

# 1999

# TRICAN

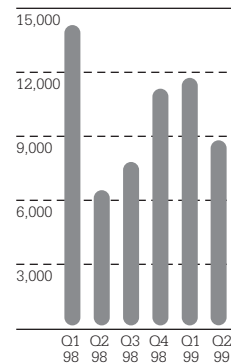
WELL SERVICE LTD.

## second quarter report

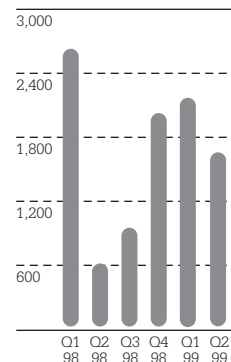
### Financial Review

(Unaudited)	Three Months	Three Months	Six Months	Six Months
	Ended June 30 1999	Ended June 30 1998	Ended June 30 1999	Ended June 30 1998
Revenue	8.3	6.3	20.2	20.3
Earnings before interest, income taxes and depreciation & amortization (EBITDA)	1.4	(0.1)	3.9	3.3
Net income	0.1	(0.6)	0.9	1.1
Net income per share				
Basic	0.01	(0.05)	0.07	0.10
Fully diluted	0.01	(0.05)	0.07	0.09
Funds from operations	1.5	0.6	3.7	3.2
Funds from operations per share				
Basic	0.11	0.05	0.29	0.28
Fully diluted	0.11	0.05	0.27	0.26

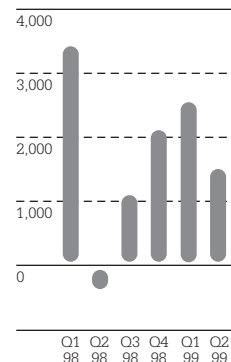
Revenue  
(\$ thousands)



Cash Flow  
(\$ thousands)



EBITDA  
(\$ thousands)



Trican Well Service Ltd. is pleased to announce improved results for the second quarter of 1999. Revenue for the second quarter increased 33% over the comparable period in 1998, and remained consistent year over year for the six months ended June 30th. Net income for the second quarter totaled \$0.1 million versus a loss of \$0.6 million for the same three month period in 1998. Net income for the first half of 1999 totaled \$0.9 million which is a decrease of \$0.2 million from the first six months of 1998.

Stronger results for the second quarter of 1999 were in part due to an accounting gain of \$0.3 million arising from insurance proceeds on equipment destroyed in a fire at the end of the first quarter. Notwithstanding this gain, the Company experienced improved results for the period compared to the second quarter of 1998. Earnings per share were \$0.01 for the second quarter of 1999 and \$0.07 for the first six months of the year compared to a loss of \$0.05 per share for the second quarter of 1998 and earnings per share of \$0.10 for the first half of 1998.

The improvement in Trican's results is due to an increase in the number of jobs performed by the Company and the average revenue per job. Trican realized a 23% increase in the number of jobs completed this quarter compared to the second quarter of 1998. The average revenue per job rose 10% on a quarterly basis and 16% for the six months ended June 30th. These results reflect a shift in the Company's sales mix as continued growth in the other services, most notably fracturing has reduced Trican's dependence on pumping services. Fracturing, coiled tubing, and nitrogen services represented 42% of revenue during the second quarter of 1999 and 50% of revenue during the first half of the year.

Materials and operating expenses decreased 12% as a percentage of revenue for the second quarter of 1999 versus the comparable period in 1998, and remained consistent with 1998 for the first six months of the year. This reduction is a result of higher activity levels and a shift in the sales mix from pumping services toward higher margin services.

General and administrative expenses amounted to 4% of revenue for the quarter and 3% of revenue for the first six months of 1999 which is consistent with prior year. Trican's interest expense has remained consistent at 2% of revenue for the quarter and 1% of revenue for the six months ended June 30th. Depreciation and amortization increased by \$0.3 million for the quarter and \$0.8 million for the six months relative to 1998. This non-cash expense has increased as a result of higher capital expenditures.

In June 1999, Trican completed a private placement of 2.5 million special warrants for \$4.75 each with proceeds totaling \$11.9 million. The proceeds of the offering will be invested in additional acidizing, fracturing, coiled tubing, and nitrogen equipment. All of this equipment is expected to be operational by the end of this year.

As at June 30, 1999, the Company had a working capital position of \$15.9 million. The improvement in working capital this year over year-end 1998 partly reflects the inclusion of the proceeds from the private placement. Trican continues to maintain a strong balance sheet with debt levels remaining relatively low. Subsequent to the second quarter of 1999, Trican negotiated a new credit facility which increased available funds from \$7 million to \$22 million. The terms of the new facility include a one-year draw period followed by a five-year amortization.

## Operational Review

At the end of the second quarter of 1999, Trican acquired an additional set of fracturing equipment and one acid pumper. A portion of the proceeds from the private placement financed the purchase of this equipment. The purchase price was much less than the current cost to build this equipment. The Company has completed replacing the fracturing equipment destroyed in a fire during the first quarter. Trican's insurance policy fully covered the replacement cost, and the equipment is now fully operational.

## Outlook

Oil prices have increased substantially in the past eight months with West Texas Intermediate crude oil trading above US \$20.00 per barrel and gas prices remaining strong with AECO hub natural gas prices trading above \$3.00 per million cubic feet. While oil and gas prices are difficult to forecast with any degree of accuracy, the Company expects that if current oil and gas price levels are sustained, producers will record strong cash flows for the balance of 1999 and into 2000. As a result, industry watchers are forecasting the demand for well services to substantially increase over the levels seen during the past eighteen months. Trican is in a position to take advantage of any anticipated increases in demand for services with its strong balance sheet and solid operating record.

Respectfully submitted on behalf of the Board of Directors,



Murray L. Cobbe

*President and Chief Executive Officer*

August 18, 1999

Trican realized a 23% increase in the number of jobs completed this quarter compared to the second quarter of 1998.

Trican is in a position to take advantage of any anticipated increases in demand for services with its strong balance sheet and solid operating record.

## Consolidated Balance Sheets

	June 30 1999 (unaudited)	December 31 1998 (audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 3,794,096	\$ -
Cash held in escrow	2,968,750	-
Trade accounts receivable	8,177,365	7,483,550
Other accounts receivable	2,592,341	-
Prepaid expenses	376,969	292,940
Inventory	1,485,125	1,591,682
Income taxes receivable	1,652,864	1,097,467
	21,047,510	10,465,639
Capital assets	39,036,226	36,248,939
Goodwill	1,595,382	1,693,164
	\$ 61,679,118	\$ 48,407,742
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Bank indebtedness	\$ -	\$ 2,848,496
Accounts payable	5,161,062	3,719,570
Current portion of long-term debt	-	693,750
	5,161,062	7,261,816
Long-term debt	7,140,921	4,856,250
Deferred income taxes	3,421,298	2,648,031
<b>Shareholders' equity</b>		
Share capital (note 1)	38,556,023	27,131,894
Retained earnings	7,399,814	6,509,751
	45,955,837	33,641,645
	\$ 61,679,118	\$ 48,407,742

See accompanying note to the consolidated financial statements

## Consolidated Statements of Operations and Retained Earnings

<i>(Unaudited)</i>	<i>Three Months Ended June 30 1999</i>	<i>Three Months Ended June 30 1998</i>	<i>Six Months Ended June 30 1999</i>	<i>Six Months Ended June 30 1998</i>
Revenue	\$ 8,327,154	\$ 6,258,626	\$ 20,190,913	\$ 20,296,977
<b>Expenses</b>				
Materials and operating	6,898,200	5,971,697	15,888,718	16,133,921
General and administrative	320,349	356,454	701,425	874,042
Interest expense	134,426	114,265	284,929	162,649
Depreciation and amortization	1,014,882	729,759	2,056,305	1,273,212
Gain on disposal of capital assets	(336,655)	-	(336,655)	-
	8,031,202	7,172,175	18,594,722	18,443,824
Income (loss) before income taxes	295,952	(913,549)	1,596,191	1,853,153
Provision for income taxes	174,115	(292,840)	706,128	776,682
Net income (loss)	121,837	(620,709)	890,063	1,076,471
Retained earnings, beginning of period	7,277,977	6,373,648	6,509,751	4,676,468
Retained earnings, end of period	\$ 7,399,814	\$ 5,752,939	\$ 7,399,814	\$ 5,752,939
Basic earnings (loss) per share	\$ 0.01	\$ (0.05)	\$ 0.07	\$ 0.10
Fully diluted earnings (loss) per share	\$ 0.01	\$ (0.05)	\$ 0.07	\$ 0.09

See accompanying note to the consolidated financial statements

## Year 2000 Update

As is typically seen in the well service industry, the Company relies on a number of technical, business and accounting systems which may experience processing difficulties related to the changing of the date at the turn of the century commonly referred to as the Year 2000 Problem. The Company has completed a review of all technical, operating and accounting systems to ascertain Y2K compliance. Where necessary, upgrades have been made and testing of the key systems is complete. The expenses associated with this program are reflected in the financial statements in the period in which they are incurred. To date, the Company has incurred \$6,000 and expects to spend an additional \$30,000.

The Company has also initiated a review of its suppliers and, where feasible, contingency plans are being developed to reduce the risk to operations of a supplier not being able to maintain a consistent level of service after the turn of the century.

The Company is not able to assess the risk of system wide failures which may impact its ability or the ability of its customers to carry on normal levels of activity. For further details regarding the Year 2000 Problem and Trican's progress in addressing this risk, please visit our website at [www.trican.ca](http://www.trican.ca).

## Consolidated Cash Flow Statements

For the six months ended June 30 (Unaudited)

1999

1998

Cash Provided By (Used In):		
<b>Operations</b>		
Net income	\$ 890,063	\$ 1,076,471
Changes to income not involving cash		
Depreciation and amortization	2,056,305	1,273,212
Deferred income taxes	1,041,561	871,646
Gain on disposal of capital assets	(336,655)	-
Funds from operations	3,651,274	3,221,329
Net change in non-cash working capital from operations	2,058,076	(2,145,383)
	5,709,350	1,075,946
<b>Investments</b>		
Purchase of capital assets	(7,931,655)	(2,824,950)
Insurance proceeds on disposal of capital assets	3,522,500	-
Net change in non-cash working capital from the purchase and disposal of capital assets	(4,435,609)	(3,369,339)
	(8,844,764)	(6,194,289)
<b>Financing</b>		
Net proceeds from issuance of share capital	11,155,835	8,448,506
Increase in long-term debt	1,590,921	4,634,711
	12,746,756	13,083,217
Increase in cash position	9,611,342	7,964,874
Cash position (bank indebtedness), beginning of period	(2,848,496)	(1,450,324)
Cash position, end of period	\$ 6,762,846	\$ 6,514,550

See accompanying note to the consolidated financial statements

### Note to the Interim Consolidated Financial Statements

1. During the quarter ended June 30, 1999, the Company issued 2,500,000 warrants for \$11,875,000 total proceeds. Subsequent to June 30, 1999, all of the warrants were converted into 2,500,000 common shares.

## Corporate Information

### Board of Directors

**Kenneth M. Bagan** <sup>(1)</sup> <sup>(2)</sup>  
*General Counsel, Tesco Corporation*

**Gary R. Bugeaud** <sup>(2)</sup>  
*Partner, Burnet, Duckworth & Palmer*

**Murray L. Cobbe**  
*President and Chief Executive Officer*

**Donald R. Luft**  
*Senior Vice President, Operations and Chief Operating Officer*

**Douglas F. Robinson** <sup>(1)</sup> <sup>(2)</sup>  
*Independent Businessman*

**Victor J. Stobbe** <sup>(1)</sup>  
*President,  
American Leduc Petroleums Limited*

### Officers

**Murray L. Cobbe**  
*President and Chief Executive Officer*

**Donald R. Luft**  
*Senior Vice President, Operations and Chief Operating Officer*

**Michael G. Kelly, C.A.**  
*Vice President, Finance, Chief Financial Officer  
and Corporate Secretary*

**Dale M. Dusterhoft**  
*Vice President, Technical Services*

**David L. Charlton**  
*Vice President, Sales*

**Michael A. Baldwin, C.A.**  
*Controller*

<sup>(1)</sup> Member of the Audit Committee

<sup>(2)</sup> Member of the Compensation Committee

### Auditors

**KPMG LLP, Chartered Accountants**  
*Calgary, Alberta*

### Solicitors

**Burnet, Duckworth & Palmer**  
*Calgary, Alberta*

### Bankers

**Royal Bank of Canada**  
*Calgary, Alberta*

### Registrar and Transfer Agent

**Montreal Trust Company of Canada**  
*Calgary, Alberta and Toronto, Ontario*

### Corporate Office

**Trican Well Service Ltd.**  
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Facsimile (403) 237-7716

Website: [www.trican.ca](http://www.trican.ca)

### Investor Relations Information

**Murray L. Cobbe**  
*President and Chief Executive Officer*

**Michael G. Kelly**  
*Vice President, Finance & Chief Financial Officer*

### Month End Closing Values

(\$ per share)

