2015, 75,000 RSU's were forfeited, (March 31, 2014: NIL) and no RSU's were issued or exercised (March 31, 2014:NIL).

(e) Earnings per share
The following table reconciles the common shares used in computing earnings per share for the periods noted:

| | For the three months ended March 31, 2015 | Year ended December 31, 2014 |
|---|---|---|
| Weighted average common shares outstanding – basic | **277,658,060** | 227,675,260 |
| Dilutive stock options | **1,765,598** | - |
| Dilutive RSU's | **225,447** | - |
| Weighted average common shares outstanding – diluted | **279,649,105** | 227,675,260 |

Outstanding stock options and RSU’s are currently the only instruments which could potentially dilute earnings per share. For the three months ended March 31, 2015, 7,500,000 stock options and 860,000 RSU's (March 31, 2014: 766,666 and nil RSU's) were not included in the computation of earnings per common share because to do so would be anti-dilutive.

(f) Dividends
On November 12, 2014, the Company declared dividends of $0.0175 per common share that were to be paid on January 15, 2015, to shareholders of record on December 31, 2014.

*Stated in thousands of Canadian dollars except share and per share amounts*

On March 9, 2015, the Company declared dividends of $0.005 per common share that were to be paid on April 15, 2015, the shareholders of record on March 31, 2015.

On May 13, 2015, the Company declared dividends of $0.005 per common share to shareholders of record on June 30, 2015 to be paid on July 15, 2015.

On December 23, 2014, the Company introduced a Dividend Reinvestment Program ("DRIP") and Stock Dividend Program ("SDP") that provides eligible shareholders the opportunity to reinvest quarterly cash dividends into additional common shares at a potential discount. Common shares are issued from treasury at 95 percent of the 5 day volume-weighted average market price or purchased through the facilities of the TSX Venture exchange. Eligible shareholders may elect to participate in the DRIP or SDP or continue to receive a cash dividend beginning with the December 31, 2014 quarterly dividend paid on January 15, 2015. 69.2% of the common shares outstanding as at December 31, 2014, elected to participate in the DRIP and SDP, as a result, on January 15, 2015, 7,982,080 and 301,026 common shares were issued under the DRIP and SDP respectively.

72.1% of the common shares outstanding as at March 31, 2015, elected to participate in the DRIP and SDP, as a result, on April 15, 2015, 3,275,513 and 145,291 common shares were issued under the DRIP and SDP respectively.

## 8. Supplemental cash flow information

| | For the three months ended March 31, | |
|---|---|---|
| | **2015** | 2014 |
| Change in non-cash working capital items: | | |
| Accounts receivable | **$ 16,987** | $ (4,068) |
| Inventory | **57** | 48 |
| Prepaid expenses and deposits | **164** | 131 |
| Accounts payable and accrued liabilities | **(4,925)** | 1,116 |
| | **$ 12,283** | $ (2,773) |

Certain non-cash items totaling $49 (March 31, 2014: $149) have been excluded from the calculation of the change in non-cash working capital in the cash flow statements.

## 9. Operating segments

The Company operates in the western Canadian oilfield service industry through its contract drilling and production services segments. The production services segment provides well services to oil and gas exploration and production companies through the use of service rigs, coil tubing units, snubbing units and production testing equipment. The contract drilling segment provides drilling rigs and related ancillary equipment to oil and gas exploration and production companies.

Management uses net income before depreciation and income taxes (“segment profit”) in management reports reviewed by key management personnel and the board of directors to measure performance at a segment basis. Segment profit is used to measure performance as management believes this is the most relevant measure in evaluating the results of our segments relative to each other and other entities that operate within the respective industries.

The Corporate segment captures general and administrative expenses associated with supporting each of the reporting segments operations, plus costs associated with being a public company. Also included in the Corporate segment is interest expense for debt servicing, income tax expense and other amounts not directly related to the two primary segments.

*Stated in thousands of Canadian dollars except share and per share amounts*

The amounts related to each industry segment are as follows:

| For the three months ended March 31, 2015 | Contract drilling | Production services | Corporate | Total |
|---|---|---|---|---|
| Revenue | $ 10,973 | $ 16,857 | $ - | $ 27,830 |
| Direct operating expenses | 6,240 | 11,979 | - | 18,219 |
| Selling and administrative expenses | 304 | 2,512 | 1,541 | 4,357 |
| Stock based compensation | - | - | 323 | 323 |
| Finance costs | - | - | 574 | 574 |
| Loss on disposal of equipment | 10 | 25 | - | 35 |
| Net income (loss) before depreciation and taxes | 4,419 | 2,341 | (2,438) | 4,322 |
| Depreciation | 1,313 | 2,830 | 41 | 4,184 |
| Net income (loss) before tax | 3,106 | (489) | (2,479) | 138 |
| Income tax expense | - | - | 100 | 100 |
| Net income (loss) | 3,106 | (489) | (2,579) | 38 |
| Capital expenditures | 1,770 | 3,234 | 7 | 5,011 |
| **As at March 31, 2015** | | | | |
| Property and equipment | 100,673 | 118,732 | 262 | 219,667 |
| Intangibles | 1,311 | - | - | 1,311 |
| Goodwill | 16,662 | - | - | 16,662 |

| For the three months ended March 31, 2014 | Contract drilling | Production services | Corporate | Total |
|---|---|---|---|---|
| Revenue | $ - | $ 38,373 | $ - | $ 38,373 |
| Direct operating expenses | - | 24,863 | - | 24,863 |
| Selling and administrative expenses | - | 2,773 | 1,354 | 4,127 |
| Stock based compensation | - | - | 280 | 280 |
| Finance costs | - | - | 443 | 443 |
| Net income (loss) before depreciation and taxes | - | 10,737 | (2,077) | 8,660 |
| Depreciation | - | 4,140 | 125 | 4,265 |
| Net income (loss) before tax | - | 6,596 | (2,201) | 4,395 |
| Deferred income tax expense | - | - | 1,150 | 1,150 |
| Net income (loss) | - | 6,596 | (3,351) | 3,245 |
| Capital expenditures | - | 2,978 | 33 | 3,011 |
| **As at March 31, 2014** | | | | |
| Property and equipment | - | 121,706 | 704 | 122,410 |
| Intangibles | - | - | - | - |
| Goodwill | - | - | - | - |

*Stated in thousands of Canadian dollars except share and per share amounts*

## 10. Expenses by nature

| For the three months ended March 31, 2015 | Direct operating expenses | Selling and admini-strative expenses | Stock based compen-Sation | Finance costs | Deprec-iation expense | Loss on sale of equip-ment | Total |
|---|---|---|---|---|---|---|---|
| Personnel expenses | **$ 10,614** | **$ 2,402** | **$ 323** | **$ -** | **$ -** | **$ -** | **$ 13,339** |
| Termination expenses | **21** | **237** | **-** | **-** | **-** | **-** | **258** |
| Other operating expenses (1) | **7,584** | **-** | **-** | **-** | **-** | **-** | **7,584** |
| Other selling and administrative | **-** | **907** | **-** | **-** | **-** | **-** | **907** |
| Bad debt | **-** | **196** | **-** | **-** | **-** | **-** | **196** |
| Facility expenses | **-** | **615** | **-** | **-** | **-** | **-** | **615** |
| Depreciation expense | **-** | **-** | **-** | **-** | **4,184** | **-** | **4,184** |
| Finance costs | **-** | **-** | **-** | **574** | **-** | **-** | **574** |
| Loss on sale of equipment | **-** | **-** | **-** | **-** | **-** | **35** | **35** |
| **Total** | **$ 18,219** | **$ 4,357** | **$ 323** | **$ 574** | **$4,184** | **$ 35** | **$ 27,692** |

**(1) see table below**

| For the three months ended March 31, 2014 | Direct operating expenses | Selling and admini-strative expenses | Stock based compen-Sation | Finance costs | Deprec-iation expense | Loss on sale of equip-ment | Total |
|---|---|---|---|---|---|---|---|
| Personnel expenses | $ 17,159 | $ 2,338 | $ 280 | $ - | $ - | $ - | $ 19,777 |
| Other operating expenses (1) | 7,704 | - | - | - | - | - | 7,704 |
| Other selling and administrative expenses | - | 1,227 | - | - | - | - | 1,227 |
| Bad debt | - | 10 | - | - | - | - | 10 |
| Facility expenses | - | 552 | - | - | - | - | 552 |
| Depreciation expense | - | - | - | - | 4,265 | - | 4,265 |
| Finance costs | - | - | - | 443 | - | - | 443 |
| **Total** | $ 24,863 | $ 4,127 | $280 | $ 443 | $ 4,265 | $ - | $ 33,978 |

(1) Other operating expenses consists of the following:

| March 31, | 2015 | 2014 |
|---|---|---|
| Repairs and maintenance | **$ 3,822** | **$ 2,670** |
| Fuel | **1,523** | 2,576 |
| Travel and subsistence | **804** | 700 |
| Equipment rental | **634** | 642 |
| Operating supplies and consumables | **248** | 234 |
| License, registration and permits | **264** | 501 |
| Certification and inspection | **239** | 230 |
| Other | **50** | 151 |
| | **$ 7,584** | $ 7,704 |