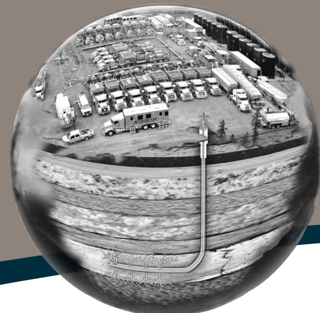

# UNLOCKING THE POTENTIAL

TRICAN WELL SERVICE LTD

# Q2
## Interim Report
## Six Months Ended June 30, 2011

## FINANCIAL REVIEW

| ($ millions, except per share amounts; unaudited) | | Three months ended June 30, 2011 | June 30, 2010 | March 31, 2011 | Six months ended June 30, 2011 | June 30, 2010 |
|---|---|---|---|---|---|---|
| Revenue | | **$421.7** | $306.3 | $534.6 | **$956.3** | $636.3 |
| Operating income* | | **78.3** | 42.9 | 145.3 | **223.6** | 115.2 |
| Net income | | **30.1** | 8.9 | 82.4 | **112.5** | 41.5 |
| Net income per share | (basic) | **$0.21** | $0.07 | $0.57 | **$0.78** | $0.32 |
| | (diluted) | **$0.21** | $0.06 | $0.56 | **$0.77** | $0.31 |
| Adjusted net income* | | **33.3** | 12.7 | 85.5 | **118.8** | 46.9 |
| Adjusted net income per share* | (basic) | **$0.23** | $0.09 | $0.59 | **$0.82** | $0.36 |
| | (diluted) | **$0.23** | $0.09 | $0.58 | **$0.81** | $0.35 |
| Funds provided by operations* | | **60.9** | 42.9 | 141.7 | **202.6** | 104.9 |

Notes:

* Trican makes reference to operating income, adjusted net income and funds provided by operations. These are measures that are not recognized under International Financial Reporting Standards (IFRS). Management believes that, in addition to net income, operating income, adjusted net income and funds provided by operations are useful supplemental measures. Operating income provides investors with an indication of earnings before depreciation, taxes and interest. Adjusted net income provides investors with information on net income excluding one-time non-cash charges and the non-cash effect of stock-based compensation expense. Funds provided by operations provide investors with an indication of cash available for capital commitments, debt repayments and other expenditures. Investors should be cautioned that operating income, adjusted net income, and funds provided by operations should not be construed as an alternative to net income and cash flow from operations determined in accordance with IFRS as an indicator of Trican's performance. Trican's method of calculating operating income, adjusted net income and funds provided by operations may differ from that of other companies and accordingly may not be comparable to measures used by other companies.

## SECOND QUARTER HIGHLIGHTS

Consolidated revenue for the second quarter of 2011 was $421.7 million, an increase of 38% compared to the second quarter of 2010. Consolidated net income increased by 237% to $30.1 million and diluted earnings per share increased to $0.21 compared to $0.06 for the same period in 2010. Funds provided by operations was $60.9 million compared to $42.9 million in the second quarter of 2010.

Record second quarter revenue of $167.8 million was achieved by our Canadian operations, which was 20% higher than the second quarter of 2010. Second quarter operating income of $31.3 million was also a new Canadian record and was 17% higher than same period in 2010. Canadian operations in the second quarter benefitted from the growth of pad well project work, which is less prone to spring break-up conditions. In particular, second quarter utilization levels were supported by a large pad well Horn River project. Second quarter results were also strongly influenced by the

continued growth in horizontal drilling as 95% of total fracturing and fracturing related revenue was generated from this type of activity.

U.S. operations second quarter revenue of $172.4 million was 20% higher than the first quarter of 2011 and represents a new quarterly record for this region. U.S. operating margins continue to rise and were 28.9% in the second quarter of 2011, which is a 150 basis point improvement sequentially and a 1,070 basis point improvement compared to the second quarter of 2010. U.S. results continue to benefit from robust industry activity levels and our geographic and service line expansion initiatives started in 2010. We commenced operations in the Eagle Ford during the second quarter and both equipment utilization and operating margins were encouraging in this region. We also initiated coiled tubing operations in the U.S. and saw significant sequential and year over year increases in cementing and nitrogen revenue during the second quarter of 2011 which is indicative of our commitment of becoming a full service pressure pumping service provider in the U.S. market.

Our U.S. operations will be expanding its fracturing service line into the Permian basin during the third quarter of 2011. The initial expansion into the Permian basin will be through a short-term agreement committing 15,000 HP with a new U.S. customer. We expect to deploy additional HP into the region early in fourth quarter of 2011. Expansion into the Permian basin establishes a presence for our U.S. operations in a key oil play in the region. Management believes that activity and demand in this area will be robust given the current price of oil and the recent increase in oil directed drilling activity in the U.S.

During the second quarter, our U.S. head office was officially moved from Denton, Texas to Houston, Texas. This move has brought us closer to many of our key U.S. customers and will allow us to better serve and expand our growing U.S. customer base.

Russian revenue increased to $81.5 million, which is a 14% year over year increase and a 26% sequential increase. Second quarter operating margins for our Russian operations improved to 13.7% compared to 10.4% in the second quarter of 2010 and 3.4% in the first quarter of 2011. Second quarter activity levels in Russia benefitted from improved weather conditions and allowed our customers to execute their 2011 work plans after delays experienced in the first quarter. Cost inflation stabilized somewhat during the second quarter and contributed to the improved margins.

**2012 Capital Budget**

Trican's 2012 capital budget is projected to be $678 million and includes $102 million in near term commitments that are necessary to ensure timely construction of the equipment required to execute on Trican's 2012 growth plans. $576 million of the projected capital budget will be directed towards our North American operations and $102 million towards International operations.

Despite the recent turmoil in the markets, the 2012 capital budget is indicative of management's belief that North American demand for pressure pumping services will remain strong through 2012. We do however recognize the potential impact that recent market conditions may have on future industry activity. As a result and consistent with prior capital budgets, we will continue to respond to market dynamics, manage our expenditures, and maintain our balance sheet strength in the future.

The 2012 projected capital budget consists of $537 million in expansion capital, $104 million in infrastructure needed to support new and existing operations, and $37 million in maintenance capital. The expansion capital includes an additional 92,500 of fracturing horsepower, 5 cement pumpers, 7 nitrogen pumpers, and 4 acid pumpers for our Canadian operations. Capacity for our U.S. operations will increase by 192,500 of fracturing horsepower, 16 cement pumpers, 7 coiled tubing units, 9 nitrogen pumpers, and 10 acid pumpers.

The international capital expenditures will be directed towards growth opportunities in new international markets, including Saudi Arabia and Australia. The capital budget for our Russian operations largely consists of maintenance capital.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## COMPARATIVE QUARTERLY INCOME STATEMENTS

| ($ thousands; unaudited)<br>Three months ended June 30, | 2011 | % of Revenue | 2010 | % of Revenue | Quarter-over-Quarter Change | % Change |
|---|---|---|---|---|---|---|
| **Revenue** | **421,701** | **100.0%** | 306,309 | 100.0% | 115,392 | 38% |
| **Expenses** | | | | | | |
| Materials and operating | **319,061** | **75.7%** | 247,442 | 80.8% | 71,619 | 29% |
| General and administrative | **24,363** | **5.8%** | 15,921 | 5.2% | 8,442 | 53% |
| Operating income* | **78,277** | **18.6%** | 42,946 | 14.0% | 35,331 | 82% |
| Finance costs | **5,416** | **1.3%** | 2,620 | 0.9% | 2,796 | 107% |
| Depreciation and amortization | **28,554** | **6.8%** | 27,975 | 9.1% | 579 | 2% |
| Foreign exchange (gain)/loss | **81** | **0.0%** | 772 | 0.3% | (691) | -90% |
| Other income | **(1,287)** | **-0.3%** | (1,072) | -0.3% | (215) | 20% |
| Income before income taxes | **45,513** | **10.8%** | 12,651 | 4.1% | 32,862 | 260% |
| Income tax expense | **15,437** | **3.7%** | 3,739 | 1.2% | 11,698 | 313% |
| **Net Income** | **30,076** | **7.1%** | 8,912 | 2.9% | 21,164 | 237% |

* See first page of this report.

## CANADIAN OPERATIONS

($ thousands, except revenue per job; unaudited)

| Three months ended, | June 30, 2011 | % of Revenue | June 30, 2010 | % of Revenue | March 31, 2011 | % of Revenue |
|---|---|---|---|---|---|---|
| **Revenue** | **167,805** | | 139,823 | | 326,379 | |
| **Expenses** | | | | | | |
| Materials and operating | **130,008** | **77.5%** | 106,881 | 76.4% | 197,388 | 60.5% |
| General and administrative | **6,510** | **3.9%** | 6,098 | 4.4% | 7,266 | 2.2% |
| Total expenses | **136,518** | **81.4%** | 112,979 | 80.8% | 204,654 | 62.7% |
| Operating income* | **31,287** | **18.6%** | 26,844 | 19.2% | 121,725 | 37.3% |
| Number of jobs | **3,725** | | 3,695 | | 7,562 | |
| Revenue per job | **44,369** | | 37,322 | | 42,380 | |

* See first page of this report.

### Sales Mix

| Three months ended,<br>(unaudited) | June 30, 2011 | June 30, 2010 | March 31, 2011 |
|---|---|---|---|
| **% of Total Revenue** | | | |
| Fracturing | **67%** | 71% | 63% |
| Cementing | **16%** | 13% | 21% |
| Nitrogen | **6%** | 4% | 6% |
| Coiled Tubing | **3%** | 5% | 5% |
| Acidizing | **3%** | 3% | 3% |
| Industrial Services | **3%** | 2% | 1% |
| Other | **2%** | 2% | 1% |
| Total | **100%** | 100% | 100% |

### Operations Review

As expected, activity in the second quarter fell from first quarter levels due to spring break-up as road weight restrictions and reduced accessibility to remote areas limited industry activity. However, Canadian results were strong in 2011 relative to historical second quarter levels despite the wet weather experienced late in the quarter. Canadian results benefitted from the growth of pad well project work in areas such as the Horn River and Montney. In particular, we completed a large Horn River project in the second quarter that increased utilization levels substantially. We performed over 25 fracs per well for this project, which contributed to the year-over-year increase in revenue per job.

Overall industry activity in Canada increased modestly with a year-over-year increase of 4% in the number of active drilling rigs led by the continued strength of oil and liquids-rich gas and horizontal drilling activity. Our fracturing service line continues to benefit from the growth in horizontal drilling as revenue from this type of activity was 95% of total fracturing and fracturing related revenue compared to 81% in the second quarter of 2010.

Strong demand for pressure pumping services resulted in a 14% increase in pricing compared to the second quarter of 2010. Price increases were fully offset by increased employee costs and resulted in second quarter margins that were slightly lower than the second quarter of 2010.

### Current Quarter versus Q2 2010

Revenue for the quarter increased by 20% or $28.0 million compared to the second quarter of 2010. A 19% increase in revenue per job comprised most of the revenue increase as job count increased by only 1%. Revenue per job benefitted from a 14% increase in pricing combined with the strength of horizontal drilling activity, which generally requires more fracturing horsepower and larger cementing treatments relative to vertical wells. The increase in cementing job size was particular strong with a 50% increase in cementing revenue per job compared to the second quarter of 2010.

As a percentage of revenue, materials and operating expenses increased slightly to 77.5% from 76.4% as pricing increases were offset by increases to employee costs. Employee costs are high because we have increased our operations staff in anticipation of strong activity levels for the balance of 2011. General and administrative costs increased by $0.4 million due mainly to increases in share based employee expenses.

### Current Quarter versus Q1 2011

As expected, revenue during the second quarter was 49% lower than the first quarter due to spring break-up. Job count decreased sequentially by 51% compared to a 67% decrease in overall industry rig count as utilization levels from our fracturing service line were supported by work performed on pad wells during the quarter. Work on these pad wells and other horizontal wells drove a significant portion of the activity during the quarter and as a result, revenue per job increased by 5% on a sequential basis. The work performed on pad wells also impacted sales mix as fracturing revenue increased as a percentage of total revenue. These factors were partially offset by a 3% decrease in pricing compared to the first quarter of 2011.

Materials and operating expenses increased as a percentage of revenue to 77.5% compared to 60.5% for the first quarter of 2011 due to lower utilization caused by spring break-up and reduced operating leverage. General and administrative expenses decreased $0.8 million due largely to a decrease in profit sharing expenses.

## UNITED STATES OPERATIONS

($ thousands, except revenue per job; unaudited)

| Three months ended, | June 30, 2011 | % of Revenue | June 30, 2010 | % of Revenue | March 31, 2011 | % of Revenue |
|---|---|---|---|---|---|---|
| **Revenue** | **172,404** | | 94,974 | | 143,552 | |
| **Expenses** | | | | | | |
| Materials and operating | **118,635** | **68.8%** | 76,193 | 80.2% | 102,005 | 71.1% |
| General and administrative | **4,013** | **2.3%** | 1,516 | 1.6% | 2,233 | 1.6% |
| Total expenses | **122,648** | **71.1%** | 77,709 | 81.8% | 104,238 | 72.6% |
| Operating income* | **49,756** | **28.9%** | 17,265 | 18.2% | 39,314 | 27.4% |
| Number of jobs | **1,178** | | 872 | | 947 | |
| Revenue per job | **146,229** | | 109,202 | | 151,695 | |

* See first page of this report.

### Operations Review

U.S. industry activity remained robust during the second quarter and led to strong financial results for our U.S. operations. The number of active drilling rigs in our areas of operations increased by only 3% on a sequential basis and 10% on a year-over-year basis. However, our new operating regions in the Eagle Ford and Marcellus plays had year-over-year rig count increases of 70% and 36% respectively. Overall activity levels in the U.S. continue to be driven by oil and liquids-rich gas directed activity. 53% of active drilling rigs targeted oil during the second quarter, which is the highest level since 1993.

It was our first quarter of operations for our Eagle Ford base, and both equipment utilization and operating margins were encouraging in this region. We continue to have strong utilization and operating margins for our fracturing crews in the Marcellus and Oklahoma regions. The Eagle Ford and Oklahoma regions are key liquids-rich gas producing areas and we expect demand in these regions to remain strong for the balance of 2011. We also expect activity in the Marcellus play to maintain its momentum for the remainder of 2011 as it is a large, low cost reservoir situated close to the eastern U.S. natural gas consuming market. In addition, we have long term contracts in place in the Marcellus that will keep utilization levels strong. Activity levels in our dry gas producing regions, such as the Haynesville and Barnett plays, have declined with low natural gas prices. However, key contracts in these areas allowed us to maintain strong utilization levels during the second quarter in these regions.

We continue to execute on our strategy to become a full service provider in the U.S. We commenced coiled tubing operations in Oklahoma during the second quarter and expect to expand on this initiative throughout the balance of 2011. We also saw significant increases in cementing and nitrogen revenue for our U.S. operations on both a sequential and year-over-year basis.

During the second quarter, our U.S. regional office was officially moved from Denton, Texas to Houston, Texas. This move has brought us closer to many of our key U.S. customers and will allow us to better serve and expand our growing U.S. customer base.

### Current Quarter versus Q2 2010

Revenue increased by 82% in the second quarter of 2011 compared to the second quarter of 2010. Job count increased by 35% and benefitted from geographic expansion into the Eagle Ford and Marcellus regions. Service line expansion also led to a higher job count with significant growth of our cementing service line and the introduction of coil tubing services during the second quarter of 2011. The increase in job count was also the result of increased activity levels as year-over-

year rig count increased by 10% in our areas of operation. Revenue per job increased by 34% as a 51% increase in pricing was partially offset by a 6% decrease in the U.S. dollar relative to the Canadian dollar, and expansion of our non-fracturing service lines, which generally have lower revenue per job than our fracturing service line.

As a percentage of revenue, materials and operating expenses decreased to 68.8% from 80.2% because of increased pricing and operational leverage on our fixed cost structure. These factors were partially offset by cost increases for key inputs, such as sand and chemicals.

General and administrative costs increased by $2.5 million due largely to higher employee costs including salaries, restricted share unit expenses, and relocation costs relating to the establishment of our U.S. regional office in Houston.

### Current Quarter versus Q1 2011

Revenue for the quarter increased by 20% relative to the first quarter of 2011 despite the minimal change in sequential rig count in our areas of operations. The commencement of operations in the Eagle Ford region and strong sequential growth for our base in the Marcellus region contributed substantially to the 24% increase in job count. In addition, second quarter weather conditions were more favourable than the first quarter, which also contributed to the job count increase. Revenue per job decreased by 4% on a sequential basis due to a 2% decrease in the U.S. dollar and increase in non-fracturing work. Second quarter pricing was relatively consistent with first quarter pricing.

Materials and operating expenses decreased to 68.8% from 71.1% as a percentage of sales largely because of operational leverage on our fixed cost structure and a decrease in repairs and maintenance costs. General and administrative expenses increased by $1.8 million as a result of an increase in salaries, restricted share unit expenses and employee relocation costs.

## RUSSIAN OPERATIONS

($ thousands, except revenue per job; unaudited)

| Three months ended, | June 30, 2011 | % of Revenue | June 30, 2010 | % of Revenue | March 31, 2011 | % of Revenue |
|---|---|---|---|---|---|---|
| **Revenue** | **81,492** | | 71,512 | | 64,699 | |
| **Expenses** | | | | | | |
| Materials and operating | **66,450** | **81.5%** | 61,295 | 85.7% | 59,204 | 91.5% |
| General and administrative | **3,885** | **4.8%** | 2,760 | 3.9% | 3,316 | 5.1% |
| Total expenses | **70,335** | **86.3%** | 64,055 | 89.6% | 62,520 | 96.6% |
| Operating income* | **11,157** | **13.7%** | 7,457 | 10.4% | 2,179 | 3.4% |
| Number of jobs | **1,254** | | 1,182 | | 1,076 | |
| Revenue per job | **62,442** | | 59,153 | | 58,269 | |

* See first page of this report.

### Sales Mix

| Three months ended, (unaudited) | June 30, 2011 | June 30, 2010 | March 31, 2011 |
|---|---|---|---|
| **% of Total Revenue** | | | |
| Fracturing | **79%** | 84% | 81% |
| Coiled Tubing | **10%** | 8% | 11% |
| Cementing | **7%** | 5% | 4% |
| Nitrogen | **4%** | 3% | 4% |
| Total | **100%** | 100% | 100% |

### Operations Review

Second quarter activity levels increased both sequentially and year over year for our Russian operations. As expected, improved weather conditions allowed our customers to execute their 2011 work plans after delays experienced in the first quarter. Cementing activity was particularly strong in the second quarter with a substantial increase in utilization on both a sequential and year over year basis.

Operating margins improved compared to the second quarter of 2010 and the first quarter of 2011. The increase in activity led to improved operational leverage on our fixed cost structure and cost inflation stabilized somewhat in the second quarter, in particular for fuel and product costs. Despite these positive developments, cost inflation continues to be a significant issue for our Russian operations and we will continue to focus on optimizing our cost structure throughout the balance of 2011.

The Russian ruble remained relatively stable during the second quarter, strengthening by 3% sequentially and 2% year-over-year.

### Current Quarter versus Q2 2010

Revenue increased 14% compared to the second quarter of 2010. Job count increased by 6% as customer delays in the first quarter led to increased activity and high utilization levels in the second quarter. Increased activity was led by our cementing and coiled tubing service lines, which had a positive influence on operating margins for our Russian operations. Revenue per job increased by 6% due largely to price increases obtained during the 2011 tendering process.

Materials and operating expenses for the quarter decreased as a percentage of revenue to 81.5% compared to 85.7% for the same period in 2010. Improved pricing and operational leverage on our fixed cost structure led to the higher operating margins. These factors were partially offset by cost inflation for items such as fuel, and third party hauling. General and administrative costs increased by $1.1 million due largely to higher employee costs.

### Current Quarter versus Q1 2011

Revenue increased 26% from the first quarter of 2011 as a result of increases in job count and revenue per job. The 17% increase in job count was largely due to improved weather conditions that led to stronger industry activity. In particular, cementing activity improved substantially with a 60% sequential increase in job count. The growth of fracturing job sizes and a 3% increase in the ruble accounted for the 7% increase in revenue per job.

Materials and operating expenses as a percentage of revenue decreased to 81.5% from 91.5% on a sequential basis. Cost stabilization combined with improved operational leverage both contributed to the increase in operating margins. General and administrative expenses increased by $0.6 million due to an increase in restricted share unit costs.

## CORPORATE DIVISION

($ thousands, except revenue per job; unaudited)

| Three months ended, | June 30, 2011 | % of Revenue | June 30, 2010 | % of Revenue | March 31, 2011 | % of Revenue |
|---|---|---|---|---|---|---|
| **Expenses** | | | | | | |
| Materials and operating | **3,968** | **0.9%** | 3,073 | 1.0% | 6,066 | 1.1% |
| General and administrative | **9,955** | **2.4%** | 5,547 | 1.8% | 11,819 | 2.2% |
| Total expenses | **13,923** | **3.3%** | 8,620 | 2.8% | 17,885 | 3.3% |
| Operating loss* | **(13,923)** | | (8,620) | | (17,885) | |

* See first page of this report.

Corporate division expenses consist of salary expenses, stock-based compensation and office costs related to corporate employees, as well as public company costs.

### Current Quarter versus Q2 2010

Corporate division expenses were up $5.3 million from the same quarter last year due primarily to increases in employee salaries and profit sharing expenses.

### Current Quarter versus Q1 2011

Corporate division expenses were down $4.0 million on a sequential basis due largely to a decrease in profit sharing expense.

## OTHER EXPENSES AND INCOME

Finance costs increased by $2.8 million on a sequential basis as a result of interest on the new private placement debt. Depreciation and amortization increased by $0.6 million compared to the same period last year, largely as a result of higher equipment balances in our North American regions.

The foreign exchange loss of $0.1 million in the quarter was due to the net impact of fluctuations in the U.S. dollar and Russian ruble relative to the Canadian dollar. Other income was $1.3 million in the quarter versus $1.1 million for the same period in the prior year. Other income is largely comprised of interest income on the loan to the unrelated third party and interest income earned on cash balances.

## INCOME TAXES

Trican recorded income tax expense of $15.4 million in the quarter versus $3.7 million for the comparable period of 2010. The increase in tax expense is primarily attributable to significantly higher earnings.

## OTHER COMPREHENSIVE INCOME

The other comprehensive income for the quarter ended June 30, 2011, includes $4.3 million in foreign currency translation losses recognized on translating the financial statements of our foreign operating entities whose functional currency is not Canadian dollars. In addition, $2.8 million in unrealized gains were recognized on net investment and cash flow hedges. Since April 1, 2011, the Canadian dollar strengthened 1% against the U.S. dollar and weakened 2% against the Russian ruble.

## COMPARATIVE YEAR-TO-DATE INCOME STATEMENTS

| ($ thousands; unaudited)<br>**Six months ended June 30,** | **2011** | **% of Revenue** | 2010 | % of Revenue | Quarter-over-Quarter Change | % Change |
|---|---|---|---|---|---|---|
| **Revenue** | **956,329** | **100.0%** | 636,309 | 100.0% | 320,020 | 50% |
| **Expenses** | | | | | | |
| Materials and operating | **683,723** | **71.5%** | 492,048 | 77.3% | 191,675 | 39% |
| General and administrative | **48,997** | **5.1%** | 29,030 | 4.6% | 19,967 | 69% |
| Operating income* | **223,609** | **23.4%** | 115,231 | 18.1% | 108,378 | 94% |
| Finance costs | **7,427** | **0.8%** | 4,907 | 0.8% | 2,520 | 51% |
| Depreciation and amortization | **58,659** | **6.1%** | 51,488 | 8.1% | 7,171 | 14% |
| Foreign exchange (gain)/loss | **(228)** | **0.0%** | 2,621 | 0.4% | (2,849) | -109% |
| Other income | **(3,043)** | **-0.3%** | (1,683) | -0.3% | (1,360) | 81% |
| Income before income taxes | **160,794** | **16.8%** | 57,898 | 9.1% | 102,896 | 178% |
| Provision for income taxes | **48,292** | **5.0%** | 16,443 | 2.6% | 31,849 | 194% |
| **Net Income** | **112,502** | **11.8%** | 41,455 | 6.5% | 71,047 | 171% |

* See first page of this report.

## CANADIAN OPERATIONS

| ($ thousands, except revenue per job; unaudited)<br>**Six months ended June 30,** | **2011** | **% of Revenue** | 2010 | % of Revenue | Year-Over-Year Change |
|---|---|---|---|---|---|
| **Revenue** | **494,182** | | 352,765 | | 40% |
| **Expenses** | | | | | |
| Materials and operating | **327,398** | **66.2%** | 247,388 | 70.1% | 32% |
| General and administrative | **13,775** | **2.8%** | 10,869 | 3.1% | 27% |
| Total expenses | **341,173** | **69.0%** | 258,257 | 73.2% | 32% |
| Operating income* | **153,009** | **31.0%** | 94,508 | 26.8% | 62% |
| Number of jobs | **11,323** | | 9,736 | | 16% |
| Revenue per job | **43,020** | | 35,866 | | 20% |

* See first page of this report.

Revenue for the six months ended June 30, 2011 is up 40% compared to the same period in 2010. Job count increased by 16% and compares to the 20% year-over-year increase in the average number of active drilling rigs. Revenue per job increased by 20% due largely to a 13% pricing increase combined with larger job sizes resulting from increased horizontal drilling activity.

As a percentage of revenue, materials and operating expenses decreased to 66.2% from 70.1% for the comparable period in 2010. The decrease was due to improvements in pricing and increased operating leverage on our fixed cost structure and was partially offset by an increase in employee costs. General and administrative costs increased by $2.9 million due largely to increases in employee costs.

## UNITED STATES OPERATIONS

| ($ thousands, except revenue per job; unaudited)<br>Six months ended June 30, | 2011 | % of Revenue | 2010 | % of Revenue | Year-Over-Year Change |
|---|---|---|---|---|---|
| **Revenue** | **315,956** | | 154,250 | | 105% |
| **Expenses** | | | | | |
| Materials and operating | **220,639** | **69.8%** | 125,143 | 81.1% | 76% |
| General and administrative | **6,246** | **2.0%** | 2,598 | 1.7% | 140% |
| Total expenses | **226,885** | **71.8%** | 127,741 | 82.8% | 78% |
| Operating income* | **89,071** | **28.2%** | 26,509 | 17.2% | 236% |
| Number of jobs | **2,125** | | 1,501 | | 42% |
| Revenue per job | **148,663** | | 102,984 | | 44% |

* See first page of this report.

Revenue for the six months ended June 30, 2011 is up 105% compared to the same period in 2010. Job count increased by 42% and benefitted from geographic and service line expansion initiatives as well as a 6% increase in rig count in our areas of operations. Revenue per job increased by 44% due largely to a 53% pricing increase offset by a 7% weakening of the U.S. dollar versus the Canadian dollar.

Materials and operating expenses as a percentage of revenue decreased to 69.8% from 81.1% compared to the same period in 2010. The decrease was due to increased pricing and operating leverage on our fixed cost structure and was partially offset by an increase in product and employee costs. General and administrative costs increased by $3.6 million due largely to increases in employee expenses.

## RUSSIAN OPERATIONS

| ($ thousands, except revenue per job; unaudited)<br>Six months ended June 30, | 2011 | % of Revenue | 2010 | % of Revenue | Year-Over-Year Change |
|---|---|---|---|---|---|
| **Revenue** | **146,191** | | 129,294 | | 13% |
| **Expenses** | | | | | |
| Materials and operating | **125,653** | **86.0%** | 113,121 | 87.5% | 11% |
| General and administrative | **7,202** | **4.9%** | 4,829 | 3.7% | 49% |
| Total expenses | **132,855** | **90.9%** | 117,950 | 91.2% | 13% |
| Operating income* | **13,336** | **9.1%** | 11,344 | 8.8% | 18% |
| Number of jobs | **2,333** | | 2,211 | | 6% |
| Revenue per job | **60,446** | | 57,509 | | 5% |

* See first page of this report.

Year to date revenue for our Russian operations is up 13% compared to the same period in 2010. Job count has increased by 6% and is consistent with our expectation of an increase in activity based on the 2011 tendering process. Revenue per job increased by 5% largely due to price increases obtained during the 2011 tendering process.

Materials and operating expenses as a percentage of revenue decreased to 86.0% from 87.5% compared to the same period in 2010. Margins increased from improved pricing and operating leverage on our fixed cost structure were partially offset by cost inflation. General and administrative expenses are up $2.4 million largely due to an increase employee costs.

## CORPORATE DIVISION

| ($ thousands, except revenue per job; unaudited) Six months ended June 30, | 2011 | % of Revenue | 2010 | % of Revenue | Year-Over-Year Change |
|---|---|---|---|---|---|
| **Expenses** | | | | | |
| Materials and operating | **10,033** | **1.0%** | 6,396 | 1.0% | 57% |
| General and administrative | **21,774** | **2.3%** | 10,734 | 1.7% | 103% |
| Total expenses | **31,807** | **3.3%** | 17,130 | 2.7% | 86% |
| Operating loss* | **(31,807)** | | (17,130) | | 86% |

* See first page of this report.

Corporate division expenses increased $14.7 million compared to last year due to an increase in employee salaries, profit sharing expense and stock based compensation costs.

## OTHER EXPENSES AND INCOME

Year-to-date finance costs increased $2.5 million relative to the comparable period in 2010 due to interest on the new private placement debt. Depreciation and amortization increased by $7.2 million compared to 2010. The depreciation increase is due to asset additions primarily in North America.

Foreign exchange gains of $0.3 million have been recognized in 2011 compared to losses of $2.6 million in 2010. The 2010 gain is due to the net impact of fluctuations in the U.S. dollar and Russian ruble relative to the Canadian dollar. Other income increased by $1.4 million from the same period in 2010 due largely to proceeds from an insurance claim.

## INCOME TAXES

An income tax expense of $48.3 million was recorded for the six months ended June 30, 2011 compared to an income tax expense of $16.4 million for the same period in 2010. The increase in tax expense is largely attributable to significantly higher earnings.

## OTHER COMPREHENSIVE INCOME

The other comprehensive income for the first six months includes $4.3 million in unrealized losses on translating the financial statements of our foreign subsidiaries whose functional currency is not Canadian dollars. In addition, $2.8 million in unrealized gains were recognized on net investment and cash flow hedges. The Canadian dollar weakened 1% against the U.S. dollar and strengthened 4% against the Russian ruble from December 31, 2010 to June 30, 2011.

## LIQUIDITY AND CAPITAL RESOURCES

### Operating Activities

Funds provided by operations increased to $60.9 million in the second quarter of 2011 from $42.8 million in the second quarter of 2010 largely as a result of higher net income.

At June 30, 2011, the Company had working capital of $620.5 million, an increase of $261.9 million from the 2010 year end level of $358.6 million. The increase in the net working capital position is predominantly a result of an increase in cash from the new private placement debt. In addition, accounts receivable and inventory have risen as a result of the increase in activity levels.

### Investing Activities

Trican's 2012 capital budget is projected to be $678 million and includes $102 million in near term commitments that are necessary to ensure timely construction of the equipment required to execute on Trican's 2012 growth plans. $576 million of the projected capital budget will be directed towards our North American operations and $102 million towards International operations.

The 2012 projected capital budget consists of $537 million in expansion capital, $104 million in infrastructure needed to support new and existing operations, and $37 million in maintenance capital. The expansion capital includes an additional 92,500 of fracturing horsepower, 5 cement pumpers, 7 nitrogen pumpers, and 4 acid pumpers for our Canadian operations. Capacity for our U.S. operations will increase by 192,500 of fracturing horsepower, 16 cement pumpers, 7 coiled tubing units, 9 nitrogen pumpers, and 10 acid pumpers.

The international capital expenditures will be directed towards growth opportunities in new international markets, including Saudi Arabia and Australia. The capital budget for our Russian operations largely consists of maintenance capital.

Capital expenditures for the quarter totalled $161.0 million compared with $43.5 million for the same period in 2010. This investment was largely directed towards equipment and operating facilities in North America.

At June 30, 2011, Trican had a number of ongoing capital projects and estimates that $254.4 million of additional investment will be required to complete them.

### Financing Activities

On April 28, 2011, Trican closed the issuance of U.S.$250 million and CAD$60 million senior unsecured notes on a private placement basis (the "Private Placement"). The notes issued under the Private Placement are subject to various terms with an average term of 7.5 years and an average rate of approximately 5.4%. The notes are unsecured and rank equally with Trican's bank facilities and other outstanding senior notes. Trican intends to use the net proceeds to fund a portion of its 2011 capital expenditure program and for general corporate purposes.

During the first quarter of 2011, the Company replaced its existing Revolving Credit Facility with a new syndicated CAD $250 million three year extendible Revolving Credit Facility (the "New Facility"). The New Facility is unsecured and bears interest at Canadian prime rate, U.S. prime rate, Banker's Acceptance rate or at LIBOR plus 125 to 375 basis points, dependent on certain financial ratios of the Company.

As at August 8, 2011, Trican had 146,228,970 common shares and 6,686,296 employee stock options outstanding.

### Financial Instruments

During the quarter, Trican entered into two distinct hedges, each with the purpose of hedging the gains and losses incurred on U.S. dollar balances. The first hedge consists of cross-currency swap agreements, which hedges U.S.$95 million of the U.S.$250 million private placement of senior unsecured notes (the "Notes") which were issued during the quarter ended June 30, 2011. This hedge has been assessed as a highly effective cash-flow hedge. The foreign exchange loss on the hedged portion of the Notes has been recorded in other comprehensive income. The fair value of the cross-currency swap agreements at June 30, 2011 is $0.7 million and has been recorded in other assets on the balance sheet and as a gain in other comprehensive income.

The second hedge is a net investment hedge of our U.S. operations. The foreign exchange loss on the non-hedged portion of the senior unsecured notes of U.S.$155.0 million has been offset against the gains and losses incurred on the translation of the net assets of our U.S. operations. For the quarter ended June 30, 2011, there were no ineffective portions, therefore the change in fair value has been included in other comprehensive income.

## BUSINESS RISKS

A complete discussion of business risks faced by Trican may be found under the "Risk Factors" section of our Annual Information Form dated March 24, 2011, which is available under Trican's profile at www.sedar.com.

## CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING DURING FIRST QUARTER 2011

There have been no changes in Trican's internal controls over financial reporting during the period ended June 30, 2011, which have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS UPDATE

Trican has prepared its June 30, 2011 Interim Consolidated Financial Statements in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards,* and with IAS 34, *Interim Financial Reporting*, as issued by the IASB. Prior to 2011, Trican prepared its financial statements in accordance with Canadian GAAP. The adoption of IFRS has not had a material impact on Trican's operations, strategic decisions, or internal controls.

Trican's IFRS accounting policies are provided in Note 2 to the Interim Consolidated Financial Statements. In addition, Note 12 to the Interim Consolidated Financial Statements presents reconciliations between the Company's 2010 previous GAAP results and the 2010 IFRS results and an explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows.

## ACCOUNTING STANDARDS PENDING ADOPTION

All accounting standards effective for periods beginning on or after January 1, 2011 have been adopted as part of the transition to IFRS. The following new IFRS pronouncements have been issued but are not in effect as at June 30, 2011. However, the pronouncements may have a future impact on the measurement and/or presentation of the Company's financial statements:

As of January 1, 2013, Trican will be required to adopt IFRS 9, *Financial Instruments*, which is the result of the first phase of the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The adoption of this standard is currently not expected to have a material impact on Trican's Consolidated Financial Statements.

In May 2011, the IASB issued four new standards. All of the new standards are effective for annual periods beginning on or after January 1, 2013.

IFRS 10, Consolidated Financial Statements, replaces IAS 27, Consolidated Separate Financial Statements. It introduces new principle-based definition of control, applicable to all investees to determine the scope of consolidation. The standard provides the framework for consolidated financial statements and their preparation based on the principle of control.

IFRS 11, Joint Arrangements, replaces IAS 31 Interests in Joint Ventures. IFRS 11 divides joint arrangements into two types, each having its own accounting model. A 'joint operation' continues to be accounted for using proportional consolidation, where as a 'joint venture' must be accounted for using equity accounting.

IFRS 12, Disclosure of Interests in Other Entities, is a new standard which combines all of the disclosure requirements for subsidiaries, associates and joint arrangements in order to provide information related to the risks associated with an entities interest in other entities, and the effects of those interests on the entity's financial positions, financial performance and cash flows.

IFRS 13, Fair Value Measurement, is a new standard meant to clarify the definition of fair value, provide guidance on measuring fair value and improve disclosure requirements related to fair value measurement.

The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

## OUTLOOK

### Canadian Operations

Demand for pressure pumping services in Canada has been robust during the first half of 2011. With strong oil prices and the favourable economics of liquids-rich gas plays, we expect demand for all our service lines to remain strong throughout the balance of 2011. Although we are not anticipating an increase in the price of natural gas during 2011, any meaningful improvements in natural gas prices would be expected to have a sizable impact on industry activity.

We expect Canadian pricing for the second half of 2011 to rebound from second quarter levels and increase modestly compared to the first quarter of 2011. We expect this to result in second half margins that are substantially higher than the second quarter and consistent with those seen in the first quarter of 2011. Cost increases are anticipated to largely offset any margin gains expected from the pricing increases. However, Canadian demand is expected to be robust for the balance of 2011 and into 2012. As a result, we expect pricing and operating margins to remain strong after capacity additions from 2011 capital budgets have entered the Canadian market.

Four new Canadian fracturing crews will be deployed throughout the second half of 2011 as part of the 2011 capital expenditure budget. This will increase our Canadian horsepower by 62,500 to 321,200. We expect all new and existing Canadian fracturing crews to be fully utilized during the second half of the year as the Canadian pressure pumping industry remains under supplied. The new crews will have a positive impact on 2011 financial results but the full impact of these additions will not be seen until 2012.

### US Operations

The outlook for our U.S. operations continues to remain strong with overall industry activity being led by oil and liquids-rich gas directed activity. We expect robust activity levels in the Marcellus and Eagle Ford regions as well as stable activity across our other regions, which we expect will lead to high utilization levels throughout the balance of 2011.

We expect U.S. pricing to increase marginally throughout the remainder of 2011 and be offset by cost inflation and start-up costs associated with geographic and service line expansion. As a result, second half margins are expected to be consistent with those seen in the second quarter of 2011.

We expect to add five new fracturing crews to our U.S. operations throughout the second half of the year. One new crew began operating in the Marcellus play in early July and we expect to add a new crew in the Eagle Ford late in the third quarter and a new crew into Oklahoma early in the fourth quarter. In addition, we will begin operations in the Permian basin during the third quarter of 2011 with a short-term agreement committing 15,000 horsepower with a new U.S. customer. We expect to add an additional fracturing crew to the Permian basin during the fourth quarter of 2011. These additions are expected to increase our U.S. fracturing horsepower by approximately 180,000 to 569,500 by the end of 2011.

We will also continue to expand our other service lines in the U.S. in the second half of 2011. Four new coiled tubing units will be deployed throughout the second half of the year and ten new twin cementing units will be deployed late in 2011 and early in 2012.

### Russian Operations

After a slow start to the year, our Russian operations recovered somewhat in the second quarter with more favorable weather conditions and stabilization of our key costs. Cost inflation remains a concern in Russia and we will continue to focus on optimizing our cost structure for the balance of 2011. Our 2011 outlook for Russia remains unchanged and we continue to expect activity levels to increase by 7% with operating margins that are consistent with 2010.

Despite the lower margins in Russia relative to our North American operations, Trican believes in the long term potential of the Russian market. This region contains significant oil and gas reserves and it is the primary supplier of energy to Europe. In addition, we believe that the demand for pressure pumping services will increase in the future as Russian producers move towards more technically challenging basins. We believe it is important for us to maintain our leading position in this market in order to capitalize on this growth as it occurs.

## SUMMARY OF QUARTERLY RESULTS

| ($ millions, except per share amounts; unaudited) | **2011** | | 2010 | | | | 2009* | |
|---|---|---|---|---|---|---|---|---|
| | **Q2** | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 |
| Revenue | **421.7** | 534.6 | 434.3 | 407.8 | 306.3 | 330.0 | 219.9 | 188.4 |
| Net income/(loss) | **30.1** | 82.4 | 55.6 | 53.3 | 8.9 | 32.5 | 14.7 | (7.4) |
| Earnings/(loss) per share | | | | | | | | |
| Basic | **0.21** | 0.57 | 0.39 | 0.37 | 0.07 | 0.26 | 0.12 | (0.06) |
| Diluted | **0.21** | 0.56 | 0.38 | 0.37 | 0.06 | 0.26 | 0.12 | (0.06) |

*2009 results have been presented in accordance with Canadian GAAP.

## NON-IFRS DISCLOSURE

Adjusted net income, operating income and funds provided by operations do not have any standardized meaning as prescribed by IFRS and, therefore, are considered non-IFRS measures.

Adjusted net income and funds provided by operations have been reconciled to net income and operating income has been reconciled to gross profit, being the most directly comparable measures calculated in accordance with IFRS. The reconciling items have been presented net of tax.

| | **Three months ended** | | | **Six months ended** | |
|---|---|---|---|---|---|
| | **June 30, 2011** | June 30, 2010 | March 31, 2011 | **June 30, 2011** | June 30, 2010 |
| Adjusted net income | **33,328** | 12,675 | 85,463 | **118,789** | 46,858 |
| Deduct: | | | | | |
| Non-cash stock-based compensation expense | **3,252** | 3,763 | 3,035 | **6,287** | 5,403 |
| Net income (IFRS financial measure) | **30,076** | 8,912 | 82,428 | **112,502** | 41,455 |

| | Three months ended | | | Six months ended | |
|---|---|---|---|---|---|
| | **June 30, 2011** | June 30, 2010 | March 31, 2011 | **June 30, 2011** | June 30, 2010 |
| Funds provided by operations | **60,912** | 42,924 | 141,702 | **202,611** | 104,915 |
| Charges to income not involving cash | | | | | |
| Depreciation and amortization | **28,554** | 27,975 | 30,105 | **58,659** | 51,488 |
| Stock-based compensation | **3,252** | 3,763 | 3,035 | **6,287** | 5,403 |
| Loss/(gain) on disposal of property and equipment | **3** | (13) | 25 | **28** | (20) |
| Gain on revalutaion of deferred consideration | **–** | – | – | **–** | (22) |
| Unrealized foreign exchange (gain)/loss | **(992)** | 5 | 10 | **(982)** | 808 |
| Income tax expense | **15,437** | 3,738 | 32,855 | **48,292** | 16,442 |
| Income tax paid | **(15,418)** | (1,456) | (6,756) | **(22,175)** | (10,639) |
| Net income (IFRS financial measure) | **30,076** | 8,912 | 82,428 | **112,502** | 41,455 |

| | Three months ended | | | Six months ended | |
|---|---|---|---|---|---|
| | **June 30, 2011** | June 30, 2010 | March 31, 2011 | **June 30, 2011** | June 30, 2010 |
| Operating income | **78,277** | 42,946 | 145,333 | **223,609** | 115,231 |
| Add: | | | | | |
| Administrative expenses | **25,552** | 16,786 | 25,750 | **51,302** | 30,717 |
| Deduct: | | | | | |
| Depreciation expense | **(28,554)** | (27,975) | (30,105) | **(58,659)** | (51,488) |
| Gross profit (IFRS financial measure) | **75,275** | 31,757 | 140,978 | **216,252** | 94,460 |

## FORWARD-LOOKING STATEMENTS

This document contains statements that constitute forward-looking statements within the meaning of applicable securities legislation. These forward-looking statements are identified by the use of terms and phrases such as "anticipate," "achieve", "achievable," "believe," "estimate," "expect," "intend", "plan", "planned", and other similar terms and phrases. These statements speak only as of the date of this document and we do not undertake to publicly update these forward-looking statements except in accordance with applicable securities laws. These forward-looking statements include, among others:

- expectations that activity levels in the Canadian geographic region will remain strong;
- expectations that the strong demand levels in the Eagle Ford and Granite Wash plays will continue through the remainder of 2011;
- expectations that the activity in the Marcellus play will maintain its momentum for the remainder of 2011;
- anticipate the demand for all service lines to remain strong for the second half of 2011;
- not anticipating a meaningful increase in the price of natural gas during 2011, however anticipate that any improvements in the natural gas prices would have a sizable impact on industry activity;
- expect Canadian pricing to rebound during the second half of 2011 compared to 2010, with small increases compared to the first quarter of 2011;
- expectations that the pricing increases will result in improvements in margins in the Canadian region;
- Cost increases are anticipated to offset any significant growth in margins;

- expectation that Canadian demand will remain strong through 2011 and into 2012;
- expectations that all new and existing Canadian fracturing crews will be utilized during the second half of the year;
- expectations of robust activity levels in the Marcellus and Eagle Ford regions, as well as stable activity across our other regions in the U.S. geographic region;
- increased activity is expected to lead to strong utilization levels in the U.S. geographic region for the duration of 2011;
- anticipate prices to increase marginally throughout the remainder of 2011 with cost inflation offsetting any potential growth in margins;
- margins during the second half of 2011 in the U.S. are expected to be relatively consistent with the first half of 2011;
- expect to add five new fracturing crews to our U.S. operations throughout the second half of 2011;
- expectations that activity levels in Russia will increase by 7% with operating margins that are consistent with 2010;
- expectations that long term Russian activity levels will grow resulting in future benefits;
- belief that the demand for pressure pumping services will increase in the future as Russian producers move towards more technically challenging basins.

Forward-looking statements are based on current expectations, estimates, projections and assumptions, which we believe are reasonable but which may prove to be incorrect and therefore such forward-looking statements should not be unduly relied upon. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: industry activity; the general stability of the economic and political environment; effect of market conditions on demand for the Company's products and services; the ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; the ability to operate its business in a safe, efficient and effective manner; the performance and characteristics of various business segments; the effect of current plans; the timing and costs of capital expenditures; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its products and services.

Forward-looking statements are subject to a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks and uncertainties include: fluctuating prices for crude oil and natural gas; changes in drilling activity; general global economic, political and business conditions; weather conditions; regulatory changes; the successful exploitation and integration of technology; customer acceptance of technology; success in obtaining issued patents; the potential development of competing technologies by market competitors; and availability of products, qualified personnel, manufacturing capacity and raw materials. In addition, actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth under the section entitled "Business Risks" in this document.

Additional information regarding Trican including Trican's most recent annual information form is available under Trican's profile on SEDAR (www.sedar.com).

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (stated in thousands; unaudited) | **June 30, 2011** | December 31, 2010 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | **$298,640** | $81,058 |
| Trade and other receivables | **374,508** | 364,986 |
| Current tax assets | **12,499** | 6,046 |
| Inventory | **149,055** | 106,607 |
| Prepaid expenses | **14,821** | 9,257 |
| | **849,523** | 567,954 |
| Property and equipment (note 3) | **903,576** | 700,230 |
| Intangible assets | **17,303** | 20,816 |
| Deferred tax assets | **52,153** | 74,330 |
| Other assets | **11,830** | 13,115 |
| Goodwill | **36,916** | 36,916 |
| | **$1,871,301** | $1,413,361 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities | | |
| Bank loans (note 4) | **$–** | $– |
| Trade and other payables | **228,977** | 209,305 |
| Current tax liabilities | **22** | 22 |
| | **228,999** | 209,327 |
| Loans and borrowings (note 4) | **407,440** | 106,627 |
| Deferred tax liabilities | **110,293** | 98,006 |
| Shareholders' equity | | |
| Share capital (note 5) | **506,303** | 486,594 |
| Contributed surplus | **44,739** | 42,919 |
| Accumulated other comprehensive income | **(20,853)** | (19,273) |
| Retained earnings | **594,380** | 489,161 |
| Total equity attributable to equity holders of the Company | **1,124,569** | 999,401 |
| | **$1,871,301** | $1,413,361 |

Contractual obligations (note 9)

Subsequent events (note 11)

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (stated in thousands, except per share amounts; unaudited) | **Three Months Ended June 30, 2011** | Three Months Ended June 30, 2010 | **Six Months Ended June 30, 2011** | Six Months Ended June 30, 2010 |
|---|---|---|---|---|
| Revenue | **$421,701** | $306,309 | **$956,329** | $636,309 |
| Cost of sales | **346,426** | 274,552 | **740,077** | 541,849 |
| **Gross profit** | **75,275** | 31,757 | **216,252** | 94,460 |
| Administrative expenses | **25,552** | 16,786 | **51,302** | 30,717 |
| Other income | **(600)** | (89) | **(1,720)** | (72) |
| **Results from operating activities** | **49,687** | 15,060 | **166,670** | 63,815 |
| Finance income | **(687)** | (983) | **(1,323)** | (1,611) |
| Finance costs | **5,416** | 2,620 | **7,427** | 4,907 |
| Foreign exchange (gain) / loss | **81** | 772 | **(228)** | 2,621 |
| **Profit before income tax** | **45,513** | 12,651 | **160,794** | 57,898 |
| Income tax expense (note 8) | **15,437** | 3,739 | **48,292** | 16,443 |
| **Profit for the period** | **$30,076** | $8,912 | **$112,502** | $41,455 |
| Earnings per share (note 6) | | | | |
| Basic | **$0.21** | $0.07 | **$0.78** | $0.32 |
| Diluted | **$0.21** | $0.06 | **$0.77** | $0.31 |
| Weighted average shares outstanding – basic | **145,385** | 136,424 | **145,067** | 131,073 |
| Weighted average shares outstanding – diluted | **147,223** | 137,457 | **146,889** | 132,237 |
| Other comprehensive income | | | | |
| Unrealized gain on hedging instruments | **2,753** | – | **2,753** | – |
| Foreign currency translation differences | **(5,231)** | 1,730 | **(4,333)** | (2,313) |
| **Total comprehensive income for the year** | **$27,598** | $10,642 | **$110,922** | $39,142 |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the Company | **27,598** | 10,642 | **110,922** | 39,162 |
| Non-controlling interest | **–** | – | **–** | (20) |
| **Total comprehensive income for the period** | **$27,598** | $10,642 | **$110,922** | $39,142 |

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| (stated in thousands; unaudited) | Share capital | Contributed surplus | Accumulated other comprehensive income | Retained earnings | Total | Non-controlling inteest | Total equity |
|---|---|---|---|---|---|---|---|
| Balance at January 1, 2010 | $246,854 | $32,811 | $ – | $358,723 | $638,388 | $296 | $638,684 |
| Profit or loss for the period | – | – | – | 41,455 | 41,455 | – | 41,455 |
| Foreign currency translation differences | – | – | (2,809) | – | (2,809) | – | (2,809) |
| Dividends to equity holders ($0.10 per share) | – | – | – | (7,171) | (7,171) | – | (7,171) |
| Share-based payments transactions | – | 5,403 | – | – | 5,403 | – | 5,403 |
| Share options exercised | 87 | (9) | – | – | 78 | – | 78 |
| Issuance out of treasury for deferred consideration | 693 | – | – | – | 693 | – | 693 |
| Issuance of shares | 223,003 | – | – | – | 223,003 | – | 223,003 |
| Acquisition of non-controlling interest | – | – | – | – | – | (276) | (276) |
| Balance at June 30, 2010 | **$470,637** | **$38,205** | **$(2,809)** | **$393,007** | **$899,040** | **$ 20** | **$899,060** |
| Balance at December 31, 2010 | **$486,594** | **$42,919** | **$(19,273)** | **$489,161** | **$999,401** | **$–** | **$999,401** |
| Profit or loss for the period | – | – | – | 112,502 | 112,502 | – | 112,502 |
| Foreign currency translation differences | – | – | (4,333) | – | (4,333) | – | (4,333) |
| Dividends to equity holders ($0.10 per share) | – | – | – | (7,283) | (7,283) | | (7,283) |
| Share-based payments transactions | – | 6,287 | – | – | 6,287 | – | 6,287 |
| Share options exercised | 19,709 | (4,467) | – | – | 15,242 | | 15,242 |
| Unrealized gain on net investment hedge | – | – | 2,046 | – | 2,046 | | 2,046 |
| Unrealized gain on cash flow hedge | – | – | 707 | – | 707 | – | 707 |
| **Balance at June 30, 2011** | **$506,303** | **$44,739** | **$(20,853)** | **$594,380** | **$1,124,569** | **$ –** | **$1,124,569** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

| (stated in thousands; unaudited) | **Three Months Ended June 30, 2011** | Three Months Ended June 30, 2010 | **Six Months Ended June 30, 2011** | Six Months Ended June 30, 2010 |
|---|---|---|---|---|
| Cash Provided By/(Used in): | | | | |
| **Operations** | | | | |
| Profit for the period | **$30,076** | $8,912 | **$112,502** | $41,455 |
| Charges to income not involving cash: | | | | |
| Depreciation and amortization | **28,554** | 27,975 | **58,659** | 51,488 |
| Stock-based compensation | **3,252** | 3,763 | **6,287** | 5,403 |
| Loss/(gain) on disposal of property and equipment | **3** | (13) | **28** | (20) |
| Gain on revaluation of deferred consideration | **–** | – | **–** | (22) |
| Unrealized foreign exchange loss | **(992)** | 5 | **(982)** | 808 |
| Income tax expense | **15,437** | 3,738 | **48,292** | 16,443 |
| | **76,330** | 44,380 | **224,786** | 115,555 |
| Change in inventories | **(10,004)** | (361) | **(36,780)** | (4,170) |
| Change in trade and other receivables | **110,553** | 28,740 | **(4,454)** | (96,213) |
| Change in prepayments | **(4,308)** | (2,911) | **(5,504)** | (1,958) |
| Change in trade and other payables | **(20,155)** | (4,626) | **14,270** | 63,221 |
| Cash generated from operating activities | **156,416** | 65,222 | **192,317** | 76,435 |
| Interest paid | **(1,547)** | (4,129) | **(2,084)** | (4,856) |
| Income tax paid | **(15,418)** | (1,456) | **(22,175)** | (10,639) |
| | **135,451** | 59,637 | **168,058** | 60,940 |
| **Investing** | | | | |
| Interest received | **621** | 732 | **1,151** | 1,317 |
| Purchase of property and equipment | **(160,953)** | (43,453) | **(261,216)** | (117,790) |
| Proceeds from the sale of property and equipment | **116** | 110 | **487** | 163 |
| Payments received on loan to an unrelated third party | **1,308** | 1,269 | **2,711** | 2,641 |
| Business acquisitions | **–** | (5,818) | **–** | (5,818) |
| Net change in non-cash working capital from investing activities | **(14,549)** | (12,772) | **3,535** | (14,261) |
| | **(173,457)** | (59,932) | **(253,332)** | (133,748) |
| **Financing:** | | | | |
| Net proceeds from issuance of share capital | **11,747** | 220,513 | **15,241** | 220,587 |
| Issuance (repayment) of bank loans | **(6,810)** | (43,929) | **–** | (27,161) |
| Issuance (repayment) of long-term debt, net of financing fees | **295,824** | (93,980) | **295,824** | (42,795) |
| Dividend paid | **–** | – | **(7,232)** | (6,282) |
| | **300,761** | 82,604 | **303,833** | 144,349 |
| **Effect of exchange rate changes on cash** | **(1,326)** | 899 | **(977)** | (180) |
| Increase in cash and cash equivalents | **261,429** | 83,208 | **217,582** | 71,362 |
| Cash and cash equivalents, beginning of period | **37,211** | 14,243 | **81,058** | 26,089 |
| Cash and cash equivalents, end of period | **$298,640** | $97,451 | **$298,640** | $97,451 |

See accompanying notes to the consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

**For the periods ended June 30, 2011 and 2010**

## NOTE 1 – NATURE OF BUSINESS AND BASIS OF PRESENTATION

### Nature of Business

Trican Well Service Ltd. (the "Company" or "Trican") is an oilfield services company incorporated under the laws of the province of Alberta. These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned (together referred to as the "Company"). The Company provides a comprehensive array of specialized products, equipment, services and technology for use in the drilling, completion, stimulation and reworking of oil and gas wells in Canada, U.S., Russia, Kazakhstan, and Algeria.

The Company's Canadian operations and to a lesser extent Russian operations are seasonal in nature. For Canada, the highest activity is in the winter months (first and fourth fiscal quarters) and the lowest activity is during spring break-up (second fiscal quarter) due to road weight restrictions and reduced accessibility to remote areas. For Russia, the highest activity is in the summer months (second and third fiscal quarters) and the lowest activity is in the winter months (the first and fourth fiscal quarters) due to cold weather.

The consolidated financial statements of the Company as at and for the year ended December 31, 2009 and prior thereto were prepared under Canadian generally accepted accounting policies (Canadian GAAP).

### Basis of Presentation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These are the Company's second IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1 *First-Time Adoption of International Financial Reporting Standards* ("IFRS 1") has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 12. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under Canadian GAAP to those reported for those periods at the date of transition under IFRS.

The condensed consolidated interim financial statements have been prepared on the historical costs basis except for financial instruments at fair value through the profit or loss and liabilities for cash settled share based payment arrangements which are measured at fair value in the statement of financial position.

The condensed consolidated interim financial statements are presented in Canadian dollars which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except where indicated.

Management is required to make estimates and assumptions that affect the application of accounting policies, reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of

revenue and expenses during the reported period. Actual results could differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgments made by management applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements.

These condensed consolidated interim financial statements were approved by the Board of Directors on August 8, 2011.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010.

### Consolidation

Subsidiaries are entities controlled by the Company. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated on consolidation.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Non-controlling interests in subsidiaries are identified separately from the Company's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognized as a result of such transactions.

### Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined using the weighted average cost method. Inventory balances include all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their existing location and condition.

Net realizable value is the estimated selling prices in the ordinary course of business, less estimated costs of completion and selling expenses.

### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, and subsequent expenditure to the extent that they can be measured and future economic benefit is probable. The carrying values of replaced parts are derecognized when they are replaced. The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. Repairs and maintenance expenditures which do not extend the useful life of the property and equipment are expensed.

Management bases the estimate of the useful life and salvage value of property and equipment on expected utilization, technological change and effectiveness of maintenance programs. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Although management believes the estimated useful lives of the Company's property and equipment are reasonable, it is possible that changes in estimates could occur which may affect the expected useful lives and salvage values of the property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within other income in profit or loss.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item or property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Depreciation is calculated using the straight-line method over the estimated useful life less residual value of the asset as follows:

| | |
|---|---|
| Buildings and improvements | 20 years |
| Equipment | 3 to 10 years |
| Furniture and fixtures | 2 to 10 years |

Depreciation methods, useful lives and residual values are reviewed each financial year end and adjusted if appropriate.

**Impairment of Non-Financial Assets**

The carrying amounts of the Company's non financial assets include property and equipment, intangible assets, inventories and deferred tax assets. They are reviewed at each reporting date to determine whether there is an indicator of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of goodwill and indefinite life assets is estimated yearly in the fourth quarter.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or other groups of assets (cash generating unit or CGU).

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any

indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### Goodwill

Goodwill arises upon the acquisition of subsidiaries. For acquisitions on or after January 1, 2010, the Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. As part of the transition to IFRS, the Company elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under Canadian GAAP.

Goodwill is allocated as of the date of the business combination to the Company's cash generating units that are expected to benefit from the synergies of the business combination. Goodwill is not amortized, but is tested for impairment at least annually. An impairment loss in respect of goodwill is not reversed.

### Intangible Assets

Non-compete agreements relate to the Company's acquisitions and are recorded at their estimated fair value on the acquisition date and amortized on a straight line basis over 8 years.

Customer relationships relate to the Company's acquisitions and are recorded at their estimated fair value on the acquisition date and amortized on a straight line basis over 5 years.

The "CBM Process" relates to an acquisition by the Company and was recorded at the estimated fair value on the acquisition date and amortized on a straight line basis over 10 years.

All amortization of intangible assets is charged to cost of sales in the profit or loss.

### Financial Instruments

#### *Non-Derivative Financial Assets*

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

#### *Loans and Receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method less any impairment losses.

Loans and receivables comprise trade and other receivables.

#### *Cash and Cash Equivalents*

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three

months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

***Non-Derivative Financial Liabilities***
Financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest rate method, at each reporting period, net of transaction costs directly attributable to the issuance of the debt. Transaction costs related to the issuance of any long term debt are netted against the carrying value of the associated long term debt and amortized as part of financing costs over the life of the debt using the effective interest rate method.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

***Derivative Financial Instruments, Including Hedge Accounting***
The Company holds derivative financial instruments to manage its exposure to the risk associated with fluctuations in foreign exchange and interest rates.

The Company has designated all cross currency swap agreements as cash flow hedges. The Company formally documents all relationships between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking the hedge transaction. This process includes linking all derivatives that are designated in a cash flow hedging relationship to a specific firm commitment or forecasted transaction. The Company also formally assesses both at inception and at each reporting date, whether derivatives used in hedging transactions have been highly effective in offsetting changes in cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods.

Under cash flow hedge accounting, the effective portion of the change in the fair value of the hedging instrument is recognized in other comprehensive income and presented within shareholders equity in accumulated other comprehensive income. The ineffective portion of the change in fair value is recognized in profit and loss. Upon maturity of the financial derivative instrument, the effective gains and losses previously accumulated in other comprehensive income within shareholders' equity are recorded in profit and loss.

The Company utilizes foreign denominated long-term debt to hedge its exposure to changes in the carrying values of the Company's net investment in certain foreign operations as a result of changes in foreign exchange rates.

Under the accounting for hedges of a net investment, the foreign denominated long-term debt must be designated and documented as a hedge, and must be effective at inception and on an ongoing basis. The documentation defines the relationship between the foreign denominated long-term debt and the net investment in the foreign operations. The Company formally assesses, both at inception and on an ongoing basis whether the changes in fair value of the foreign denominated

long-term debt is highly effective in offsetting changes in fair value of the net investment in the foreign operations. The portion of gains or losses on the hedging item that is determined to be an effective hedge is recognized in other comprehensive income, net of tax and is limited to the translation gain or loss on the net investment, while the ineffective portion is recorded in earnings.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in shareholders' equity is reclassified in profit or loss.

***Common Shares***

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

**Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**Financial Risk Management**

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

***Market Risk***

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market rates and is comprised of the following:

*Interest Rate Risk*

The Company partially mitigates its exposure to interest rate changes by maintaining a mix of both fixed and floating rate debt.

*Foreign Exchange Rate Risk*

As the Company operates primarily in North America and Russia, fluctuations in the exchange rate between the U.S. dollar/Canadian dollar and Russian ruble/Canadian dollar can have a significant effect on the operating results and the fair value or future cash flows of the Company's financial assets and liabilities.

Canadian entities are exposed to currency risk on foreign currency denominated financial assets and liabilities with adjustments recognized as foreign exchange gains and/or losses in the profit and loss, except for items that are designated in a hedging relationship such as a portion of the US denominated debt.

Foreign entities with a domestic functional currency expose the Company to currency risk on the translation of these entities' financial assets and liabilities to Canadian dollars for consolidation. For instance, the operations in Russia have a ruble functional currency, and adjustments arising when translating this foreign entity into Canadian dollars are reflected in the Consolidated Statement of Other Comprehensive Income as unrealized gains or losses on translating financial statements of foreign operations.

Foreign entities are exposed to currency risk on financial assets and liabilities denominated in currencies other than their functional currency with adjustments recognized in the profit and loss. For instance, the operations in Russia where the functional currency is the ruble will incur foreign exchange gains and/or losses on financial assets and liabilities denominated in currencies other than the ruble.

***Credit Risk***

Credit risk refers to the possibility that a customer or counterparty will fail to fulfill its obligations and as a result, create a financial loss for the Company.

*Customer*

The Company's accounts receivables are predominantly with customers who explore for and develop natural gas and petroleum reserves and are subject to normal industry credit risks that include fluctuations in oil and natural gas prices and the ability to secure adequate debt or equity financing. The Company assesses the credit worthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Accordingly, the Company views the credit risks on these amounts as normal for the industry. The carrying amount of accounts receivable represents the maximum credit exposure on this balance.

Payment terms with customers vary by region and contract; however, standard payment terms are 30 days from invoice date. Historically, industry practice allows for payment up to 70 days from invoice date.

*Counterparties*

Counterparties to financial instruments expose the Company to credit losses in the event of non-performance. Counterparties to cash transactions are limited to high credit quality financial institutions. The Company does not anticipate non-performance that would materially impact the Company's financial statements.

***Liquidity Risk***

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial liability obligations. The Company manages its liquidity risk through cash and debt management, which includes monitoring forecasts of the Company's cash and cash equivalents and borrowing facilities on the basis of projected cash flow. This is generally carried out at the geographic region level in accordance with practices and policies established by the Company.

### Revenue Recognition

Revenue is measured at the fair value of consideration receivable, net of trade discounts. The Company's revenue comprises services and other revenue and is generally sold based on fixed or agreed upon priced purchase orders or contracts with the customer. Service and other revenue is recognized when the services are provided and collectability is reasonably assured. Customer contract terms do not include provisions for significant post-service delivery obligations.

### Finance Income and Finance Costs

Finance income is made up of interest income on funds invested along with any fair value gains on financial assets at fair value through profit or loss. Interest income is recognized as it is accrued in profit or loss, using the effective interest rate method.

Finance costs are made up of interest expense on borrowings, fair value losses on financial assets through profit or loss, and impairment losses recognized on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

**Income Taxes**

The Company uses the liability method of accounting for income taxes. Under the liability method, deferred income tax assets and liabilities are recognized on the difference between the carrying amounts of assets and liabilities and their respective income tax basis (temporary differences). A deferred tax asset may also be recognized for the benefit expected from unused tax losses available for carry forward, to the extent that it is probable that future taxable earnings will be available against which the tax losses can be applied.

Deferred income tax assets and liabilities are measured based on income tax rates and tax laws that are enacted or substantively enacted by the end of the reporting period and that are expected to apply in the years in which temporary differences are expected to be realized or settled. Deferred income tax assets are reviewed at each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change. As such, income taxes are subject to measurement uncertainty and the interpretations can impact net earnings through the income tax expense arising from changes in deferred income tax assets or liabilities.

**Foreign Currency Translation and Transactions**

For foreign entities whose functional currency is the Canadian dollar, the Company translates monetary assets and liabilities at year-end exchange rates, and non-monetary items are translated at historical rates. Income and expense accounts are translated at the average rates in effect during the year. Gains or losses from changes in exchange rates are recognized in the profit or loss in the period of occurrence.

For foreign entities whose functional currency is not the Canadian dollar, the Company translates assets, including goodwill, and liabilities at year-end rates and income and expense accounts at average exchange rates. Adjustments resulting from these translations are reflected in the Consolidated Statements of Other Comprehensive Income as unrealized gains or losses as foreign currency translation differences.

Transactions of Canadian entities in foreign currencies are translated at rates in effect at the time of the transaction. Foreign currency monetary assets and liabilities are translated at current rates. Gains or losses from changes in exchange rates are recognized in the profit or loss in the period of occurrence. Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative amount of foreign currency translation differences.

When a foreign operation is disposed of, the relevant amount in the cumulative amount of foreign currency translation differences is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

## Employee Benefits

***Short-Term Employee Benefits***

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonuses or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be reliably estimated.

***Share-Based Payment Transactions***

The Company has a share option plan and accounts for share options by expensing the fair value of share options measured using a Black Scholes option pricing model. The fair value of the options is determined on their grant date and is recognized as administrative expense over the period that the share options vest, with a corresponding increase to contributed surplus. When share options are exercised, the proceeds together with the amount recorded as contributed surplus are recorded in share capital.

The Company has a deferred share unit ("DSU") plan for its Directors. The DSUs vest immediately and the fair value of the liability and the corresponding expense is charged to profit or loss at the grant date. Subsequently at each reporting date between grant date and settlement date, the fair value of the liability is re-measured with any changes in fair value recognized in profit or loss for the period.

The Company has a restricted share unit ("RSU") plan and the fair value of the RSU's is expensed into profit and loss evenly over the same period that the units vest and at each reporting date between grant date and settlement, the fair value of the liability is re-measured with any changes in fair value recognized in profit or loss for the period.

The Company has a performance share unit ("PSU") plan for Executive Officers of the Company. Under the terms of the plan, the PSU's vest when the Company meets a certain financial target and expire on a date no later than December 31 of the third calendar year following the calendar year in which the grant occurs. Management makes an assessment for each grant of units on how likely and when the PSU's might vest. The fair value of the units is expensed over the period until it is estimated that the vesting conditions will be met.

## Earnings Per Share

Basic earnings per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated based on the weighted average number of shares issued and outstanding during the year, adjusted by the total of the additional common shares that would have been issued assuming exercise of all share options with exercise prices at or below the average market price for the year, offset by the reduction in common shares that would be purchased with the exercise proceeds.

## Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments operating results are reviewed regularly by the Company's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and public company costs.

**Leased Assets**

Leases which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Other leases are operating leases and are not recognized in the Company's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

**New Standards and Interpretations Not Yet Adopted**

As of January 1, 2013, Trican will be required to adopt IFRS 9, Financial Instruments, which is the result of the first phase of the IASB's project to replace IAS 39, Financial Instruments: Recognition and Measurement. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The adoption of this standard is not expected to have a material impact on Trican's consolidated financial statements.

In May 2011, the IASB issued four new standards. All of the new standards are effective for annual periods beginning on or after January 1, 2013.

IFRS 10, Consolidated Financial Statements, replaces IAS 27, Consolidated Separate Financial Statements. It introduces new principle-based definition of control, applicable to all investees to determine the scope of consolidation. The standard provides the framework for consolidated financial statements and their preparation based on the principle of control.

IFRS 11, Joint Arrangements, replaces IAS 31 Interests in Joint Ventures. IFRS 11 divides joint arrangements into two types, each having its own accounting model. A 'joint operation' continues to be accounted for using proportional consolidation, where as a 'joint venture' must be accounted for using equity accounting.

IFRS 12, Disclosure of Interests in Other Entities, is a new standard which combines all of the disclosure requirements for subsidiaries, associates and joint arrangements in order to provide information related to the risks associated with an entities interest in other entities, and the effects of those interests on the entity's financial positions, financial performance and cash flows.

IFRS 13, Fair Value Measurement, is a new standard meant to clarify the definition of fair value, provide guidance on measuring fair value and improve disclosure requirements related to fair value measurement.

The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

## NOTE 3 – PROPERTY AND EQUIPMENT

Included within property and equipment are assets held under finance lease with a gross value of $24.5 million (December 31, 2010 – $18.5 million) and accumulated depreciation of $8.0 million (December 31, 2010 – $5.4 million).

## NOTE 4 – LOANS AND BORROWINGS

### Bank Loans

The Company's Russian subsidiary has a U.S.$20 million (Canadian equivalent of $19.3 million) demand revolving facility with a large international bank. This facility is unsecured, bears interest at LIBOR plus a premium, as determined by the bank, plus 2.75% and has been guaranteed by the Company. As at June 30, 2011 there was nothing drawn on this facility (December 31, 2010, nil).

### Long Term Debt

| (stated in thousands) | June 30, 2011 | December 31, 2010 |
|---|---|---|
| Notes payable | **395,554** | 99,460 |
| Finance lease obligations | **11,886** | 7,167 |
| Revolving credit facility | **–** | – |
| | **$407,440** | $106,627 |

During the first quarter of 2011, the Company replaced its existing Revolving Credit Facility with a new syndicated CAD $250 million three year extendible Revolving Credit Facility. The New Facility is unsecured and bears interest at Canadian prime rate, U.S. prime rate, Banker's Acceptance rate or at LIBOR plus 125 to 375 basis points, dependent on certain financial ratios of the Company.

### Notes Payable

On April 28, 2011 the Company closed a private placement of Senior Unsecured Notes (the "Notes") that will rank equally with the Company's bank facilities and other outstanding senior notes. The following outlines the terms of the new Notes:

- U.S. $65 million Senior Notes maturing April 28, 2016, bearing interest at a fixed rate of 4.61% payable semi-annually on April 28 and October 28;
- Canadian $45 million Senior Notes maturing April 28, 2016, bearing interest at a fixed rate of 5.22% payable semi-annually on April 28 and October 28;
- U.S. $80 million Senior Notes maturing April 28, 2018, bearing interest at a fixed rate of 5.29% payable semi-annually on April 28 and October 28;
- Canadian $15 million Senior Notes maturing April 28, 2021, bearing interest at a fixed rate of 6.11% payable semi-annually on April 28 and October 28; and
- U.S. $105 million Senior Notes maturing April 28, 2021, bearing interest at a fixed rate of 5.90% payable semi-annually on April 28 and October 28.

On June 21, 2007, the Company entered into an agreement with institutional investors in the U.S. providing for the issuance, by way of private placement of U.S. $100 million of Senior Unsecured Notes (the "Notes") in two tranches:

- U.S. $25 Million Series A Senior Notes maturing June 22, 2012, bearing interest at a fixed rate of 6.02% payable semi-annually on June 22 and December 22; and
- U.S. $75 Million Series B Senior Notes maturing June 22, 2014, bearing interest at a fixed rate of 6.10% payable semi-annually on June 22 and December 22.

The Notes require the Company to comply with certain financial and non-financial covenants that are typical for this type of arrangement. At June 30, 2011, the Company was in compliance with these covenants.

## NOTE 5 – SHARE CAPITAL

Authorized:

The Company is authorized to issue an unlimited number of common shares and preferred shares, issuable in series.

The shares have no par value.

**Issued and Outstanding – Common Shares:**

| (stated in thousands, except share amounts) | Number of Shares | Amount |
|---|---|---|
| Balance, December 31, 2010 | 144,636,583 | $486,594 |
| Exercise of share options | 1,018,090 | 15,457 |
| Reclassification from contributed surplus on exercise of options | – | 4,252 |
| **Balance, June 30, 2011** | **145,654,673** | **$506,303** |

All issued shares are fully paid.

Securities convertible into common shares of the Company are as follows:

| | **June 30, 2011** | December 31, 2010 |
|---|---|---|
| **Securities convertible into common shares:** | | |
| Employee share options | **7,295,642** | 6,700,864 |

## NOTE 6 – EARNINGS PER SHARE

| **Basic Income per Share** (stated in thousands, except share and per share amounts) | **2011** | 2010 |
|---|---|---|
| Profit available to common shareholders | **$112,502** | $32,543 |
| Weighted average number of common shares | **145,067** | 125,662 |
| Basic earnings per share | **$0.78** | $0.26 |

| **Diluted Income per Share** (stated in thousands, except share and per share amounts) | **2011** | 2010 |
|---|---|---|
| Profit available to common shareholders | **$112,502** | $32,543 |
| Weighted average number of common shares | **145,067** | 125,662 |
| Diluted effect of share options | **1,822** | 1,132 |
| Diluted weighted average number of common shares | **146,889** | 126,794 |
| Diluted earnings per share | **$0.77** | $0.26 |

## NOTE 7 – FINANCIAL INSTRUMENTS

***Market Risk***

*Foreign Exchange Rate Risk*

The Company is exposed to foreign currency exchange rate risk in Canada primarily related to its U.S. dollar denominated long term debt. During the quarter the Company entered into two cross currency swap contracts to manage the known currency exposure related to the long term debt. The cross currency swap contracts require the periodic exchange of payment with the exchange at maturity of notional principal amounts on which the payments are based. At June 30, 2011 the Company had the following cross currency swap contracts outstanding:

| Stated in thousands<br>Maturity Date | Amount (US$) | Exchange Rate | Interest Rate (US$) | Interest Rate (CAN$) |
|---|---|---|---|---|
| April 28, 2016 | 45,000 | 0.9515 | 4.61% | 5.69% |
| April 28, 2018 | 50,000 | 0.9512 | 5.29% | 6.14% |

At June 30, 2011, the estimated fair value of the above risk management contracts was an asset of $0.7 million.

All cross currency swap derivative financial instruments were designated as cash flow hedges at June 30, 2011. For the six month period ended June 30, 2011, there was no ineffective portion of the hedging relationship included in profit and loss.

***Credit Risk***

*Counterparties*

Counterparties to financial instruments expose the Company to credit losses in the event of non-performance. Counterparties to cash transactions are limited to high credit quality financial institutions. The Company does not anticipate non-performance that would materially impact the Company's financial statements.

## NOTE 8 – INCOME TAXES

| **Six months ended**<br>(stated in thousands) | **June 30, 2011** | June 30, 2010 |
|---|---|---|
| Provision for current income taxes | **$15,702** | $9,990 |
| Provision for deferred income taxes | **32,590** | 6,453 |
| | **$48,292** | $16,443 |

The net income tax provision differs from that expected by applying the combined federal and provincial income tax rate of 26.64% (2010 – 28.21%) to income before income taxes for the following reasons:

| **Six months ended**<br>(stated in thousands) | **June 30, 2011** | June 30, 2010 |
|---|---|---|
| Expected combined federal and provincial income tax | **$42,788** | $16,333 |
| Statutory and other rate differences | **4,131** | (1,852) |
| Non-deductible expenses | **3,354** | 2,523 |
| Translation of foreign subsidiaries | **(120)** | 522 |
| Changes to deferred income tax rates | **(2,161)** | (1,032) |
| Capital and other foreign tax | **313** | – |
| Other | **(13)** | (51) |
| | **$48,292** | $16,443 |

## NOTE 9 – CONTRACTUAL OBLIGATIONS

The Company has commitments for non-cancelable operating leases, primarily for office space, as follows:

| | Within 1 year | 1 to 5 years | After 5 years | Total |
|---|---|---|---|---|
| **June 30, 2011** | **$5,930** | **$26,412** | **$2,629** | **$34,971** |
| December 31, 2010 | $5,321 | $21,857 | $3,351 | $30,530 |

The Company has commitments for finance lease agreements, primarily for vehicles and equipment, in the aggregate amount of $15.7 million (December 31, 2010- $12.0 million).The long term obligation related to finance leases is $11.9 million (December 31, 2010 - $9.7 million) and is reflected in Loans and borrowings, the short term portion is reflected in Trade and other payables.

As at June 30, 2011, the Company has commitments totaling approximately $254.4 million (2010 - $48.8 million) relating to the construction of property and equipment in 2011.

## NOTE 10 – OPERATING SEGMENTS

The Company operates in three main geographic regions: Canada, Russia (which includes Kazakhstan and Algeria), and the U.S. Each geographic region has a General Manager ("GM") that is responsible for the operation and strategy of their region's business. Personnel working within the particular geographic region report to the GM; the GM reports to the corporate executive.

The Company provides a comprehensive array of specialized products, equipment, services and technology to customers through three operating divisions:

- Canadian Operations provides cementing, fracturing, coiled tubing, nitrogen, geological, and acidizing services, which are performed on new and existing oil and gas wells, and industrial services.
- U.S. Operations provides fracturing, cementing, nitrogen and acidizing services which are performed on new and existing oil and gas wells.
- Russian Operations provides cementing, fracturing, deep coiled tubing, nitrogen and acidizing services which are performed on new and existing oil and gas wells.

| (stated in thousands) | Canadian Operations | United States Operations | Russian Operations | Corporate | Total |
|---|---|---|---|---|---|
| **Three months ended June 30, 2011** | | | | | |
| **Revenue** | **$167,805** | **$172,404** | **$81,492** | **$ –** | **$421,701** |
| **Gross profit / (loss)** | **27,263** | **42,133** | **10,017** | **(4,138)** | **75,275** |
| **Finance Costs** | **–** | **–** | **–** | **(5,416)** | **(5,416)** |
| **Depreciation and amortization** | **11,732** | **11,682** | **5,105** | **35** | **28,554** |
| **Assets** | **638,071** | **471,706** | **258,965** | **502,559** | **1,871,301** |
| **Goodwill** | **22,690** | **–** | **14,226** | **–** | **36,916** |
| **Property and equipment** | **510,333** | **298,917** | **86,786** | **7,540** | **903,576** |
| **Capital expenditures** | **42,043** | **113,560** | **5,350** | **–** | **160,953** |
| Three months ended June 30, 2010 | | | | | |
| Revenue | $139,823 | $94,974 | $71,512 | $ – | $306,309 |
| Gross profit / (loss) | 22,364 | 8,486 | 3,980 | (3,073) | 31,757 |
| Finance Costs | – | – | – | (2,620) | (2,620) |
| Depreciation and amortization | 11,299 | 10,350 | 6,311 | 15 | 27,975 |
| Assets | 502,227 | 363,994 | 239,699 | 135,639 | 1,241,559 |
| Goodwill | 22,690 | – | 14,226 | – | 36,916 |
| Property and equipment | 301,964 | 201,912 | 100,921 | 2,163 | 606,960 |
| Capital expenditures | 30,127 | 8,881 | 4,107 | 338 | 43,453 |

| (stated in thousands) | Canadian Operations | United States Operations | Russian Operations | Corporate | Total |
|---|---|---|---|---|---|
| **Six months ended June 30, 2011** | | | | | |
| **Revenue** | **$494,182** | **$315,956** | **$146,191** | **$ –** | **$956,329** |
| **Gross profit / (loss)** | **146,439** | **70,967** | **9,050** | **(10,204)** | **216,252** |
| **Finance Costs** | **–** | **–** | **–** | **(7,427)** | **(7,427)** |
| **Depreciation and amortization** | **22,244** | **24,441** | **11,669** | **305** | **58,659** |
| **Capital expenditures** | **70,730** | **180,350** | **9,193** | **943** | **261,216** |
| Six months ended June 30, 2010 | | | | | |
| Revenue | $352,765 | $154,250 | $129,294 | $ – | $636,309 |
| Gross profit / (loss) | 85,725 | 11,244 | 3,887 | (6,396) | 94,460 |
| Finance Costs | – | – | – | (4,907) | (4,907) |
| Depreciation and amortization | 21,029 | 17,962 | 12,463 | 34 | 51,488 |
| Capital expenditures | 42,568 | 61,816 | 12,706 | 700 | 117,790 |

The Corporate division does not represent an operating segment and is included for informational purposes only. Corporate division expenses consist of salary expenses, share-based compensation and office costs related to corporate employees, as well as public company costs.

## NOTE 11 – SUBSEQUENT EVENTS

On July 11, 2011, Trican announced that it had reached an agreement to purchase Viking Energy Pty Ltd. and its subsidiaries (collectively "Viking Energy"). Viking Energy is a privately-owned enterprise based in Brisbane, Queensland and provides cementing and environmental services in eastern Australia. Under the terms of the purchase, Trican acquired 100% of the shares and units of Viking Energy through its wholly-owned Australian subsidiary for cash consideration of AU$9.1 million, with additional contingent consideration up to a maximum of AU$2.4 million payable based on the financial results of Viking Energy over the next two years. The cash consideration is funded by Trican's existing cash reserves.

## NOTE 12 – EXPLANATION OF TRANSITION TO IFRS

As stated in note 1, these are the Company's second consolidated interim financial statements prepared in accordance with IFRS. The accounting policies set out in Note 2 have been applied in preparing the financial statements for the quarter ended June 30, 2011, the comparative information presented in these financial statements for the quarter ended June 30, 2010 and the year ended December 31, 2010, and in the preparation of the opening IFRS statement of financial position at January 1, 2010 (the Company's date of transition).

In preparing the opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes that accompany the tables.

**Reconciliation of Equity**

See tables at the end of the notes for a reconciliation of equity.

## NOTES TO THE RECONCILIATIONS

### A- Business Combinations

The Company elected not to restate business combinations that occurred before the date of transition to IFRS of January 1, 2010. During 2010, the Company increased its ownership in R-Can Services Limited by 0.6% to 100%; this transaction must be restated in accordance with IFRS as it occurred after the date of transition. Under Canadian GAAP, goodwill was increased by $5.5 million and the non controlling interest was reduced to nil. Under IFRS the non controlling interest is reduced to nil and the remaining adjustment is recorded as an adjustment in equity.

### B- Property and Equipment

Trican has restated the property and equipment balance to the historic cost basis that would have existed if IFRS policies had been in place since the inception by recreating the entire fixed asset sub ledger for every historical reporting period back to the original inception of operations by Trican.

Under Canadian GAAP, depreciation was based on the useful life of an asset as a whole. IFRS requires a componentization approach to accounting for property and equipment, separately identifying and measuring significant individual components of assets which have different useful lives. Significant components are depreciated based on their individual useful lives. Some equipment held by the Company has significant components that are depreciated over a different useful life to the remainder of the equipment. The historic cost basis requires that the assets are held at a net book value as if IFRS had been in existence since the inception of the Company and therefore, the Company has recalculated accumulated depreciation at January 1, 2010, June 30, 2010 and December 31, 2010. The cumulative adjustment at the date of transition is to reduce the carrying amount of property and equipment as follows:

| Consolidated statement of financial position | January 1, 2010 | June 30, 2010 | December 31, 2010 |
|---|---|---|---|
| Decrease in property and equipment | $(4,327) | $(3,895) | $(3,462) |
| Increase in deferred tax asset | 1,050 | 947 | 843 |
| **Decreased in retained earnings** | **$(3,277)** | **$(2,948)** | **$(2,619)** |

### C- Leases

Under Canadian GAAP, leases of the Canadian truck fleet were classified as operating leases. Under IFRS, the fleet is classified as a capital lease. The effect of this change in classification, is to increase property and equipment and trade and other payables, and account for the related depreciation charge on capital leases in cost of sales ($2.0 million for the year ended December 31, 2010 including $0.4 million for the three months ended June 30, 2010) and to decrease lease expense also in cost of sales ($2.3 million for the year ended December 31, 2010 including $0.5 million for the three months ended June 30, 2010) booked on the operating leases under Canadian GAAP.

The impact arising from the change is summarized below:

| Consolidated statement of comprehensive income | Three months ended June 30, 2010 | Six months ended June 30, 2010 | Year ended December 31, 2010 |
|---|---|---|---|
| Cost of sales: | | | |
| Increase in depreciation expense | $437 | $846 | $2,093 |
| Decrease in lease expense | (478) | (916) | (2,308) |
| Administration expenses: | | | |
| Increase in management fee | 9 | 18 | 41 |
| Finance costs: | | | |
| Increase in lease interest | 32 | 52 | 174 |
| **Adjustment in comprehensive income** | **$-** | **$ -** | **$ -** |

| Consolidated statement of financial position | January 1, 2010 | June 30, 2010 | December 31, 2010 |
|---|---|---|---|
| Increase in property and equipment | $2,018 | $4,185 | $7,082 |
| Increase in trade and other payables | 2,018 | 4,185 | 7,082 |
| **Adjustment in retained earnings** | **$-** | **$-** | **$-** |

### D- Share-Based Payments

In accordance with IFRS 1, the Company has elected not to apply IFRS 2 for its share options that have vested by the date of transition to IFRS. The Company will only apply IFRS 2 retrospectively to options that have not vested at January 1, 2010.

Under Canadian GAAP, the Company calculated the fair value of stock-based awards with graded vesting as one grant, and the resulting fair value was recognized on a straight-line basis over the vesting period. Under IFRS, each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. In addition, under Canadian GAAP, forfeitures were recognized as they occurred. Under IFRS the forfeiture estimates are recognized on the grant date. The effect of this change has been to accelerate the stock-based compensation expense relating to the Company's share option scheme thereby increasing the contributed surplus balance and reducing retained earnings.

| Consolidated statement of comprehensive income | Three months ended June 30, 2011 | Six months ended June 30, 2010 | Year ended December 31, 2010 |
|---|---|---|---|
| Increase / (decrease) in administrative expenses: | | | |
| Share based compensation expense | $308 | $(195) | $702 |
| **Adjustment in comprehensive income** | **$308** | **$(195)** | **$702** |

| Consolidated statement of financial position | January 1, 2010 | June 30, 2010 | December 31, 2010 |
|---|---|---|---|
| Increase in contributed surplus | $(4,353) | $(4,158) | $(5,055) |
| **Decrease in retained earnings** | **$(4,353)** | **$(4,158)** | **$(5,055)** |

### E- Foreign Currency Translation Reserve

In accordance with IFRS 1, the Company has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition.

The impact arising from the change is summarized as follows:

| Consolidated statement of financial position | January 1, 2010 | June 30, 2010 | December 31, 2010 |
|---|---|---|---|
| Increase in translation reserve | $(74,506) | $(74,506) | $(74,506) |
| **Decrease in retained earnings** | **$(74,506)** | **$(74,506)** | **$(74,506)** |

### F- Foreign Exchange Treatment of Algerian Operations

Under Canadian GAAP, the functional currency of the Company's Algerian operations was considered to be the Canadian dollar and therefore the temporal method of translation was applied. Under IFRS, the primary indicators of functional currency indicate that the functional currency for the Algerian operations is the Algerian Dinar and therefore the current rate method of translation is used (monetary and non-monetary items are translated at the current rate with exchange gains and losses included in other comprehensive income). The Company has restated the 2010 Algerian statement of financial position and statement of comprehensive income and the impact on the opening statement of financial position and financial performance is as follows:

| Consolidated statement of comprehensive income | Three months ended June 30, 2011 | Six months ended June 30, 2010 | Year ended December 31, 2010 |
|---|---|---|---|
| Increase/(decrease) in revenue | $30 | $(24) | $52 |
| Decrease in cost of sales | 42 | 92 | 258 |
| Increase/(decrease) in foreign exchange gain/loss | 268 | (714) | (1,499) |
| Decrease in other comprehensive income | (72) | (173) | 85 |
| **Adjustment in comprehensive income** | **$(268)** | **$771** | **$(1,104)** |

| Consolidated statement of financial position | January 1, 2010 | June 30, 2010 | December 31, 2010 |
|---|---|---|---|
| Decrease in inventory | $(52) | $(136) | $(111) |
| Decrease in property and equipment | (324) | (1,011) | (992) |
| (Increase) / decrease in accumulated other comprehensive income | – | 173 | (462) |
| **Decrease in retained earnings** | **$(376)** | **$(974)** | **$(1,565)** |

### G- Retained Earnings

The above changes decreased retained earnings (each net of related tax) as follows:

| Consolidated statement of financial position | Note | January 1, 2010 | June 30, 2010 | December 31, 2010 |
|---|---|---|---|---|
| Business combinations | A | – | (5,542) | (5,542) |
| Property and equipment | B | (3,277) | (2,948) | (2,619) |
| Leases | C | – | – | – |
| Share based payments | E | (4,353) | (4,158) | (5,055) |
| Foreign currency translation reserve | F | (74,506) | (74,506) | (74,506) |
| Foreign exchange treatment of Algerian operations | G | (376) | (974) | (1,565) |
| **Decrease in retained earnings** | | **(82,512)** | **(88,128)** | **(89,287)** |

### Material Adjustments to the Statement of Cash Flows for 2010

Consistent with the Company's accounting policy choice under IAS 7, Statement of Cash Flows, interest paid and income taxes paid have moved into the body of the Statement of Cash Flows. There are no other material differences between the statement of cash flows presented under IFRS

# RECONCILIATIONS BETWEEN IFRS AND GAAP

## Reconciliation of Equity

| | January 1, 2010 | | | June 30, 2010 | | | December 31, 2010 | | |
|---|---|---|---|---|---|---|---|---|---|
| (stated in thousands) | Canadian GAAP | Effect of transition to IFRS | IFRS | Canadian GAAP | Effect of transition to IFRS | IFRS | Canadian GAAP | Effect of transition to IFRS | IFRS |
| **ASSETS** | | | | | | | | | |
| Current assets | | | | | | | | | |
| Cash and cash equivalents | $26,089 | – | $26,089 | $97,451 | – | $97,451 | $81,058 | – | $81,058 |
| Trade and other receivables | 181,483 | – | 181,483 | 272,754 | – | 272,754 | 364,986 | – | 364,986 |
| Prepaid expenses | 8,568 | – | 8,568 | 10,402 | – | 10,402 | 9,257 | – | 9,257 |
| Current tax assets | – | – | – | – | – | – | 6,024 | 22 | 6,046 |
| Inventories | 91,249 | (52) | 91,197 | 93,473 | (84) | 93,389 | 106,719 | (112) | 106,607 |
| | 307,389 | (52) | 307,337 | 474,080 | (84) | 473,996 | 568,044 | (90) | 567,954 |
| Property, plant and equipment | 534,696 | (2,633) | 532,063 | 607,358 | (398) | 606,960 | 697,601 | 2,629 | 700,230 |
| Intangible assets | 28,082 | – | 28,082 | 25,008 | – | 25,008 | 20,816 | – | 20,816 |
| Deferred tax assets | 84,003 | (2,213) | 81,790 | 86,451 | (3,251) | 83,200 | 74,330 | – | 74,330 |
| Other assets | 17,918 | – | 17,918 | 15,479 | – | 15,479 | 13,115 | – | 13,115 |
| Goodwill | 36,916 | – | 36,916 | 42,458 | (5,542) | 36,916 | 42,458 | (5,542) | 36,916 |
| | $1,009,004 | $(4,898) | $1,004,106 | $1,250,834 | $(9,275) | $1,241,559 | $1,416,364 | $(3,003) | $1,413,361 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | | | | | |
| Current liabilities | | | | | | | | | |
| Bank loans | $27,997 | – | $27,997 | $936 | – | $936 | $– | – | $– |
| Trade and other payables | 104,933 | 1,632 | 106,565 | 156,546 | 4,184 | 160,730 | 206,788 | 2,517 | 209,305 |
| Deferred consideration | 1,882 | – | 1,882 | – | – | – | – | – | – |
| Current tax liabilities | 6,505 | – | 6,505 | 5,855 | – | 5,855 | – | 22 | 22 |
| | 141,317 | 1,632 | 142,949 | 163,337 | 4,184 | 167,521 | 206,788 | 2,539 | 209,327 |
| Loans and borrowings | 176,279 | 386 | 176,665 | 130,948 | – | 130,948 | 102,063 | 4,564 | 106,627 |
| Deferred tax liabilities | 43,919 | 1,890 | 45,809 | 48,135 | 1,438 | 49,573 | 98,848 | (842) | 98,006 |
| | 220,198 | 2,276 | 222,474 | 179,083 | 1,438 | 180,521 | 200,911 | 3,722 | 204,633 |
| Non-controlling interest | 296 | – | 296 | – | – | – | – | – | – |
| Shareholders' equity | | | | | | | | | |
| Share capital | 246,854 | – | 246,854 | 470,637 | – | 470,637 | 486,594 | – | 486,594 |
| Contributed surplus | 28,458 | 4,353 | 32,811 | 34,047 | 4,158 | 38,205 | 37,864 | 5,055 | 42,919 |
| Accumulated other comprehensive income | (69,353) | 69,353 | – | (71,883) | 69,074 | (2,809) | (94,241) | 74,968 | (19,273) |
| Retained earnings | 441,234 | (82,512) | 358,722 | 475,613 | (88,128) | 387,485 | 578,448 | (89,287) | 489,161 |
| | 647,193 | (8,806) | 638,387 | 908,414 | (14,897) | 893,517 | 1,008,665 | (9,264) | 999,401 |
| | $1,009,004 | $(4,898) | $1,004,106 | $1,250,834 | $(9,275) | $1,241,559 | $1,416,364 | $(3,003) | $1,413,361 |

# RECONCILIATION OF COMPREHENSIVE INCOME

| (stated in thousands, except per share amounts) | Three Months Ended June 30, 2010 | | | Six Months Ended June 30, 2010 | | | Twelve Months Ended December 31, 2010 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Canadian GAAP | Effect of transition to IFRS | IFRS | Canadian GAAP | Effect of transition to IFRS | IFRS | Canadian GAAP | Effect of transition to IFRS | IFRS |
| Revenue | $306,279 | $30 | $306,309 | $636,285 | $24 | $636,309 | $1,478,293 | $52 | $1,478,345 |
| Cost of sales | 274,851 | (299) | 274,552 | 542,445 | (596) | 541,849 | 1,185,560 | (1,341) | 1,184,220 |
| **Gross profit** | 31,428 | 329 | 31,757 | 93,840 | 620 | 94,460 | 292,733 | 1,393 | 294,126 |
| Administrative expenses | 16,467 | 319 | 16,786 | 30,893 | (176) | 30,717 | 73,114 | 746 | 73,860 |
| Other (income) / expense | (89) | – | (89) | (72) | – | (72) | (886) | – | (886) |
| **Results from operating activities** | 15,050 | 10 | 15,060 | 63,019 | 796 | 63,815 | 220,505 | 647 | 221,151 |
| Finance income | (983) | – | (983) | (1,611) | – | (1,611) | (2,992) | – | (2,992) |
| Finance costs | 2,588 | 32 | 2,620 | 4,854 | 53 | 4,907 | 9,159 | 173 | 9,332 |
| Foreign exchange (gain) / loss | 1,041 | (269) | 772 | 1,907 | 714 | 2,621 | 4,074 | 1,499 | 5,573 |
| **Profit before income tax** | 12,404 | 247 | 12,651 | 57,869 | 29 | 57,898 | 210,264 | (1,026) | 209,238 |
| Income tax expense (note x) | 3,687 | 52 | 3,739 | 16,339 | 104 | 16,443 | 58,667 | 209 | 58,876 |
| **Profit for the period** | $8,717 | $195 | $8,912 | $41,530 | $(75) | $41,455 | $151,597 | $(1,235) | $150,362 |
| Earnings per share (basic and diluted) (note x) | | | | | | | | | |
| Basic | $0.06 | $0.01 | $0.07 | $0.32 | $(0.00) | $0.32 | $1.10 | – | $1.10 |
| Diluted | $0.06 | $0.00 | $0.06 | $0.32 | $(0.01) | $0.31 | $1.09 | – | $1.09 |
| Dividend per share | $0.05 | – | $0.05 | $0.05 | – | $0.05 | $0.05 | – | $0.05 |
| Weighted average shares outstanding-basic | 136,424 | – | 136,424 | 131,073 | – | 131,073 | 137,400 | – | 137,400 |
| Weighted average shares outstanding-diluted | 137,457 | – | 137,457 | 132,237 | – | 132,237 | 138,571 | – | 138,571 |
| Other comprehensive income | | | | | | | | | |
| Foreign currency translation differences | 1,802 | (72) | 1,730 | (2,530) | 217 | (2,313) | (19,050) | 86 | (18,964) |
| **Total comprehensive income for the period** | $10,519 | $123 | $10,642 | $39,000 | $142 | $39,142 | $132,547 | $(1,150) | $131,398 |
| **Total comprehensive income attributable to:** | | | | | | | | | |
| Owners of the Company | 10,519 | 123 | 10,642 | 39,020 | 142 | 39,162 | 132,567 | (1,150) | 131,418 |
| Non-controlling interest | – | – | – | (20) | – | (20) | (20) | – | (20) |
| **Total comprehensive income for the period** | $10,519 | $123 | $10,642 | $39,000 | $142 | $39,142 | $132,547 | $(1,150) | $131,398 |

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Kenneth M. Bagan** [1] [2] [4]
Independent Businessman

**G. Allen Brooks** [1] [3] [5]
President
G. Allen Brooks, LLC

**Murray L. Cobbe**
Executive Chairman

**Dale M. Dusterhoft**
Chief Executive Officer

**Donald R. Luft** [4]
President and Chief Operating Officer

**Kevin L. Nugent** [1] [2]
President
Livingstone Energy Management Ltd.

**Douglas F. Robinson** [2] [3] [4]
Independent Businessman

## OFFICERS

**Dale M. Dusterhoft**
Chief Executive Officer

**Donald R. Luft**
President and Chief Operating Officer

**Michael A. Baldwin, C.A.**
Vice President, Finance and Chief Financial Officer

**Michael G. Kelly, C.A.**
Senior Vice President, Russia and the Middle East

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

**Bonita M. Croft**
Vice President, Legal, General Counsel
and Corporate Secretary

**Rob J. Cox**
Vice President, Canadian Geographic Region

**Steve J. Redmond**
Vice President, Human Resources and
Health, Safety & Environment

## CORPORATE OFFICE

Trican Well Service Ltd.
2900, 645 – 7th Avenue S.W.
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Telephone: (403) 266-0202
Facsimile: (403) 237-7716
Website: www.trican.ca

## AUDITORS

KPMG LLP, Chartered Accountants
Calgary, Alberta

## BANKERS

HSBC Bank Canada
Calgary, AB

## REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
Calgary, Alberta

## STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Trading Symbol: TCW

## INVESTOR RELATIONS INFORMATION

Requests for information should be directed to:

**Dale M. Dusterhoft**
Chief Executive Officer

**Michael A. Baldwin, C.A.**
Vice President, Finance and Chief Financial Officer

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(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Corporate Government Committee
(4) Member of the Health, Safety and Environment Committee
(5) Lead Director