MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Trican Well Service Ltd. is responsible for the preparation and integrity of the accompanying consolidated financial statements and all other information contained in these financial statements. The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards and include amounts that are based on management’s informed judgments and estimates where necessary.

The Company maintains internal accounting control systems which are adequate to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management’s authorization and accounting records are reliable as a basis for the preparation of the consolidated financial statements.

Management has implemented changes in its internal controls over financial reporting (ICFR) since March 31, 2018 related to the previous scope limitation of National Instrument 52-109 (section 3.3), which allows an issuer to limit its design of internal control over financial reporting and disclosure controls and procedures to exclude the controls, policies and procedures of a company acquired not more than 365 days before the end of the financial period to which the certificate relates. The previous scope limitation related to the acquisition of Canyon, whereby the controls, policies and procedures of Canyon were excluded from Trican’s ICFR. The Company has ensured that its ICFR processes and controls now cover all aspects of the acquired Canyon business and no limitation is required or reported at December 31, 2018.

The Board of Directors, through its Audit Committee, monitors management’s financial and accounting policies and practices and the preparation of these financial statements. The Audit Committee meets periodically with the external auditors and management to review the work of each and the propriety of the discharge of their responsibilities. Specifically, the Audit Committee reviews with management and the external auditors the financial statements and management's discussion and analysis of the Company prior to submission to the Board of Directors for final approval. The external auditors have full and free access to the Audit Committee to discuss auditing and financial reporting matters.

The shareholders have appointed KPMG LLP as the external auditors of the Company and, in that capacity, they have examined the financial statements for the year ended December 31, 2018. The Auditors’ Report to the shareholders is presented herein.

SIGNED “DALE M. DUSTERHOFT”
DALE M. DUSTERHOFT
CHIEF EXECUTIVE OFFICER

SIGNED “ROBERT SKILNICK”
ROBERT SKILNICK
CHIEF FINANCIAL OFFICER

February 20, 2019

KPMG LLP
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www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Trican Well Service Ltd.

Opinion

We have audited the consolidated financial statements of Trican Well Service Ltd. (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2018 and December 31, 2017;
- the consolidated statements of comprehensive (loss)/ income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

Hereinafter referred to as the "financial statements".

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises Management's Discussion and Analysis. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management's Discussion and Analysis and the information, other than the financial statements and the auditors' report thereon. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards

The engagement partner on the audit resulting in this auditors' report is Gregory Ronald Caldwell.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
February 20, 2019

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Stated in thousands) As at December 31,	**2018**	2017
ASSETS		
Current assets		
Cash and cash equivalents (note 5)	**$8,246**	$12,739
Trade and other receivables (note 6)	**140,417**	209,595
Current tax assets	**2,364**	—
Inventory (note 7)	**36,261**	36,975
Prepaid expenses	**11,008**	4,718
Currency derivatives (note 18)	**—**	15,155
Assets held for sale (note 4)	**3,247**	12,900
	201,543	292,082
Property and equipment (note 8)	**660,395**	718,664
Intangible assets (note 9)	**44,872**	57,693
Investments in Keane (note 18)	**—**	176,747
Goodwill (note 9)	**131,000**	261,031
	$1,037,810	$1,506,217
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade and other payables (note 10)	**$85,833**	$127,289
Current tax liabilities	**—**	3,245
Current portion of loans and borrowings (note 11)	**—**	20,408
	85,833	150,942
Loans and borrowings (note 11)	**45,910**	83,360
Deferred tax liabilities (note 17)	**61,925**	95,867
Shareholders' equity		
Share capital (note 12)	**1,099,352**	1,236,618
Contributed surplus	**83,615**	78,629
Accumulated other comprehensive income / (loss)	**(1,111)**	36,222
Deficit	**(337,714)**	(175,421)
Total equity attributable to equity holders of the Company	**844,142**	1,176,048
	$1,037,810	$1,506,217

See accompanying notes to the consolidated financial statements.

SIGNED "DALE M. DUSTERHOFT"
DALE M. DUSTERHOFT
DIRECTOR

SIGNED "KEVIN L. NUGENT"
KEVIN L. NUGENT
DIRECTOR

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) / INCOME

(Stated in thousands, except per share amounts)

For the year ended December 31,	**2018**	2017
Continuing operations		
Revenue	**$900,592**	$929,912
Cost of sales – Other (note 15)	**764,154**	700,202
Cost of sales – Depreciation and amortization (note 15)	**127,011**	97,768
Gross profit	**9,427**	131,942
Administrative expenses – Other (note 15)	**52,409**	74,699
Administrative expenses – Depreciation (note 15)	**4,983**	4,229
Asset impairments (note 4 and 16)	**134,016**	6,523
Other income	**(408)**	(5,544)
Results from operating activities	**(181,573)**	52,035
Net finance cost (note 21)	**15,180**	13,584
Loss / (gain) on investments in Keane (note 18)	**76,062**	(21,406)
Foreign exchange (gain) / loss	**(11,160)**	4,915
(Loss) / profit before income tax	**(261,655)**	54,942
Income tax (recovery) / expense (note 17)	**(28,018)**	34,825
(Loss) / profit from continuing operations	**($233,637)**	$20,117
Discontinued operations		
Profit / (loss) from discontinued operations, net of taxes (note 4)	**980**	(4,622)
(Loss) / profit for the year	**($232,657)**	$15,495
Other comprehensive (loss) / profit		
Unrealized gain on equity interest in Keane	**—**	6,451
Reclassification of realized gain on equity interest in Keane, net of tax expense ($13,324) to net income	**—**	(11,206)
Foreign currency translation (loss) / gain	**(686)**	325
Total comprehensive (loss) / profit	**($233,343)**	$11,065
(Loss) / profit attributable to:		
Owners of the Company	**(232,657)**	14,205
Non-controlling interest	**—**	1,290
(Loss) / profit for the year	**($232,657)**	$15,495
Total comprehensive (loss) / profit attributable to:		
Owners of the Company	**(233,343)**	9,775
Non-controlling interest	**—**	1,290
Total comprehensive (loss) / profit	**($233,343)**	$11,065
Earnings / (loss) per share - basic and diluted (note 13)		
Continuing operations – basic and diluted	**($0.73)**	$0.07
Discontinued operations – basic and diluted	**$0.00**	($0.02)
Net earnings / (loss) – basic and diluted	**($0.73)**	$0.05
Weighted average shares outstanding – basic	**322,125**	281,817
Weighted average shares outstanding – diluted	**322,125**	284,615

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Stated in thousands)	Share capital	Contributed surplus	Accumulated other comprehensive income / (loss)	Deficit	Total	Non-Controlling Interest	Total equity
Balance at January 1, 2017	$638,377	$74,223	$40,652	($184,243)	$569,009	($1,290)	$567,719
Income for the year	—	—	—	14,205	14,205	54	14,259
Foreign currency translation gain	—	—	325	—	325	—	325
Share-based compensation expense	—	5,027	—	—	5,027	—	5,027
Share options exercised	1,798	(621)	—	—	1,177	—	1,177
Issuance of shares (note 3)	626,979	—	—	—	626,979	—	626,979
Reduction of Non-Controlling interest	—	—	—	—	—	1,236	1,236
Unrealized gain on equity interest in Keane	—	—	6,451	—	6,451	—	6,451
Reclassification of realized gain on Equity Interest in Keane to net income	—	—	(11,206)	—	(11,206)	—	(11,206)
Shares canceled under Normal Course Issuer Bid	(30,536)	—	—	(5,383)	(35,919)	—	(35,919)
Balance at December 31, 2017	$1,236,618	$78,629	$36,222	($175,421)	$1,176,048	$—	$1,176,048
Balance at January 1, 2018	**$1,236,618**	**$78,629**	**$36,222**	**($175,421)**	**$1,176,048**	**$—**	**$1,176,048**
Adoption of IFRS 9 on January 1, 2018 (note 2)	**—**	**—**	**(36,419)**	**36,419**	**—**	**—**	**—**
Loss for the year	**—**	**—**	**—**	**(232,657)**	**(232,657)**	**—**	**(232,657)**
Foreign currency translation loss	**—**	**—**	**(914)**	**228**	**(686)**	**—**	**(686)**
Share-based compensation expense	**—**	**5,434**	**—**	**—**	**5,434**	**—**	**5,434**
Share options exercised	**1,315**	**(448)**	**—**	**—**	**867**	**—**	**867**
Shares canceled under Normal Course Issuer Bid	**(138,581)**	**—**	**—**	**33,717**	**(104,864)**	**—**	**(104,864)**
Balance at December 31, 2018	**$1,099,352**	**$83,615**	**($1,111)**	**($337,714)**	**$844,142**	**$—**	**$844,142**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Stated in thousands)	**2018**	2017
Cash provided by / (from):		
Operations		
(Loss) / profit from continuing operations	**($233,637)**	$20,117
Charges to income not involving cash:		
Depreciation and amortization	**131,994**	101,997
Share-based compensation	**5,434**	5,027
Loss / (gain) on disposal of property and equipment	**174**	(2,680)
Finance costs / amortization of debt issuance costs	**15,180**	16,891
Unrealized foreign exchange loss / (gain)	**3,312**	(4,057)
Asset impairments	**134,016**	6,523
Unrealized gain on marketable securities	**—**	(673)
Realized loss / (gain) on Keane	**76,062**	(24,530)
Unrealized loss on investments in Keane	**—**	3,124
Tax (recovery) / expense	**(28,018)**	34,825
Change in inventories	**714**	1,988
Change in trade and other receivables	**70,298**	(24,777)
Change in prepaid expenses	**(6,288)**	1,647
Change in trade and other payables	**(41,180)**	(10,171)
Interest paid	**(16,974)**	(14,722)
Income tax (paid) / received	**(11,533)**	33,137
Continuing operations	**$99,554**	$143,666
Discontinued operations	**1,387**	(10,088)
Cash flow from operating activities	**$100,941**	$133,578
Investing		
Proceeds from a loan to unrelated third party	**—**	8,659
Purchase of property and equipment	**(78,793)**	(30,309)
Proceeds from the sale of property and equipment	**17,584**	10,588
Proceeds from sale of marketable securities	**—**	28,047
Proceeds from investment in Keane	**106,314**	37,757
Insurance recovery	**6,141**	—
Net change in non-cash working capital	**(1,141)**	—
Cash acquired on acquisition	**—**	6,222
Continuing operations	**$50,105**	$60,964
Discontinued operations	**1,054**	1,207
Cash flow used in investing activities	**$51,159**	$62,171
Financing		
Net proceeds from issuance of share capital	**867**	1,177
Debt retired on acquisition	**—**	(43,000)
Repayment of Revolving Credit Facility	**(3,666)**	(100,152)
Net proceeds from settlement of currency derivatives	**17,066**	—
Repayment of Senior Notes	**(61,453)**	(21,892)
Payment of finance lease	**(3,619)**	(2,884)
Repurchase and cancellation of shares under NCIB	**(104,864)**	(35,919)
Continuing operations	**($155,669)**	($202,670)
Discontinued operations	**—**	—
Cash flow used in financing activities	**($155,669)**	($202,670)
Effect of exchange rate changes on cash	**(924)**	(594)
(Decrease) / increase in cash and cash equivalents		
Continuing operations	**(6,010)**	1,960
Discontinued operations	**1,517**	(9,475)
Cash and cash equivalents, beginning of year	**12,739**	20,254
Cash and cash equivalents, end of year	**$8,246**	$12,739

See accompanying notes to the consolidated financial statements.

For the years ended December 31, 2018 and 2017

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 consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. 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 primarily through its continuing pressure pumping operations in Canada. Until December 2018, the Company also owned a minority ownership interest in Keane Investor Holdings, LLC ("Keane Holdings"), a Delaware limited liability company whose only asset was common shares in Keane Group, Inc. ("Keane"), a New York Stock Exchange listed company that operates in the United States. The Company purchased 100% of the common shares of Canyon Services Group Inc. (“Canyon”) effective June 2, 2017. The Company’s head office is Suite 2900, 645 – 7th Avenue S.W., Calgary, Alberta, T2P 4G8.

Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments at fair value and liabilities for cash-settled share-based payment arrangements which are measured at fair value in the consolidated statement of financial position.

The consolidated financial statements are presented in Canadian dollars and have been rounded to the nearest thousands, except where indicated. Certain figures have been reclassified to conform to the current presentation of these financial statements. Changes to significant accounting policies are described in note 2.

These consolidated financial statements were approved by the Board of Directors on February 20, 2019.

Critical accounting estimates and judgments

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgments and estimates that could materially affect the amounts recognized in the financial statements. By their nature, judgments and estimates may change in light of new facts and circumstances in the internal and external environment. The following judgments and estimates are those deemed by management to be material to the Company’s consolidated financial statements.

Judgments

Depreciation and amortization

Depreciation and amortization methods are based on management’s judgment of the most appropriate method to reflect the pattern of an asset’s future economic benefit expected to be consumed by the Company. Among other factors, these judgments are based on industry standards and company-specific history and experience.

Impairment

Assessment of impairment indicators is based on management’s judgment of whether there are internal and external factors that would indicate that a non-financial asset is impaired. The determination of a cash generating unit (CGU) is also based on management’s judgment and is an assessment of the smallest group of assets that generate cash inflows independently of other assets.

Assets held for sale

Assets held for sale contains judgments that the property and equipment classified in this category meet the criteria as "assets held for sale". As at the end of the reporting period these assets are recorded at the lower of cost or fair value less cost to sell.

Non-Financial Assets

The Company's assets are aggregated into CGUs for the purpose of calculating impairment. CGUs are based on management's judgments and assessment of the CGUs ability to generate independent cash inflows. Judgments are also required to assess when impairment indicators exist and impairment testing is required.

Provisions and Contingencies

The Company is required to exercise judgment in assessing whether the criterion for recognition of a provision or a contingency has been met. The Company considers whether a present obligation exists, the probability of loss, and if a reliable estimate can be formulated.

Estimates

Business Combinations

The measurement of acquired assets and assumed liabilities are based on information available to the Company on the acquisition date. The estimate of fair value of acquired assets and assumed liabilities requires significant judgment which is largely based on projected cash flows, discount rates and other market conditions that are present on the date of acquisition. The acquired assets and assumed liabilities are recognized at fair value on the date the Company obtains control in a business combination.

Investments in Keane

A cash flow model was used to determine the fair value of the Company's previous ownership in Keane Holdings ("Investments in Keane"). Inputs to the model were subject to various estimates relating to the timing and size of liquidity events, the price at which shares were to be sold, discounts on Profit Interest and volatility of the share price. Fair value inputs were subject to market factors.

Allowance for Doubtful Accounts

The Company's trade and other receivables are typically short-term in nature and the Company recognizes an amount equal to the lifetime expected credit losses (ECL) on receivables for which there has been a significant increase in credit risk since initial recognition. The Company measures loss allowances at an amount equal to the expected 12-month ECL on balances for which a significant increase in credit risk has not been identified based on the Company's historical experience and including forecasted economic conditions. The amount of ECLs is sensitive to changes in circumstances of forecast economic conditions. Information about the ECLs on the Company's trade receivables is disclosed in note 18.

Impairment of Inventories

The Company regularly reviews the nature and quantities of inventory on hand and evaluates the net realizable value of items based on historical usage patterns, known changes to equipment or processes and customer demand for specific products. Significant or unanticipated changes in business conditions could impact the magnitude and timing of impairment recognized.

Depreciation and amortization

Depreciation and amortization are calculated to write off the cost, less estimated residual value, of assets on a systematic and rational basis over their expected useful lives. Estimates of residual value and useful lives are based on data and information from various sources including industry practice and historic experience. Expected useful lives and residual values are reviewed annually for any change to estimates and assumptions. Although management believes the estimated useful lives of the Company's property and equipment and intangibles 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 and intangibles.

Income taxes

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in Canadian and foreign tax laws and rates as well as changes to the expected timing of reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities. Management closely monitors current and potential changes to Canadian and foreign tax law and bases its estimates on the best available information at each reporting date.

Fair value of equity-settled share-based payments

The Company uses an option pricing model to determine the fair value of equity-settled share-based payments. Inputs to the model are subject to various estimates relating to volatility, interest rates, dividend yields and expected life of the units issued. Fair value inputs are subject to market factors as well as internal estimates. The Company considers historic trends together with any new information to determine the best estimate of fair value at the date of grant.

Impairment of non-financial assets

In determining the recoverable amount of assets subject to impairment testing, the Company measures the recoverable amount of non-financial assets as the higher of a fair value less costs of disposal and its value in use. Recoverable amounts of the non-financial assets are evaluated and calculated using various factors and assumptions. The factors and assumptions used in the estimates are assessed for reasonableness based on the information available at the time the estimates are prepared. As circumstances change and new information becomes available, the estimates could change (i.e. discount rates, growth rates, working capital requirements, sustaining capital, etc.).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements.

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 issuance 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.

Cash and cash equivalents

The Company’s short-term deposits with original maturities of three months or less are considered to be cash equivalents and are recorded at cost, which approximates fair value. Bank overdrafts that are repayable on demand mirror the netting agreements with the bank as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Inventory

Inventory is measured at the lower of cost and net realizable value. The cost of inventory is determined using a standard costing method which approximates weighted average cost. Spare parts are valued at weighted average cost. Inventory balances include all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its 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.

Inventories are written down to net realizable when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, slow moving or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of the write down previously recorded is reversed.

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 expenditures 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 in the period in which they are incurred.

Management bases the estimate of the useful life and salvage value of property and equipment, with the exception of land which is not depreciated, 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.

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

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.

Capitalized leased assets are depreciated over the shorter of the lease term and their useful lives unless it is expected 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	2 to 10 years
Furniture and fixtures	2 to 10 years

Residual value varies depending upon the underlying asset and is generally a percentage of the original cost of the asset (5% - 20%).

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

Costs related to assets under construction are capitalized when incurred. These assets are not depreciated until they are complete and available for use in the manner intended by management. When this occurs, the asset is transferred to property and equipment and classified by the nature of the asset.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets including property and equipment, intangibles, and goodwill and excluding inventory, prepaid expenses and deferred tax assets 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 is estimated yearly in the fourth quarter, or more frequently, if triggers are identified.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a weighted average cost of capital that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

An impairment loss is recognized if the carrying amount of an asset or 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 CGUs, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indication of reversal. 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

The Company measures goodwill as the fair value of the consideration transferred upon an acquisition, 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.

Goodwill is allocated 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 annually or more frequently in the event that a trigger is identified. An impairment loss in respect of goodwill is not reversed.

Intangible assets

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 6 years.

All amortization of intangible assets is charged to cost of sales in the consolidated statement of comprehensive income.

Financial instruments

Non-derivative financial assets

Financial assets at Fair value though profit and loss
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial Instruments – fair value through profit and loss

Prior to December 2018, the Company owned 10% of the Class A shares and 100% of the Class C shares in Keane Holdings (collectively, "Investments in Keane"), which was categorized as a derivative asset. At December 31, 2018, the Company no longer has an equity interest in Keane Holdings following a liquidation event. All financial derivative instruments are initially recognized at fair value. Subsequent changes in the fair value are recognized through profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with original maturities of three months or less.

Impairment of financial assets

The carrying amount of the Company's financial assets includes cash and cash equivalents and trade and other receivables. A lifetime ECL is recognized on financial assets when there is objective evidence of a significant increase in credit risk as a result of one or more events that occurred after the initial recognition of the asset.

Evidence of impairment would include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers or economic conditions that correlate with defaults.

Financial assets at amortized cost consist of trade and other receivables. Trade receivables are recorded at its original invoice value less any amounts estimated to be uncollectable. Loss allowances are measured at fair value in the statement of financial position, with value changes recognized in profit or loss. Changes in ECL at the end of each reporting date involves a two stage approach:

- 12-month ECL - credit risk has not increased significantly since initial recognition
- Lifetime ECL - credit risk has increased significantly since initial recognition

The Company measures loss allowances at an amount equal to lifetime ECL and other balances which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECL.

Impairment is assessed using historical trends of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment in relation to how the current economic and credit environment will impact losses being greater or less than historical trends.

An impairment loss is determined as the difference between an asset's carrying amount and the present value of future cash flows. Losses are recognized in profit and loss and reflected in a provision account against loans and receivables. When an event occurring after the impairment was recognized causes the amount of impairment to decrease, the recovery is reversed through profit and loss.

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. 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, canceled or expire.

The Company has the following non-derivative financial liabilities: loans and borrowings, 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.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares 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.

A provision for contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable. When the realisation of income is virtually certain, then the related asset is no longer a contingent asset and amounts are recognized in the statement of comprehensive income.

Revenue recognition

The Company's revenue comprises services and other revenue and is sold based on fixed or agreed upon priced purchase orders or contracts with the customer. Revenue is considered recognized over time when services are provided at the applicable rates as stipulated in the contract. In general, the Company does not enter into long-term contracts. Revenue is recognized daily upon completion of services. Operating days are measured through field tickets. Customer contract terms do not include provisions for significant post-service delivery obligations. The Company generates revenue primarily from pressure pumping and other related services and has one reportable segment at December 31, 2018, and in the comparative periods. The nature of the services provided by the Company are affected by the same economic factors and follow the same policies as it relates to both measurement and timing of recognition. The timing and uncertainty of revenue and cash flows are similar.

Finance income and finance costs

Finance costs are made up of amortization of debt issue costs, interest expense on borrowings, fees charged in connection with early extinguishment of debt 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 and 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 as 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 entities whose functional currency is the Canadian dollar, the Company translates monetary assets and liabilities at period-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 period. Gains or losses from changes in exchange rates are recognized in the profit and 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.

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

When a foreign operation is substantially disposed of, the cumulative amount of foreign currency gains or losses are reclassified to profit or loss. 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.

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 an equity-settled 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 share options is determined on their grant date and is recognized in administrative expense and in shareholders' equity over the vesting period.

The Company has a cash-settled 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 and 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 and loss for the period.

The Company has a cash-settled restricted share unit (RSU) plan for its employees and the fair value of the RSUs is expensed into profit and loss evenly over the unit vesting period. 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 and loss for the period.

The Company has a cash-settled performance share unit plan (PSU) plan for Executive Officers of the Company. Under the terms of the PSU plan, PSUs granted thereunder vest when certain performance conditions are met 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 PSUs with respect to the timing and likelihood of vesting of such PSUs. Upon vesting, it is the intention of the Board of Directors to settle PSUs currently outstanding in cash. The fair value of the PSUs is expensed over the vesting period until it is estimated that the vesting conditions will be met, at which time the full value of the liability is recognized and then revalued each period to fair value until paid.

Earnings / (loss) per share

Basic earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by using the treasury stock method for equity based compensation arrangements. The treasury stock method assumes that any proceeds obtained on exercise of equity based compensation arrangements would be used to purchase common shares at the average market price during the period. The weighted average number of shares outstanding is then adjusted by the difference between the number of shares issued from the exercise of equity based compensation arrangements and shares repurchased from the related proceeds.

Operating segments

The Company generates revenue primarily from pressure pumping and other related services for use in the drilling, completion, stimulation and reworking of oil and gas wells in Canada. Management has determined that the Company has one reportable segment as the nature of services provided are organized by geographical region based on the operating results of its business activities. Discrete financial information is reviewed by the Company's chief operating decision makers for the purpose of resource allocation and assessing performance.

Leased assets

Leases for 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 and loss on a straight-line basis over the term of the lease.

New accounting policies

Trican has adopted IFRS 9, *Financial instruments* and IFRS 15, *Revenue from Contracts with Customers* effective January 1, 2018.

<u>IFRS 9 *Financial Instruments*</u>
IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: *Recognition and Measurement*. The initial effect of applying these standards is mainly attributed to the classification and measurement of financial assets and financial liabilities of the Company's Investments in Keane.

The details of IFRS 9 and the nature and effect of changes to previous accounting policies are discussed below.

Classification and measurement of financial assets and liabilities

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through OCI (FVOCI) and fair value through profit and loss (FVTPL). The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Under IFRS 9 if an equity investment is not held for trading, an entity can make an irrevocable election at initial recognition to measure it at FVOCI with only dividend income recognized in profit or loss. This election was not made and accordingly, the Class A shares of the Investment in Keane, which were previously classified as available for sale under IAS 39 were classified as FVTPL under IFRS 9.

As is permitted under IFRS 9, the Company elected to adopt the standard without restatement of comparative figures and an opening transition adjustment has been recorded to opening retained earnings and accumulated other comprehensive income.

The following table summarizes the impact, net of tax, of transition to IFRS 9 on the opening balance of retained earnings and accumulated other comprehensive loss.

(Stated in thousands)	Impact of adopting IFRS 9 on opening balance
Retained earnings	
Reclassification of accumulated gains on Class A shares of Keane Holdings	36,419
Impact at January 1, 2018	36,419

Accumulated other comprehensive (loss) / income	
Reclassification of accumulated gains on Class A shares of Keane Holdings	(36,419)
Impact at January 1, 2018	(36,419)

Cash and trade and other receivables that were classified as loans and receivables under IAS 39 are now classified as amortized cost. In addition, Trade and other payables and Loans and Borrowings, which were previously classified as Other financial liabilities under IAS 39 will be classified as amortized cost under IFRS 9. No change in measurement related to these items was recorded on the transition to IFRS 9 on the opening balances at January 1, 2018.

Under IFRS 9 there was no change to the classification and measurement of the Profits Interest in Keane (Class C Shares).

Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model for calculating impairment. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39. No change in measurement related to these items was recorded on the transition to IFRS 9 on the opening balances at January 1, 2018.

Overview of the ECL principles

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument’s credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, changes in ECL at the end of each reporting date involves a two stage approach:
- 12-month ECL - credit risk has not increased significantly since initial recognition.
- Lifetime ECL - credit risk has increased significantly since initial recognition.

Within Trican's accounts receivable, the Company assesses a 12 month ECL applicable to its sales receivables at initial recognition and re-assesses the provision at each reporting date. Where a significant increase in credit risk has been demonstrated a lifetime ECL is recognized. Lifetime ECL are a probability-weighted estimate of all possible default events over the expected life of a financial asset and are measured as the difference between the present value of the cash flows due to Trican and the cash flows the Company expects to receive. In making an assessment as to whether Trican's financial assets are credit-impaired, the Company considers bad debts that Trican has incurred historically, evidence of a debtor's present financial condition and whether a debtor has breached certain contracts, the probability that a debtor will enter bankruptcy and other financial reorganization, changes in economic conditions that correlate to increased levels of default, and the term to maturity of the specified receivable. The carrying amounts of receivables are reduced by the amount of the ECL through an allowance account and losses are recognized within administrative expenses in profit or loss.

There were no material adjustments to the carrying amounts of any of the Company's financial instruments following the adoption of IFRS 9. Additional disclosure related to Trican's financial assets required by IFRS is included in Note 17 - Financial Instruments.

<u>IFRS 15 *Revenue from Contracts with Customers*</u>
IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The Standard replaces IAS 11, Construction Contracts, IAS 18, Revenue, and related interpretations. The Company has adopted IFRS 15 effective January 1, 2018.

The Company determined that there is no material impact to the timing of recognition or measurement of revenue under IFRS 15.

The Company's revenue is comprised principally of services and is recognized based on fixed or agreed-upon priced purchase orders or contracts with the customer. Revenue is considered recognized over time when services are provided at the applicable rates as stipulated in the contract. In general, the Company does not enter into long-term contracts. Revenue is recognized daily upon completion of services. Operating days are measured through field tickets. Customer contract terms do not include provisions for significant post-service delivery obligations. The Company generates revenue primarily from pressure pumping and other related services and has one reportable segment at December 31, 2018, and in the comparative periods. The nature of the services provided by the Company are affected by the same economic factors and follow the same policies as it relates to both measurement and timing of recognition. The timing and uncertainty of revenue and cash flows are similar.

Future accounting pronouncements

The International Accounting Standards Board (IASB) issued IFRS 16, *Leases*, in January 2016. The new standard replaces IAS 17, Leases. Under the new standard, more leases will be recognized on the statement of financial position for lessees, with the exception of leases with a term not greater than 12 months and "small value" leases. Lease accounting for lessors remains substantially the same as existing guidance.

The standard is effective for years beginning on or after January 1, 2019, IFRS 16 is required to be adopted either retrospectively or using a modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect of IFRS 16 as an adjustment to opening retained earnings and applies the standard prospectively. The Company plans to use the modified retrospective approach for its adoption of IFRS 16 effective January 1, 2019.

At December 31, 2018, the Company's IFRS 16 transition project consists of three key phases: project scoping, impact analysis, and implementation phase. The Company anticipates the adoption of IFRS 16 will have a material impact on the statement of financial position primarily due to the capitalization of real estate leases which are currently recognized as operating leases in the statement of profit and loss, and the reclassification of vehicle leases which are currently recognized in property, plant and equipment as finance leases. Trican leases a portfolio of real estate assets/holdings that are expected to be recorded as right of use (ROU) assets with a corresponding lease liability of approximately $15 million and an estimated reclassification of the Company's existing vehicle leases from property, plant and equipment to ROU assets of approximately $10 million.

On initial adoption, the Company intends to use the following practical expedients permitted under the standard:

- Apply a single discount rate to a portfolio of leases with similar characteristics;
- Account for leases with a remaining term of less than 12 months as at January 1, 2019 as short-term leases;
- Account for lease payments as an expense and not recognize a ROU asset if the underlying asset is of low dollar value; and
- Use hindsight in determining the lease term where a contract contains terms to extend or terminate the lease.

A process for identifying potential leases under IFRS 16 has been established and the Company is currently implementing changes to policies, internal controls, information systems, and business and accounting processes.

NOTE 3 – BUSINESS COMBINATION

Effective June 2, 2017, prior to the commencement of business, the Company acquired all of the issued and outstanding shares of Canyon based on 1.70 common shares of Trican for each Canyon share. Canyon was an oilfield services company that focuses operations in the Western Canadian Sedimentary Basin with two core business lines: Pressure Pumping Services and Fluid Management Services. The primary strategic reason for the business combination was to increase the Company's ability to provide fracturing services to its customers.

On June 2, 2017, the Company issued 152,549,556 common shares which were valued at the closing trading price of the Company's common shares being $4.11 per share on June 1, 2017. The fair value of the consideration transferred totaled $627.0 million.

The acquisition has been accounted for using the acquisition method, whereby the assets acquired and the liabilities assumed were recorded at their fair values with the surplus of the aggregate consideration offered relative to the fair value of the identifiable net assets recorded as goodwill. The Company assessed the fair values of the net assets acquired based on management's best estimate of the market value, which takes into consideration the condition of the assets acquired, current industry conditions and the discounted future cash flows expected to be received from the assets as well as the amount that it is expected to settle the outstanding liabilities. Subsequent to the acquisition date, Canyon's operating results has been included in the Company's revenues, expenses and capital spending.

(Stated in thousands)	
Working capital, (including cash $6,222)	$56,327
Property and equipment	360,621
Goodwill	241,780
Intangibles	69,714
Loans and borrowings	(47,394)
Deferred tax liability	(54,069)
Total net assets acquired	$626,979

The goodwill arises as a result of the assembled workforce, the synergies existing within the acquired business and also the synergies expected to be achieved as a result of combining Canyon with the rest of the Company. None of the goodwill recognized is expected to be deductible for income tax purposes. The intangible assets are a result of a revenue backlog of $4.6 million and customer relationships of $65.1 million established by Canyon. Discount rates of 14% and 16% respectively were used in calculating these amounts.

As part of the acquisition, the Company assumed $43.1 million in long-term debt held by Canyon. The entire balance was settled upon closing the transaction. Therefore, for purposes of the purchase equation, the amount is included in the total assets and total liabilities assumed. The cash balance included in the Canyon acquisition have been presented separately in the consolidated statements of cash flows for the year ended December 31, 2017.

For the period January 1, 2017 to June 2, 2017, Canyon would have contributed $213.3 million of revenue and loss before taxes of $8.1 million had the Transaction occurred on January 1, 2017. The additional revenue and net loss are estimates and may not be representative of the results had the acquisition actually occurred on January 1, 2017. Since the Transaction, Canyon's business has been amalgamated into the operations of the Company making it impractical to disclose separate financial results of Canyon due to integration of the business.

The Company incurred costs related to the acquisition of Canyon for the year ended December 31, 2017 of $18.5 million. These costs mainly relate to due diligence, advisory and external legal fees as well as employee related expenditures. These costs have been recognized within administrative expenses on the consolidated statement of comprehensive income.

NOTE 4 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets and liabilities held for sale

The Company has classified certain assets and liabilities as held for sale.

The following table represents the assets and liabilities held for sale:

	As at December 31,	
(Stated in thousands)	**2018**	2017
Trade and other receivables	**$3**	$1,029
Prepaid expenses	**31**	79
Current tax assets	**90**	145
Property and equipment	**3,123**	11,647
Total assets held for sale	**$3,247**	$12,900
Trade and other payables[1]	**$192**	$118
Total liabilities held for sale	**$192**	$118

[1] Amount included in Trade and other payables

An impairment charge of $1.1 million (2017 – $7.1 million) was recorded on property and equipment, of which nil (2017 – $1.6 million) was recorded in discontinued operations, as a result of measuring the assets held for sale at the lower of cost or fair value less cost of disposal.

Results of discontinued operations

In 2018, there were no new discontinued operations.

Following are the results of discontinued operations:

Total discontinued operations	For the year ended December 31,	
(Stated in thousands)	**2018**	2017
Revenue	**$—**	$361
Cost of sales – Other	**212**	791
Cost of sales – Depreciation	**518**	—
Gross loss	**(730)**	(430)
Administrative expenses – Other	**1,087**	5,142
Administrative expenses – Depreciation	**—**	69
Asset impairment	**—**	1,602
Other income	**(1,554)**	(610)
Results from operating activities	**(263)**	(6,633)
Finance income	**—**	(16)
Foreign exchange gain	**(1,288)**	(2,021)
Profit / (loss) before income tax	**1,025**	(4,596)
Income tax expense	**45**	26
Profit / (loss) from discontinued total operations	**$980**	($4,622)

NOTE 5 – CASH AND CASH EQUIVALENTS

	As at December 31,	
(Stated in thousands)	**2018**	2017
Bank balances	**$8,238**	$12,731
Short-term deposits	**8**	8
Cash and cash equivalents	**$8,246**	$12,739

NOTE 6 – TRADE AND OTHER RECEIVABLES

	As at December 31,	
(Stated in thousands)	**2018**	2017
Trade receivables	**$132,051**	$210,466
Allowance for doubtful accounts (note 18)	**(1,559)**	(2,476)
Other receivables	**9,925**	1,605
Total	**$140,417**	$209,595
Non-current	**—**	—
Current	**$140,417**	$209,595

The Company’s exposure to credit risk related to trade and other receivables is disclosed in note 18.

NOTE 7 – INVENTORY

(Stated in thousands)	As at December 31, **2018**	2017
Chemicals and consumables	**$17,260**	$15,808
Parts	**17,318**	20,196
Coiled tubing	**1,683**	971
	$36,261	$36,975

The total amount of inventory recognized as cost of sales during the year was $242.9 million (2017 – $275.2 million).

Trican also reviews the carrying value of inventory on a quarterly basis to verify that inventory is measured at the lower of cost or net realizable value. The Company reduced its spare parts reserve to $5.3 million down from $6.8 million in 2017 to reflect the consumption of parts during the year.

NOTE 8 – PROPERTY AND EQUIPMENT

(Stated in thousands)	**Buildings and improvements**	**Equipment**	**Furniture and fixtures**	**Total**
Cost				
Balance at January 1, 2017	$96,642	$828,950	$44,783	$970,375
Acquisition through business combination	49,678	305,996	4,947	360,621
Additions	—	33,440	3,131	36,571
Disposals	(2,065)	(35,623)	(320)	(38,008)
Reclassification to assets held for sale	(7,991)	(3,558)	(142)	(11,691)
Balance at December 31, 2017	$136,264	$1,129,205	$52,399	$1,317,868
Additions	**634**	**79,466**	**2,312**	**82,412**
Disposals	**(624)**	**(75,529)**	**(28,464)**	**(104,617)**
Reclassification to assets held for sale	**(1,770)**	**241**	**—**	**(1,529)**
Balance at December 31, 2018	**$134,504**	**$1,133,383**	**$26,247**	**$1,294,134**
Accumulated depreciation				
Balance at January 1, 2017	$36,627	$461,484	$39,863	$537,974
Depreciation	4,643	79,630	5,273	89,546
Disposals	(698)	(29,092)	(311)	(30,101)
Reclassification to assets held for sale	(4,623)	(62)	(53)	(4,738)
Impairment (note 16)	3,518	3,005	—	6,523
Balance at December 31, 2017	$39,467	$514,965	$44,772	$599,204
Depreciation	**7,315**	**109,242**	**4,987**	**121,544**
Disposals	**(87)**	**(58,895)**	**(28,027)**	**(87,009)**
Balance at December 31, 2018	**$46,695**	**$565,312**	**$21,732**	**$633,739**
Carrying amounts				
At December 31, 2017	$96,797	$614,240	$7,627	$718,664
At December 31, 2018	**$87,809**	**$568,071**	**$4,515**	**$660,395**

Included within equipment are assets held under finance leases with a gross value of $19.1 million (2017 – $21.0 million) and accumulated depreciation of $9.1 million (2017 – $10.7 million). The lease obligations are secured by the leased equipment. At December 31, 2018, Trican had $61.2 million of assets under construction and not available for use (2017 – $66.7 million).

The Company wrote off fracturing equipment with a net book value of $6.1 million resulting from an insured event and expects to fully recover this net book value. Additional proceeds of $1.0-2.0 million resulting from the insured event has not been recognized during the year, as the receipt of this additional consideration is not completely certain. The Company's insurance deductible is $1.0 million, which is the estimated exposure at this time.

NOTE 9 – INTANGIBLE ASSETS AND GOODWILL

Intangible assets (Stated in thousands)	**CBM process**	**Customer relationships**	**Other**	**Total intangible assets**
Cost				
Balance at January 1, 2017	$8,500	$—	$3,041	$11,541
Business acquisition	—	69,714	—	69,714
Disposition	—	—	(2,800)	(2,800)
Balance at December 31, 2017	$8,500	$69,714	$241	$78,455
Disposition	**(8,500)**	**—**	**(241)**	**(8,741)**
Balance at December 31, 2018	**$—**	**$69,714**	**$—**	**$69,714**
Amortization				
Balance at January 1, 2017	$8,287	—	$—	$8,287
Amortization	213	12,237	25	12,475
Balance at December 31, 2017	$8,500	$12,237	$25	$20,762
Amortization	**—**	**9,708**	**70**	**9,778**
Impairment	**—**	**2,897**	**—**	**2,897**
Disposition	**(8,500)**	**—**	**(95)**	**(8,595)**
Balance at December 31, 2018	**$—**	**$24,842**	**$—**	**$24,842**
Carrying amounts				
At December 31, 2017	$—	$57,477	$216	$57,693
At December 31, 2018	**$—**	**$44,872**	**$—**	**$44,872**

Goodwill (Stated in thousands)	**Amount**
Carrying value, January 1, 2017	$19,251
Acquisition through business combination	241,780
Carrying value, December 31, 2017	261,031
Impairment	**(130,031)**
Carrying value, December 31, 2018	**$131,000**

The aggregate carrying amount of goodwill allocated to each CGU is as follows:

Goodwill	As at December 31,	
(Stated in thousands)	**2018**	2017
Pressure pumping	**$128,925**	$258,956
Cementing	**2,075**	2,075
Total goodwill	**$131,000**	$261,031

NOTE 10 – TRADE AND OTHER PAYABLES

	As at December 31,	
(Stated in thousands)	**2018**	2017
Trade payables	**$70,337**	$82,783
Accrued liabilities	**9,406**	32,478
Liabilities for cash-settled share-based payments	**2,705**	8,976
Finance lease obligations (note 18)	**3,385**	3,052
Total trade and other payables	**$85,833**	$127,289

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 18.

NOTE 11 – LOANS AND BORROWINGS

	As at December 31,	
(Stated in thousands)	**2018**	2017
Senior Notes, net of transaction costs	**$—**	$56,816
RCF, net of transaction costs	**39,108**	41,376
Finance lease obligations	**10,187**	8,628
Total	**$49,295**	$106,820
Current portion of loans and borrowings	**—**	20,408
Current portion of finance lease obligations (note 18)	**3,385**	3,052
Non-current	**$45,910**	$83,360

Senior Notes

Trican had the following notes outstanding:

		Canadian $ Amount		USD $ Denominated Amount	
		As at December 31,		As at December 31,	
(Stated in thousands)	**Maturity**	**2018**	2017	**2018**	2017
Senior Notes					
9.11% Series D	April 28, 2021	**$—**	$3,387	**$—**	$—
8.29% Series F	April 28, 2018	**—**	19,257	**—**	15,350
8.90% Series G	April 28, 2021	**—**	25,466	**—**	20,300
8.75% Series H	September 3, 2024	**—**	4,518	**—**	—
Subordinated Make-Whole Notes					
5.96% Series A	November 19, 2019	**—**	648	**—**	516
5.54% Series D	April 28, 2021	**—**	461	**—**	—
5.55% Series F	April 28, 2018	**—**	1,151	**—**	918
6.28% Series G	April 28, 2021	**—**	3,122	**—**	2,489
6.05% Series H	September 3, 2024	**—**	760	**—**	—
Debt issue costs		**—**	(1,954)	**—**	—
Senior Notes, net of debt issue costs		**$—**	$56,816	**$—**	$39,573

During the year, and in accordance with the established repayment schedule, Trican repaid USD $16.0 million for Series F Senior Notes including all accrued interest and USD $0.9 million for Series F Subordinated Make-Whole Notes including all accrued and capitalized interest. In addition, the cross-currency interest rate swap matured on April 28, 2018. Outgoing payments on the swap totaled $49.0 million and incoming payments on the swap totaled USD $51.3 million including notional principal and all accrued interest for a realized gain on the swap settlement of $17.1 million. On December 6, 2018, Trican chose to retire early all outstanding senior and subordinated notes of approximately $44 million, which includes early repayment costs of $3.2 million. Trican used a combination of cash-on-hand and capacity on its existing revolving credit facility ("RCF") to facilitate this payment. Excluding capital lease providers, the RCF lenders are now Trican's sole senior debt holder.

RCF

On December 6, 2018, as a part of an overall restructuring of the Company's credit facilities, Trican entered into an agreement with its revolving credit facility providers which amends and extends its RCF ("Amended RCF").

The Amended RCF matures December 5, 2021, which term may be extended on an annual basis upon agreement of the RCF lenders, and the Company may draw up to $275.0 million (2017 – $227.3 million). The Amended RCF has a general security charge against the assets of the Company and bears interest at the applicable Canadian prime rate, U.S. prime rate, Banker's Acceptance rate, or at LIBOR, plus 45 to 300 basis points (2017 – Canadian prime rate, U.S. prime rate, Banker's Acceptance rate, or at LIBOR, plus 125 to 400 basis points). At December 31, 2018, the undrawn amount of the RCF is $235.0 million (2017 – $184.3 million) of which $229.1 million is accessible (2017 - $179.5 million accessible) due to the Company's Letters of Credit and amounts drawn on the Canadian dollar swing line as at December 31, 2018.

As at December 31, 2018, Trican has a $10 million (2017 – $10 million) Letter of Credit facility with its syndicate of banks included in the $275.0 million above. As at December 31, 2018, Trican had $2.1 million in letters of credit outstanding (2017 – $4.4 million).

Covenants

The Company is required to comply with covenants that are applicable to the Amended RCF. Trican is required to comply with the following leverage and interest coverage ratio covenants, based on the last twelve month calculation basis:

- Leverage Ratio <3.5x
- Interest Coverage Ratio >2.5x

Certain non-cash expenses (including depreciation, amortization, impairment expenses, equity-settled stock based compensation), gains and losses resulting from Investments in Keane, personnel based expenses (such as severance) and certain other items, are permitted to be adjusted to EBITDA to arrive at bank EBITDA for covenant calculation purposes.

The Leverage Ratio is defined as debt excluding Subordinated Make-Whole Notes and Non-Recourse Debt plus Letter of Credit facility minus cash divided by bank EBITDA. As at December 31, 2018, the Leverage Ratio was 0.4 (2017 – 0.4).

	As at December 31,	
(Stated in thousands)	**2018**	2017
Senior Net Debt	**$45,224**	$92,289
Bank EBITDA	**114,103**	213,216
Leverage Ratio	**0.4**	0.4

The Interest Coverage Ratio is defined as bank EBITDA divided by interest expense minus paid in-kind interest. As at December 31, 2018, the Interest Coverage Ratio was 15.6 (2017 – 18.4).

	As at December 31,	
(Stated in thousands)	**2018**	2017
Interest Expense	**$7,297**	$11,566
Bank EBITDA	**114,103**	213,216
Interest Coverage Ratio	**15.6**	18.4

The Company is in compliance with its financial covenants for the year ended December 31, 2018 (2017 – in compliance).

Finance lease liabilities

As at December 31,	**Future minimum lease payments**		**Interest payments**		**Present value of minimum lease payments**	
(Stated in thousands)	**2018**	2017	**2018**	2017	**2018**	2017
Less than one year	**$3,385**	$3,052	**$456**	$310	**$3,841**	$3,362
Between one and five years	**6,802**	5,576	**365**	330	**7,167**	5,906
Total	**$10,187**	$8,628	**$821**	$640	**$11,008**	$9,268

NOTE 12 – SHARE CAPITAL

Share capital

Authorized
The Company is authorized to issue an unlimited number of common shares, issuable in series. The shares have no par value. All issued shares are fully paid.

Issued and Outstanding - Common Shares

(Stated in thousands, except share amounts)	Number of Shares	Amount
Balance, January 1, 2017	193,567,847	$638,377
Exercise of stock options	714,214	1,177
Reclassification from contributed surplus on exercise of options	—	621
Issued upon business combination	152,549,556	626,979
Shares repurchased and canceled under Normal Course Issuer Bid	(8,325,989)	(30,536)
Balance, December 31, 2017	338,505,628	$1,236,618
Exercise of stock options	**609,708**	**867**
Reclassification from contributed surplus on exercise of options	**—**	**448**
Shares repurchased and canceled under Normal Course Issuer Bid	**(37,610,386)**	**(138,581)**
Balance, December 31, 2018	**301,504,950**	**$1,099,352**

Normal Course Issuer Bid

The Company completed its 2017-2018 Normal Course Issuer Bid (NCIB) that was announced on September 28, 2017. Pursuant to the NCIB, the Company purchased and canceled the maximum allowable number of common shares of the Company under the bid, totaling 34,274,375 common shares for a total consideration of $119.4 million at a weighted average price per share of $3.48 before broker commission.

On October 1, 2018, the Company announced a new NCIB, commencing October 3, 2018, to purchase up to 30.9 million common shares for cancellation before October 2, 2019.

All purchases are to be made at the prevailing market price at the time of purchase and are subject to a maximum daily purchase volume of 645,952 (being 25% of the average daily trading volume of the common shares traded on the TSX for the six months ending August 31, 2018 of 2,583,808 common shares) except as otherwise permitted under the TSX NCIB rules. All common shares purchased under the NCIB will be returned to treasury and canceled. From October 3, 2018 to December 31, 2018 the Company purchased 11.7 million shares at a weighted average price per share of $1.84 under the new NCIB program.

	As at December 31,	
(Stated in thousands, except share and per share amounts)	**2018**	2017
Number of Common Shares repurchased	**37,610,386**	8,325,989
Weighted-average price per share	**$2.79**	$4.30
Amount of repurchase[1]	**$104,864**	$35,919

[1]Includes brokerage fees

NOTE 13 – EARNINGS / (LOSS) PER SHARE

(Stated in thousands, except share and per share amounts)	For the year ended December 31, **2018**	2017
Basic weighted average number of common shares	**322,125,394**	281,816,830
Diluted effect of stock options	—	2,798,648
Diluted weighted average number of common shares	**322,125,394**	284,615,478

Attributable to owners of the Company	For the year ended December 31, **2018**	2017
Profit / (loss) from continuing operations	**($233,637)**	$20,117
Per share – basic and diluted	**($0.73)**	$0.07
Profit / (loss) from discontinued operations	**$980**	($5,912)
Per share – basic and diluted	**$0.00**	($0.02)
Profit / (loss) for the year	**($232,657)**	$14,205
Per share – basic and diluted	**($0.73)**	$0.05

At December 31, 2018, all shares issued under the stock option plan were excluded in calculating the weighted average number of diluted shares outstanding as they were considered anti-dilutive as there was a net loss during the period (2017 – 2,798,648 dilutive).

For the year ended December 31, 2017, 1,156,737 options were excluded in the table above as their effect would have been anti-dilutive.

NOTE 14 – SHARE-BASED PAYMENTS

The Company has four shared-based compensation plans which are described below.

Incentive stock option plan (equity-settled)

Options may be granted at the discretion of the Board of Directors and all officers and employees of the Company are eligible for participation in the Plan. The option price equals the volume-weighted-average closing price of the Company's shares on the Toronto Stock Exchange, for the five trading days preceding the date of grant. Options granted in 2010 and thereafter vest on three equal tranches on each of the first, second and third anniversary dates with an expiry date of five years from the date of the grant. From 2016 and onwards, the life of stock options have changed from five years to seven years.

The compensation expense that has been recognized in profit for the year is $5.4 million (2017 – $5.0 million). The corresponding amount has been recognized in contributed surplus. The weighted average grant date fair value of options granted during 2018 has been estimated at $1.87 per option (2017 – $2.12) using the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility. The Company has applied the following assumptions in determining the fair value of options for grants during the years ended:

For the year ended December 31,	**2018**	2017
Share price	$3.17	$3.73
Exercise price	$3.17	$3.73
Expected life (years)	3.72	3.46
Expected volatility	83%	83%
Risk-free interest rate	1.9%	1.0%
Dividend yield	0.0%	0.0%

The Company has reserved 28,642,970 common shares as at December 31, 2018, (December 31, 2017 – 32,158,035) for issuance under a stock option plan for officers and employees. The maximum number of options permitted to be outstanding at any point in time is limited to 9.5% of the Common Shares then outstanding. As of December 31, 2018, 10,787,126 options (December 31, 2017 – 10,533,085) were outstanding at exercise prices ranging from $0.82 to $15.91 per share with expiry dates ranging from 2019 to 2025.

The following table provides a summary of the status of the Company's stock option plan and changes during the years ending December 31:

	2018		2017	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding at the beginning of year	10,533,085	$5.01	8,793,201	$6.22
Granted	3,734,850	3.17	4,095,200	3.73
Exercised	(609,708)	1.42	(714,214)	1.65
Forfeited	(1,841,799)	4.52	(785,478)	6.69
Expired	(1,029,302)	13.98	(855,624)	12.56
Outstanding at the end of year	10,787,126	$3.81	10,533,085	$5.01
Exercisable at end of year	4,940,953	$4.52	4,115,265	$8.39

The weighted-average share price for the year ended December 31, 2018, was $2.73 (2017 – $4.18).

The following table summarizes information about stock options outstanding at December 31, 2018:

			Options outstanding			**Options exercisable**	
	Range of Exercise Prices		**Number Outstanding**	**Weighted Average Remaining Life**	**Weighted Average Exercise Price**	**Number Exercisable**	**Weighted Average Exercisable Price**
$0.00	to	$1.00	1,431,761	1.76	$0.82	1,431,761	$0.82
$1.01	to	$3.00	2,200,138	1.58	1.98	1,400,345	1.98
$3.01	to	$10.00	6,169,852	5.75	3.45	1,123,472	3.74
$10.01	to	$15.91	985,375	0.43	14.42	985,375	14.42
$0.00	to	$15.91	10,787,126	3.88	$3.81	4,940,953	$4.52

Deferred share unit plan (cash-settled)

Under the terms of the deferred share unit plan, DSUs awarded will vest immediately and will be settled with cash in the amount equal to the closing price of the Company's common shares on the date the director specifies upon tendering his resignation from the Board, which in any event must be after the date on which the notice of redemption is filed with the Company and within the period from the Director's resignation date to December 15 of the first calendar year commencing after the Director's termination date. There were 1,597,849 DSUs outstanding at December 31, 2018 (2017 – 1,399,002).

Restricted share unit plan (cash-settled)

Under the terms of the restricted share unit plan, the RSUs awarded will vest in three equal portions on the first, second and third anniversary of the grant date and will be settled in cash in the amount equal to the volume-weighted-average trading price for the twenty trading days preceding the particular vesting date of the award. The fair value of the RSUs is expensed into income 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. All officers and employees of the Company are eligible for participation in the plan. There were 157,669 RSUs outstanding at December 31, 2018 (2017 – 424,566).

Performance share unit plan (cash-settled)

Under the terms of the performance share unit plan, grants awarded will vest in three equal portions on the first, second and third anniversary of the grant date if the Company meets certain financial targets and expire otherwise. Grants prior to 2014 will be paid out upon vesting yearly and grants issued in 2014 and going forward will be paid out 3 years from the grant date. PSU grants will be settled in cash, at Trican's discretion, in the amount equal to the volume-weighted-average trading price for the five trading days preceding the vesting date of the Common Shares of the Company. The fair value of the PSUs is expensed into income 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. There were 1,235,200 PSUs outstanding at December 31, 2018 (2017 – 920,200). As of the date of these financial statements the Company's intention is to settle the PSUs in cash.

The following table provides a summary of the status of the Company's cash-settled compensation plans and changes during the years ending December 31:

(Units)	**DSU**	**RSU**	**PSU**
Balance, January 1, 2017	1,472,752	795,780	601,444
Granted	154,844	83,100	405,800
Exercised	(228,594)	(306,409)	—
Forfeited	—	(147,905)	(87,044)
Balance, December 31, 2017	1,399,002	424,566	920,200
Granted	**198,847**	**—**	**611,700**
Exercised	**—**	**(99,003)**	**(296,700)**
Forfeited	**—**	**(167,894)**	**—**
Balance at December 31, 2018	**1,597,849**	**157,669**	**1,235,200**
Vested at December 31, 2018	**1,597,849**	**40,003**	**—**

The closing share price used in the fair value calculation of the DSU, RSU and PSU obligations at December 31, 2018 was $1.19 (2017 - $4.08)

	For the year ended December 31,	
(Stated in thousands)	**2018**	2017
Cash-settled share-based compensation expense		
Expense / (recovery) arising from DSUs	**($3,903)**	($165)
Expense / (recovery) arising from RSUs	**(492)**	764
Expense / (recovery) arising from PSUs	**(335)**	679
Total expense / (recovery) cash-settled share-based compensation expense	**($4,730)**	$1,278
Equity-settled share-based compensation expense		
Stock options	**5,434**	5,027
Total expense / (recovery) equity-settled share-based compensation	**$5,434**	$5,027
Total expense / (recovery) related to share-based payments	**$704**	$6,305

The outstanding liabilities for cash-settled compensation plans at December 31, 2018 of $2.7 million (December 31, 2017 – $9.0 million) are included in accounts payable and accrued liabilities. The expense related to all equity-settled and cash-settled share-based compensation plans is detailed under Administrative Expenses in Note 15 – Cost of Sales and Administrative Expenses.

NOTE 15 – COST OF SALES AND ADMINISTRATIVE EXPENSES

The Company classifies the consolidated statement of comprehensive income using the function of expense method, which presents expenses according to their function, such as cost of sales and administrative expenses. This method is more closely aligned to the Company business structure and provides more relevant information to the public.

The following table provides additional information on the nature of the expenses:

Cost of sales	For the year ended December 31,	
(Stated in thousands)	**2018**	2017
Personnel expenses	**$238,349**	$190,175
Direct costs	**525,805**	510,027
Cost of sales – Other	**$764,154**	$700,202
Cost of sales – Depreciation and amortization	**127,011**	97,768
	$891,165	$797,970

Administrative expenses	For the year ended December 31,	
(Stated in thousands)	**2018**	2017
Personnel expenses	**$33,677**	$39,834
General organizational expenses	**18,641**	34,211
Bad debt expense	**91**	654
Administrative expenses – Other	**$52,409**	$74,699
Administrative expenses – Depreciation	**4,983**	4,229
	$57,392	$78,928

The following severance costs are included in personnel expenses above:

	For the year ended December 31,	
(Stated in thousands)	**2018**	2017
Severance costs	**$8,804**	$—

NOTE 16 – ANNUAL IMPAIRMENT ASSESSMENT

For the purposes of impairment testing, goodwill and intangible assets are allocated to the Company's CGUs. As required by IAS 36, the Company performed its annual impairment tests on goodwill for the Pressure Pumping CGU and the Cement Services CGU. There is also a reduction in value for the Fluid Management CGU at December 31, 2018. Based on the results of the tests, the Company recorded a $130.0 million impairment of goodwill for the Pressure Pumping CGU (2017 - nil); and impairment of $2.9 million of intangible assets was recorded for the Fluid Management Services CGU (2017 - nil). The impairment of goodwill in the Pressure Pumping CGU and impairment of intangible assets in the Fluid Management Services CGU resulted from the deterioration of the oil and gas industry as a result of discounts received by our customers for crude oil and general uncertainty around the Canadian oil and natural gas pipelines.

a) Pressure Pumping Services

The impairment test for the Pressure Pumping Services CGU used an expected cash flow approach based on internal cash flow estimates at December 31, 2018 at a pre-tax discount rate of 15.6% and a terminal growth rate equal to the Bank of Canada's risk free rate of 2.3%. The discount rate was estimated based on the Company’s weighted average cost of capital, adjusted for CGU specific risks. The estimated cash flows were based on a 5-year model with future revenues initially decreasing, and subsequently increasing, in correlation with forecasted oil and gas industry activity. Costs were based on historical contribution margins adjusted for anticipated revenue changes. A terminal value thereafter was applied. Based on the analysis, the Company determined that there was impairment of goodwill within the Pressure Pumping CGU as the recoverable amount for this CGU was lower than the respective carrying amount resulting from the deterioration of the oil and natural gas industry in the fourth quarter of 2018 which lead to a revision of the Company's projected future cash flows. After recording a $130.0 million impairment of goodwill for the year ended December 31, 2018 (2017 – nil), the recoverable amount of the Pressure Pumping CGU equaled its carrying amount, which was $715.1 million. The estimated value in use for the CGU was sensitive to an increase in the pre-tax discount rate and the terminal growth rate. A decrease to the terminal growth rate by 1% would increase goodwill impairment by approximately $48.2 million, and an increase to the pre-tax discount rate by 1% would increase goodwill impairment by approximately $74.3 million.

b) Cementing Services

The impairment test for Cementing Services CGU used an expected cash flow approach based on internal cash flow estimates at December 31, 2018 at a pre-tax discount rate of 15.6% and a terminal growth rate equal to the Bank of Canada's risk free rate of 2.3%. The discount rate was estimated based on the Company’s weighted average cost of capital, adjusted for CGU specific risks. The estimated cash flows were based on a 5-year model with future revenues initially decreasing, and subsequently increasing, in correlation with forecasted oil and gas industry activity. Costs were based on historical contribution margins adjusted for anticipated revenue changes. A terminal value thereafter was applied. Based on the analysis, no provision for impairment on the Company’s long-term cementing assets was required for the year ended December 31, 2018 (2017 – nil). The estimated value in use for the CGU continued to support no impairment with an increase to the pre-tax discount rate by 1% or with a decrease to the terminal growth rate by 1%.

c) Fluid Management Services

The impairment test for the Fluid Management Services CGU used an expected cash flow approach based on internal cash flow estimates at December 31, 2018 at a pre-tax discount rate of 18.2% and a terminal growth rate equal to the Bank of Canada's risk free rate of 2.3%. The discount rate was estimated based on the Company’s weighted average cost of capital, adjusted for CGU specific risks. The estimated cash flows were based on a 5-year model with future revenues, initially decreasing, and subsequently increasing, in correlation with forecasted oil and gas industry activity. Costs were based on historical contribution margins adjusted for anticipated revenue changes. A terminal value thereafter was applied. Based on the analysis, the Company determined that there was impairment within the Fluid Management CGU as the recoverable amount for this CGU was lower than the respective carrying amount resulting from the deterioration of the oil and natural gas industry in the fourth quarter of 2018 which lead to a revision of the Company's projected future cash flows. After recording a $2.9 million pre-tax impairment of intangible assets on to the Company’s long-term fluid management intangible assets for the year ended December 31, 2018 (2017 – nil), the recoverable amount of the Fluid Management CGU equaled its carrying amount, which was $27.0 million. The estimated value in use for the CGU was sensitive to an increase in the pre-tax discount rate and the terminal growth rate. An increase to the pre-tax discount rate by 1% would result in an additional pre-tax impairment expense of approximately $1.4 million; and a decrease to the terminal growth rate by 1% would result in an additional pre-tax impairment charge of approximately $0.2 million.

NOTE 17 - INCOME TAXES

(Stated in thousands)	For the year ended December 31, 2018	2017
Current tax expense / (recovery)		
Current year	**$—**	$3,347
Adjustment for prior years	**5,896**	—
	$5,896	$3,347
Deferred tax expense / (recovery)		
Current year	**($26,226)**	$33,526
Adjustment for prior years	**(7,688)**	(2,048)
	($33,914)	$31,478
Total tax expense / (recovery) from continuing operations	**($28,018)**	$34,825

(Income) / loss before income taxes

(Stated in thousands)	For the year ended December 31, 2018	2017
Canada	**$200,657**	($32,390)
Foreign	**60,998**	(22,550)
(Income) / loss before income taxes from continuing operations	**$261,655**	($54,940)

The income tax expense differs from that expected by applying the combined federal and provincial income tax rate of 27.0% (2016 – 26.9%) to loss from continuing operations before income taxes for the following reasons:

(Stated in thousands)	For the year ended December 31, 2018	2017
Expected combined federal and provincial income tax	**($70,647)**	$14,779
Statutory and other rate differences	**360**	(2,718)
Unrecognized current year losses	**—**	—
Non-deductible expenses	**1,745**	397
Adjustments related to prior years	**(2,790)**	(2,048)
Recognition of previously unrecognized losses	**(2,537)**	2,555
Stock-based compensation	**1,467**	1,350
Translation of foreign subsidiaries	**—**	(889)
Changes to deferred income tax rates	**—**	10,992
Non-taxable portion of capital gains	**—**	2,198
Impairment of goodwill	**35,108**	—
Non-deductible portion of disposition of Keane investments	**9,511**	—
Unrealized Gain in Keane Investments	**—**	2,477
Other	**(235)**	5,732
	($28,018)	$34,825

Unrecognized deferred tax assets

Deferred tax assets are recognized only to the extent that it is probable that the assets can be recovered. At December 31, 2018, the Company had $938.7 million (2017 - $847.8 million) of deductible temporary differences where no deferred tax asset was recognized. These deductible temporary differences are predominantly losses incurred in the United States and expire between 2029 and 2035.

Deferred tax balances

The components of the deferred tax asset and liability are as follows:

	For the year ended December 31,	
(Stated in thousands)	**2018**	2017
Deferred tax assets		
Non-capital loss carryforward	**$34,712**	$48,315
Other	**4,571**	8,913
	$39,283	$57,228
Deferred tax liabilities		
Property, equipment and other assets	**($89,637)**	($92,055)
Goodwill and intangibles	**(11,571)**	(15,123)
Unrealized gain in Keane Investment	**—**	(45,917)
	($101,208)	($153,095)
	($61,925)	($95,867)

Movement in deferred tax balances during the year

	January 1, 2017	Recognized in Profit or Loss	OCI	Other	December 31, 2017	**Recognized in Profit or Loss**	**OCI**	**Other**	**December 31, 2018**
Goodwill Intangible Assets	($57)	3,286	—	($18,352)	($15,123)	**$3,552**	**—**	**$—**	**($11,571)**
Non-Capital Loss Carry Forwards	86,232	(41,153)	—	3,236	48,315	**(13,603)**	**—**	**—**	**34,712**
Property and Equipment	(49,034)	(2,881)	—	(40,140)	(92,055)	**2,418**	**—**	**—**	**(89,637)**
Unrealized Gain in Keane Investments	(79,938)	11,203	22,818	—	(45,917)	**45,917**	**—**	**—**	**—**
Other	4,880	(1,933)	—	5,966	8,913	**(4,370)**	**—**	**28**	**4,571**
	($37,917)	($31,478)	$22,818	($49,290)	($95,867)	**$33,914**	**$—**	**$28**	**($61,925)**

NOTE 18 – FINANCIAL INSTRUMENTS

Fair values of financial assets and liabilities

The fair values of cash and cash equivalents, trade and other receivables, and trade and other payables included in the consolidated statement of financial position approximate their carrying amount due to the short-term maturity of these instruments.

The fair value of the Amended RCF was determined by calculating future cash flows, including interest at current rates. The fair value of capital lease obligations was determined by calculating the future cash flows, including interest, using market rates.

On December 3, 2018, Trican announced the pricing of an underwritten secondary offering of its common shares of Keane by Keane Holdings, of 5,251,249 Keane shares for proceeds, after underwriting fees and discounts, of USD $55.1 million. Trican ceased to hold an equity interest and conceded all Class C shares in Keane Holdings, LLC. On January 20, 2017, Keane completed its initial public offering (IPO) and its shares became publicly traded on the New York Stock Exchange under the ticker symbol “FRAC”. As a result of the IPO, Trican’s ownership interests in Keane Group Holdings, LLC was transferred to Keane Holdings. Effectively, Trican’s Class A shares and Class C profits interest in Keane Group Holdings, LLC were Class A common shares (Equity Interest) and Class C shares (Profit Interest) in Keane Holdings. At the time of IPO, Keane Holdings registered a total of 15,074,000 shares at a price per share of USD $19 which resulted in a distribution of $37.8 million (USD $28.4 million) to Trican and a realized gain of $24.5 million. On January 24, 2018, Keane Holdings sold 15,320,015 shares of Keane at a price per share of USD $18.25. This resulted in a distribution of $33.6 million (USD $27.2 million) for Trican and a realized gain of $21.1 million.

	Equity Interest in Keane (Class A Shares)	Profits Interest in Keane (Class C Shares)	Investments in Keane
Balance at December 31, 2016	$162,311	$68,665	$230,976
Realized liquidity event (January 20, 2017)	(37,757)	—	(37,757)
Unrealized loss on investment	(3,363)	(3,124)	(6,487)
Foreign exchange loss	(7,315)	(2,670)	(9,985)
Balance at December 31, 2017	**$113,876**	**$62,871**	**$176,747**

	Investments in Keane
Balance at December 31, 2017	$176,747
Realized liquidity events	(106,314)
Realized loss on Keane	(76,062)
Foreign exchange gain	5,629
Balance at December 31, 2018	**$—**

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); or
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		Fair value		
December 31, 2018	Carrying amount	Level 1	Level 2	Level 3
Financial liabilities				
Financial liabilities at amortized cost				
RCF	**39,108**	—	**41,487**	—
Finance lease obligations – current[1]	**3,385**	—	**3,841**	—
Finance lease obligations – non-current	**6,802**	—	**7,167**	—

[1] The current portion of Finance lease obligations is included in Trade and Other Payables.

December 31, 2017	Carrying amount	Fair value Level 1	Level 2	Level 3
Financial assets				
Fair value through profit and loss				
Currency derivatives – current	$15,155	$—	15,155	$—
Profit interest in Keane	62,871	—	—	62,871
Available for sale security				
Equity interest in Keane	113,876	—	—	113,876
Financial liabilities				
Financial liabilities at amortized cost				
Senior Notes – current	20,408	—	20,828	—
Senior Notes – non-current	36,408	—	42,314	—
RCF	41,376	—	44,966	—
Finance lease obligations – current	3,052	—	3,052	—
Finance lease obligations – non-current	5,576	—	5,576	—

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 impact of a one percent change in interest rates to the Company's floating rate debt would be approximately $0.6 million for the year ended December 31, 2018 (2017 - $1.1 million), based on the average debt balances for the year.

Foreign exchange rate risk
As the Company operates primarily in Canada, fluctuations in exchange rates do not have a significant effect on operating results however, the Company holds financial assets and liabilities denominated in U.S dollars where fluctuations between the U.S dollar/Canadian dollar can have a significant effect on the fair value or future cash flows of these assets and liabilities.

For the years ended December 31, 2018 and 2017, fluctuations in the value of foreign currencies would have the following impact on net income and other comprehensive income:

	Impact to Net Income		**Impact to Other Comprehensive Income**	
(Stated in thousands)	**2018**	2017	**2018**	2017
1% change in the value of U.S. dollar	**$119**	$48	**$173**	$1,139

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 creditworthiness 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. As at December 31, 2018, one customer accounted for 28.7% (2017 – two customers accounted for 28.2%) of the Company's accounts receivable while two customers accounted for 25.7% (2017 – two customers accounted for 22.0%) of its revenues.

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The calculation reflects the probability-weighted outcome, the time value of money and reasonable supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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. The Company considers its accounts receivable excluding doubtful accounts to be aged as follows:

	As at December 31,	
(Stated in thousands)	**2018**	2017
Current (0 - 30 days from invoice date)	**$93,711**	$81,958
31 - 60 days past due	**32,189**	73,935
60 - 90 days past due	**5,397**	29,683
Greater than 90 days past due	**10,679**	26,495
Total	**$141,976**	$212,071
Provision for doubtful accounts	**$1,559**	$2,476

Movement in provision	For the year ended December 31,	
(Stated in thousands)	**2018**	2017
Provision for doubtful accounts at January 1	**$2,476**	$2,206
(Decrease) / Increase in provision	**(826)**	924
Write-off of provision	**(91)**	(654)
Provision for doubtful accounts at December 31	**$1,559**	$2,476

The Company's objectives, processes and policies for managing credit risk have not changed from the prior year.

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 consolidated level in accordance with practices and policies established by the Company.

In managing liquidity risk, the Company has access to a wide range of funding at competitive rates through capital markets and banks. As at December 31, 2018, the Company had accessible unused committed bank credit facilities in the amount of $232.9 million (2017 – $179.5 million), cash of $8.2 million (2017 – $12.7 million), trade and other receivables of $140.4 million (2017 – $209.6 million), and Investment in Keane of nil (2017 - $176.7 million) for a total of $374.7 million (2017 – $578.5 million) available to fund the cash outflows relating to its financial liabilities. The Company believes it has sufficient funding through the use of these sources to meet foreseeable liquidity requirements.

The Company anticipates that its existing capital resources including availability under its RCF and cash flows from operations will be adequate to satisfy its liquidity requirements through fiscal 2019. If available liquidity is not sufficient to meet Trican’s operating and debt servicing obligations as they come due, management’s plans include reducing expenditures as necessary or pursuing alternative financing arrangements and additional asset sales. However, there is no assurance that, if required, the Company will be able to reduce expenditures or secure alternative financing arrangements to provide the required liquidity.

The timing of cash outflows relating to financial liabilities are outlined in the table below:

December 31, 2018 (Stated in thousands)	**Carrying Value**	**Less than 1 year**	**1 to 3 years**	**4 to 5 years**	**Greater than 5 years**	**Total**
Trade and other payables	$82,448	$82,448	$—	$—	$—	**$82,448**
RCF (including interest)	39,108	1,487	44,355	—	—	**45,842**
Finance lease obligations (including interest)	10,187	3,841	7,167	—	—	**11,008**
		$87,776	**$51,522**	**$—**	**$—**	**$139,298**

NOTE 19 – CAPITAL MANAGEMENT

The Company's strategy is to carry a capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Company seeks to maintain a balance between the level of long-term debt and shareholders' equity to ensure access to capital markets to fund growth and working capital given the cyclical nature of the oilfield services sector. The Company may occasionally need to increase these levels to facilitate acquisition or expansionary activities.

As at December 31, these ratios were as follows:

	As at December 31,	
(Stated in thousands, except ratios)	**2018**	2017
Loans and borrowings	**$45,910**	$106,268
Shareholders' equity	**844,142**	1,176,048
Total capitalization	**$890,052**	$1,282,316
Long-term debt to total capitalization	**0.05**	0.08

NOTE 20 – OTHER COMMITMENTS AND CONTINGENCIES

	Payments due by period			
December 31, 2018	1 year or less	1 to 5 years	5 years and thereafter	Total
Finance leases	**$3,841**	**$7,167**	**$—**	**$11,008**
Operating leases	**2,057**	**7,722**	**5,647**	**15,426**
Other leases	**540**	**—**	**—**	**540**
Total commitments	**$6,438**	**$14,889**	**$5,647**	**$26,974**

	Payments due by period			
December 31, 2017	1 year or less	1 to 5 years	5 years and thereafter	Total
Finance leases	$3,052	$5,576	$—	$8,628
Operating leases	4,940	9,063	8,324	22,327
Total commitments	$7,992	$14,639	$8,324	$30,955

In addition to the above commitments, the Company has committed to:

- capital expenditures of $9.1 million.
- proppant supply arrangements to certain vendors with payments based on volumetric thresholds, due over the 4 years. Prices in the contracts are subject to change based on market conditions.

Management is satisfied that the Company has sufficient liquidity and capital resources to meet the Company's obligations and commitments as they come due.

Other commitments

The tax regulations and legislation in the various jurisdictions that the Company operates in, or has previously operated in, are continually changing. As a result, there are usually some tax matters under review. Management believes that it has adequately met, provided and/or recognized tax assets and liabilities based on the Company's interpretation of the relevant tax legislation and regulations and likelihood of recovery and/or payment.

NOTE 21 – NET FINANCE COSTS

	For the year ended December 31,	
(Stated in thousands)	**2018**	2017
Finance income		
Interest income	**$—**	$549
Gain on marketable securities	**—**	673
Total finance income	**$—**	$1,222
Finance cost		
Interest on loans and borrowings	**$15,108**	$14,710
Interest on finance lease	**72**	96
Total finance cost	**$15,180**	$14,806

NOTE 22 – RELATED PARTY TRANSACTIONS

Transactions with key management personnel

In addition to their salaries, the Company also provides non-cash benefits to executive officers. Executive officers also participate in the Company's share and option-based awards program (see note 14).

Key management personnel compensation comprised of:

	For the year ended December 31,	
(Stated in thousands)	**2018**	2017
Salaries	**$2,425**	$1,775
Share-based awards	**1,452**	1,416
Option-based awards	**1,170**	1,791
All other compensation	**559**	2,034
Total	**$5,606**	$7,016

NOTE 23 – EMPLOYEE BENEFIT EXPENSE

	For the year ended December 31,	
(Stated in thousands)	**2018**	2017
Wages and salaries	**$233,715**	$202,410
Termination payments	**8,804**	2,813
Employee benefits	**28,131**	17,565
Share based compensation	**4,606**	6,470
Total	**$275,256**	$229,258

NOTE 24 – SUBSEQUENT EVENTS

Normal Course Issuer Bid

For the period from January 1, 2019 to February 20, 2019, the Company purchased and canceled 4,518,000 common shares at a weighted average price per share of $1.34 pursuant to its NCIB.