# CWC ENERGY SERVICES CORP.

Unaudited Condensed Interim Financial Statements

For the three months ended March 31, 2017 and 2016

# CWC ENERGY SERVICES CORP.

## STATEMENTS OF FINANCIAL POSITION

(unaudited)

| *Stated in thousands of Canadian dollars* | Note | **March 31, 2017** | December 31, 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| Current | | | |
| Cash | | **$ 137** | $ 2 |
| Accounts receivable | | **27,112** | 15,335 |
| Inventory | | **2,175** | 2,191 |
| Prepaid expenses and deposits | | **857** | 1,164 |
| | | **30,281** | 18,692 |
| Property and equipment | 5 | **187,243** | 191,334 |
| Intangibles | | **647** | 724 |
| | | **$ 218,171** | $ 210,750 |
| **LIABILITIES** | | | |
| Current | | | |
| Accounts payable and accrued liabilities | | **$ 9,092** | $ 7,359 |
| Current portion of long-term debt | 6 | **159** | 176 |
| | | **9,251** | 7,535 |
| Deferred tax liability | | **14,734** | 14,767 |
| Long-term debt | 6 | **38,828** | 32,966 |
| | | **62,813** | 55,268 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 7 | **242,410** | 242,306 |
| Contributed surplus | | **6,987** | 6,847 |
| Deficit | | **(94,039)** | (93,671) |
| | | **155,358** | 155,482 |
| | | **$ 218,171** | $ 210,750 |

*See accompanying notes to the condensed interim financial statements.*

# CWC ENERGY SERVICES CORP.

## STATEMENTS OF COMPREHENSIVE LOSS

For the three months ended March 31, 2017 and 2016

(unaudited)

| *Stated in thousands of Canadian dollars except per share amounts* | Note | **2017** | 2016 |
|---|---|---|---|
| **Revenue** | | **$ 32,508** | $ 19,740 |
| **Expenses** | 10 | | |
| Direct operating expenses | | **24,018** | 14,116 |
| Selling and administrative expenses | | **3,340** | 3,067 |
| Stock based compensation | 7 | **200** | 84 |
| Finance costs | 6 | **545** | 577 |
| Depreciation and amortization | | **4,758** | 3,671 |
| Loss on disposal of equipment | | **48** | 145 |
| | | **32,909** | 21,660 |
| **Net loss before income taxes** | | **(401)** | (1,920) |
| **Deferred income tax recovery** | | **(33)** | (490) |
| **Net loss and comprehensive loss** | | **$ (368)** | $ (1,430) |
| **Loss per share** | | | |
| Basic and diluted | 7 | **$ (0.00)** | $ (0.00) |

*See accompanying notes to the condensed interim financial statements.*

## CWC ENERGY SERVICES CORP.

**STATEMENTS OF CHANGES IN EQUITY**

For the three months ended March 31, 2017 and 2016

(unaudited)

| *Stated in thousands of Canadian dollars except share amounts* | Note | **Number of Shares** | **Share Capital** | **Contributed Surplus** | **Deficit** | **Total Equity** |
|---|---|---|---|---|---|---|
| **Balance – January 1, 2016** | | 292,628,007 | $ 227,149 | $ 6,516 | $ (86,203) | $ 147,462 |
| Net loss and comprehensive loss | | - | - | - | (1,430) | (1,430) |
| Stock based compensation expense | 7 | - | - | 84 | - | 84 |
| Settlement of restricted share units | 7 | 10,000 | 4 | (4) | - | - |
| **Balance – March 31, 2016** | | 292,638,007 | $ 227,153 | $ 6,596 | $ (87,633) | $ 146,116 |
| | | | | | | |
| **Balance - January 1, 2017** | | **391,920,676** | **$ 242,306** | **$ 6,847** | **$ (93,671)** | **$ 155,482** |
| Net loss and comprehensive loss | | **-** | **-** | **-** | **(368)** | **(368)** |
| Stock based compensation expense | 7 | **-** | **-** | **200** | **-** | **200** |
| Exercise of stock options | 7 | **833,333** | **166** | **(58)** | **-** | **108** |
| Settlement of restricted share units | 7 | **480,833** | **112** | **(112)** | **-** | **-** |
| Cancellation of common shares purchased under normal course issuer bid | 7 | **(169,000)** | **(174)** | **110** | **-** | **(64)** |
| **Balance – March 31, 2017** | | **393,065,842** | **$ 242,410** | **$ 6,987** | **$ (94,039)** | **$ 155,358** |

*See accompanying notes to the condensed interim financial statements.*

## CWC ENERGY SERVICES CORP.

### STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2017 and 2016

(unaudited)

| *Stated in thousands of Canadian dollars* | Note | **2017** | 2016 |
|---|---|---|---|
| **Operating activities:** | | | |
| Net loss | | **$ (368)** | $ (1,430) |
| Adjustments for: | | | |
| Stock based compensation expense | 7 | **200** | 84 |
| Finance costs | | **545** | 577 |
| Depreciation and amortization | | **4,758** | 3,671 |
| Loss on disposal of equipment | | **48** | 145 |
| Deferred income tax recovery | | **(33)** | (490) |
| Funds from operations | | **5,150** | 2,557 |
| Changes in non-cash working capital balances | 8 | **(9,721)** | (328) |
| Operating cash flow | | **(4,571)** | 2,229 |
| | | | |
| **Investing activities:** | | | |
| Purchase of equipment | | **(620)** | (186) |
| Proceeds on disposal of equipment | | **20** | 89 |
| Investing cash flow | | **(600)** | (97) |
| | | | |
| **Financing activities:** | | | |
| Increase (repayment) of long-term debt | | **5,793** | (1,563) |
| Interest paid | | **(472)** | (488) |
| Finance costs paid | | **-** | (25) |
| Finance lease repayments | | **(59)** | (56) |
| Common shares issued on exercise of options | 7 | **108** | - |
| Common shares repurchased for cancellation | 7 | **(64)** | - |
| Financing cash flow | | **5,306** | (2,132) |
| | | | |
| Increase in cash during the period | | **135** | - |
| Cash, beginning of period | | **2** | 2 |
| Cash, end of period | | **$ 137** | $ 2 |

*See accompanying notes to the condensed interim 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 2, 2017.

(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 reported amount 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, 2016.

## 3. Significant accounting policies

The accounting policies applied by the Company in these condensed 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, 2016. These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements and notes thereto as at and for the year ended December 31, 2016 as filed on SEDAR.

(a) New accounting standards not yet effective

A number of new standards, amendments to standards and interpretations have been issued by the IASB and are not yet effective for the year ended December 31, 2016. The following new standards, amendments to standards and interpretations have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements, except for:

IFRS 15, Revenue from Contracts with Customers, which provides guidance on revenue recognition and relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The Company is currently in the process of identifying underlying revenue contracts with customers to determine the impact, if any, that the adoption of IFRS 15 may have on its financial statements.

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

IFRS 16, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The Company is currently in the process of identifying leasing contracts to determine the impact that the adoption of IFRS 16 may have on its financial statements.

## 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 drilling and 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.

## 5. Property and equipment

| | Contract drilling equipment | Production services equipment | Other equipment | Total |
|---|---|---|---|---|
| **Costs** | | | | |
| Balance, December 31, 2016 | $ 108,947 | $ 204,078 | $ 1,874 | $ 314,899 |
| Additions | 146 | 512 | - | 658 |
| Disposals | (76) | (144) | - | (220) |
| Balance, March 31, 2017 | 109,017 | 204,446 | 1,874 | 315,337 |
| **Accumulated depreciation and impairment losses** | | | | |
| Balance, December 31, 2016 | 15,073 | 106,944 | 1,548 | 123,565 |
| Depreciation | 1,700 | 2,940 | 41 | 4,681 |
| Disposals | (8) | (144) | - | (152) |
| Balance, March 31, 2017 | 16,765 | 109,740 | 1,589 | 128,094 |
| **Net book value** | | | | |
| Balance, March 31, 2017 | $ 92,252 | $ 94,706 | $ 285 | $ 187,243 |

Additions of property and equipment include purchases of assets under finance lease which are recorded at cost totaling $38.

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

## 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, 2017 | December 31, 2016 |
|---|---|---|
| Current liabilities: | | |
| Current portion of finance lease liabilities | **$ 159** | $ 176 |
| | **$ 159** | $ 176 |
| Non-current liabilities: | | |
| Bank Loan | **$ 39,126** | $ 33,333 |
| Finance lease liabilities | **93** | 97 |
| Financing fees | **(391)** | (464) |
| | **$ 38,828** | $ 32,966 |
| Total loans and borrowings | **$ 38,987** | $ 33,142 |

The Company has credit facilities with a syndicate of four Canadian financial institutions (the "Credit Facility"). The Credit Facility provides the Company with a $65,000 extendible revolving term facility (the "Bank Loan") and other credit instruments. The Bank Loan is for a committed term until July 31, 2018 (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.

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 3.75% 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 4.75%. Standby fees under the Bank Loan range between 0.39% and 1.07%. Interest and fees under the Bank Loan are 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, 2017, of the $65,000 Bank Loan facility, $15,874 was available for immediate borrowing and $46,829 was outstanding (December 31, 2016: $41,013). The Bank Loan has an accordion feature which provides the Company with an ability to increase the maximum borrowings up to $125,000, 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, 2017, the applicable rates under the Bank Loan are: bank prime rate plus 2.25%, banker's acceptances rate plus a stamping fee of 3.25%, and standby fee rate of 0.73%.

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

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

| | Covenant limits | Actual March 31, 2017 |
|---|---|---|
| Consolidated Debt(2) to Consolidated EBITDA(1) | 5.25:1.00 or less | 2.64:1.00 |
| Consolidated Debt(2) to Capitalization(3) | 0.50:1.00 or less | 0.23:1.00 |
| Consolidated Adjusted Cash Flow(4) to Consolidated Finance Obligations(5) | 1.15:1.00 or more | 4.33:1.00 |

(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, or permitted severance costs, 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. Consolidated EBITDA is increased if debt repayments from the proceeds of equity issuance are used to repay the syndicated facility and designated by the Company as an Equity Cure amount. The Consolidated Debt to Consolidated EBITDA covenant limit reduces to 4.75:1.00 at June 30, 2017, to 4.50:1.00 at September 30, 2017, to 4.00:1.00 at December 31, 2017 and to 3.50:1.00 thereafter.
(2) Consolidated Debt is calculated as total loans and borrowings as shown in the schedule above adjusted to exclude the funds held in the segregated account and 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. The Calculation of Adjusted Cash Flow excludes Consolidated EBITDA resulting from an Equity Cure.
(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.

On June 2, 2016, the Company received gross proceeds of $14,632 from a rights offering of common shares of which the funds were placed into a segregated bank account. On July 9, 2016, $7,000 was paid on the Bank Loan. At March 31, 2017 the remaining $7,632 plus earned interest has been offset against long-term debt as the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

| | **March 31, 2017** | | |
|---|---|---|---|
| | **Cash** | **Long-Term Debt** | **Net** |
| Gross amounts | **7,840** | **(46,531)** | **(38,691)** |
| Amount offset | **(7,703)** | **7,703** | **-** |
| Net amounts | **137** | **(38,828)** | **(38,691)** |

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 5.1% 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 $73 were amortized and included in finance costs during the three months ended March 31, 2017 (year ended December 31, 2016: $313).

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

## 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 19,653,292 of its issued and outstanding common shares at prevailing market prices on the TSX Venture Exchange or other recognized marketplaces during the twelve month period ending April 6, 2018.

On April 7, 2017, CWC entered into an automatic securities purchase plan (the "ASPP") (as defined under applicable securities laws) with Raymond James Ltd. ("Raymond James") for the purpose of making purchases under the ASPP. Such purchases will be determined by Raymond James in its sole discretion, without consultation with CWC having regard to the price limitation and aggregate purchase limitation and other terms of the ASPP and the rules of the TSXV. Conducting the NCIB as an ASPP allows common shares to be purchased at times when CWC would otherwise be prohibited from doing so pursuant to securities laws and its internal trading policies.

For the three months ended March 31, 2017, 282,500 shares for consideration of $64 including commissions were purchased under the NCIB of which 169,000 were cancelled and returned to treasury (year ended December 31, 2016: nil).

(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, 2016 | 21,791,000 | 0.28 |
| **Exercised for common shares** | **(833,333)** | **0.13** |
| **Expired** | **(466,667)** | **0.53** |
| **Balance at March 31, 2017** | **20,491,000** | **$ 0.28** |

For the three months ended March 31, 2017, stock-based compensation expense relating to stock options totaled $141 (three months ended March 31, 2016: $65).

(d) Restricted share unit plan

The following table summarizes information about RSUs outstanding as at March 31, 2017:

| Issue date fair value | Number of RSUs outstanding | Weighted average remaining life (years) contractual | Weighted average exercise price ($) | Number of RSUs exercisable |
|---|---|---|---|---|
| **$0.09 – 1.04** | **4,007,167** | **2.40** | **n/a** | **950,833** |

For the three months ended March 31, 2017, stock based compensation expense relating to RSUs totaled $59 (three months ended March 31, 2016: $18).

For the three months ended March 31, 2017, 480,833 RSUs were exercised (March 31, 2016: nil), 60,000 RSUs were forfeited (March 31, 2016: 141,667) and 75,000 RSUs were issued (March 31, 2016: nil).

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

(e) Loss per share

The following table reconciles the common shares used in computing per share amounts for the periods noted:

| | For the three months ended March 31, | |
|---|---|---|
| | **2017** | 2016 |
| Weighted average common shares outstanding – basic | **392,269,947** | 292,636,578 |
| Dilutive stock options | **-** | - |
| Dilutive Restricted Share Units | **-** | - |
| Weighted average common shares outstanding – diluted | **392,269,947** | 292,636,578 |

Outstanding stock options and RSUs are currently the only instruments which could potentially dilute earnings per share. For the three months ended March 31, 2017, the effect of 20,491,000 outstanding stock options and 4,007,167 outstanding RSUs (three months ended March 31, 2016: 17,000,000 and 2,138,334 RSUs) were not included in the computation of net loss per common share because to do so would be anti-dilutive.

## 8. Supplemental cash flow information

| | For the three months ended March 31, | |
|---|---|---|
| | **2017** | 2016 |
| Change in non-cash working capital items: | | |
| Accounts receivable | **$ (11,777)** | $ (372) |
| Inventory | **16** | 33 |
| Prepaid expenses and deposits | **307** | 362 |
| Accounts payable and accrued liabilities | **1,733** | (351) |
| | **$ (9,721)** | $ (328) |

## 9. Operating segments

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

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, 2017 | Contract Drilling | Production Services | Corporate | Total |
|---|---|---|---|---|
| Revenue | $ 11,136 | $ 21,372 | $ - | $ 32,508 |
| Direct operating expenses | 8,203 | 15,815 | - | 24,018 |
| Selling and administrative expenses | 243 | 2,127 | 970 | 3,340 |
| Stock based compensation | - | - | 200 | 200 |
| Finance costs | - | - | 545 | 545 |
| Loss on disposal of equipment | 48 | - | - | 48 |
| **Net income (loss) before depreciation and taxes** | 2,642 | 3,430 | (1,715) | 4,357 |
| Depreciation | 1,777 | 2,940 | 41 | 4,758 |
| **Net income (loss) before tax** | 865 | 490 | (1,756) | (401) |
| Deferred income tax recovery | - | - | (33) | (33) |
| **Net income (loss)** | 865 | 490 | (1,723) | (368) |
| Capital expenditures | 146 | 512 | - | 658 |
| **As at March 31, 2017** | | | | |
| Property and equipment | 92,252 | 94,706 | 285 | 187,243 |
| Intangibles | 647 | - | - | 647 |

| For the three months ended March 31, 2016 | Contract Drilling | Production Services | Corporate | Total |
|---|---|---|---|---|
| Revenue | $ 4,119 | $ 15,621 | $ - | $ 19,740 |
| Direct operating expenses | 2,969 | 11,147 | - | 14,116 |
| Selling and administrative expenses | 167 | 1,718 | 1,182 | 3,067 |
| Stock based compensation | - | - | 84 | 84 |
| Finance costs | - | - | 577 | 577 |
| Loss on disposal of equipment | - | 145 | - | 145 |
| **Net income (loss) before depreciation and taxes** | 983 | 2,611 | (1,843) | 1,751 |
| Depreciation | 806 | 2,822 | 43 | 3,671 |
| **Net income (loss) before tax** | 177 | (211) | (1,886) | (1,920) |
| Deferred income tax recovery | - | - | (490) | (490) |
| **Net income (loss)** | 177 | (211) | (1,396) | (1,430) |
| Capital expenditures | 26 | 240 | - | 266 |
| **As at March 31, 2016** | | | | |
| Property and equipment | 95,573 | 104,597 | 333 | 200,503 |
| Intangibles | 952 | - | - | 952 |

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

## 10. Expenses by nature

| For the three months ended March 31, 2017 | Direct operating expenses | Selling and administrative expenses | Stock based compensation | Finance costs | Depreciation expense | Loss on disposal of equipment | Total |
|---|---|---|---|---|---|---|---|
| Personnel expenses | $ 16,307 | $ 1,908 | $ 200 | $ - | $ - | $ - | $ 18,415 |
| Other operating expenses (1) | 7,711 | - | - | - | - | - | 7,711 |
| Other selling and administrative expenses | - | 899 | | - | - | - | 899 |
| Bad debt recovery | - | (2) | - | - | - | - | (2) |
| Facility expenses | - | 535 | - | - | - | - | 535 |
| Depreciation expense | - | - | - | - | 4,758 | - | 4,758 |
| Finance costs | - | - | - | 545 | - | - | 545 |
| Loss on disposal of equipment | - | - | - | - | - | 48 | 48 |
| Total | $ 24,018 | $ 3,340 | $ 200 | $ 545 | $ 4,758 | $ 48 | $ 32,909 |

| For the three months ended March 31, 2016 | Direct operating expenses | Selling and administrative expenses | Stock based compensation | Finance costs | Depreciation expense | Loss on disposal of equipment | Total |
|---|---|---|---|---|---|---|---|
| Personnel expenses | $ 9,804 | $ 1,762 | $ 84 | $ - | $ - | $ - | $ 11,650 |
| Other operating expenses (1) | 4,312 | - | - | - | - | - | 4,312 |
| Other selling and administrative expenses | - | 507 | - | - | - | - | 507 |
| Bad debt expense | - | 227 | - | - | - | - | 227 |
| Facility expenses | - | 571 | - | - | - | - | 571 |
| Depreciation expense | - | - | - | - | 3,671 | - | 3,671 |
| Finance costs | - | - | - | 577 | - | - | 577 |
| Loss on disposal of equipment | - | - | - | - | - | 145 | 145 |
| Total | $ 14,116 | $ 3,067 | $ 84 | $ 577 | $ 3,671 | $ 145 | $ 21,660 |

(1) Other operating expenses consists of the following:

| **March 31,** | **2017** | 2016 |
|---|---|---|
| Repairs and maintenance | **$ 3,477** | $ 1,790 |
| Fuel | **2,454** | 1,156 |
| Operating supplies and consumables | **526** | 314 |
| Travel and accommodation | **408** | 246 |
| License, registration and permits | **383** | 232 |
| Certification and inspection | **268** | 185 |
| Equipment rental | **92** | 274 |
| Other | **103** | 115 |
| | **$ 7,711** | $ 4,312 |

## 11. Financial risk management

For the quarter ended March 31, 2017, ten customers comprised 66% of revenues (Year ended December 31, 2016 - 74%) and one customer comprised 18% of revenue (Year ended December 31, 2016 - 32%).