



## MANAGEMENT'S DISCUSSION AND ANALYSIS - 2017

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This management discussion and analysis (“**MD&A**”) is dated February 21, 2018. It should be read in conjunction with the audited consolidated financial statements and notes of Trican Well Service Ltd. (“**Trican**” or the “**Company**”) as at and for the years ended December 31, 2017 and 2016. Additional information relating to the Company, including the Company’s Annual Information Form (“**AIF**”) for the year ended December 31, 2016, is available online at [www.sedar.com](http://www.sedar.com).

**Basis of Presentation:** Unless otherwise noted, all financial information has been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”). All financial information is reported in Canadian dollars, unless otherwise noted. Certain figures have been reclassified to conform to the current year presentation of this MD&A.

The financial results for the current quarter and year-ended December 31, 2017 include the results of Trican’s business and the results of Canyon Services Group Inc. (“**Canyon**”). Canyon was acquired by Trican effective June 2, 2017 and is primarily a provider of fracturing services in addition to coiled tubing, remedial cementing, nitrogen and fluid handling services.

**Non-GAAP Measures:** Trican makes reference to operating income / (loss), adjusted operating income / (loss), and adjusted general and administrative expenses. These measures are not recognized under IFRS and are considered non-GAAP measures. Management believes that, in addition to gross profit / (loss) and net income / (loss), operating income / (loss), adjusted operating income / (loss), and adjusted general and administrative expenses are useful supplemental measures. These financial measures are reconciled to IFRS measures in the Quarterly Financial Review, Annual Financial Review, and *Non-GAAP Measures* section of this MD&A.

**Common Industry Terms:** For a list of abbreviations and terms that may be used in this MD&A, refer to *Common Industry Terms* section of this MD&A.

**Risks and Forward-Looking Statements:** The Company’s financial and operational performance is potentially affected by a number of factors, including, but not limited to, the factors described in the *Business Risks* section of this MD&A and the Company’s other disclosure documents.

This MD&A includes forward-looking information based on the Company’s current expectations, estimates, projections and assumptions. This information is subject to a number of risks and uncertainties, many of which are beyond the Company’s control. Users of this information are cautioned that the actual results may differ materially. Refer to the *Forward-Looking Statements* section of this MD&A for information on material risk factors and assumptions underlying our forward-looking information.

## OVERVIEW

Headquartered in Calgary, Alberta, Trican has continuing operations in Canada which provide a comprehensive array of specialized products, equipment and services that are used during the exploration and development of oil and gas reserves provided by a highly trained workforce dedicated to safety and operational excellence. The Company also has a minority ownership interest in Keane Investor Holdings, LLC (“Keane Holdings”), a Delaware limited liability company whose only asset is common shares in Keane Group, Inc. (“Keane”), a New York Stock Exchange Listed company that operates in the United States.

### Continuing Operations – Financial Review <sup>1,2</sup>

(\$ millions, except per share amounts; job count; proppant <sup>2</sup> (thousands); and HHP <sup>2</sup> (thousands); (three month information unaudited)	Three months ended			Year-ended		
	December 31, 2017	December 31, 2016	September 30, 2017	December 31, 2017	December 31, 2016	December 31, 2015
Revenue	\$280.5	\$114.8	\$362.8	\$929.9	\$325.2	\$649.7
Gross profit / (loss)	30.7	(10.1)	83.7	131.9	(83.5)	(26.7)
Operating income / (loss) <sup>1</sup>	44.2	(7.4)	92.1	155.0	(69.8)	16.0
Adjusted operating income / (loss) <sup>1</sup>	47.0	1.1	98.0	183.3	(37.4)	34.9
Net income / (loss)	17.2	56.9	46.9	20.1	(40.7)	(62.8)
Per share – basic	\$0.05	\$0.29	\$0.14	\$0.07	(\$0.24)	(\$0.42)
Per share – diluted	\$0.05	\$0.29	\$0.13	\$0.07	(\$0.24)	(\$0.42)
Job count <sup>2</sup>	2,909	2,780	3,200	11,930	9,071	11,977
Proppant pumped (tonnes) <sup>2</sup>	397,000	181,000	563,000	1,488,000	466,000	599,000
Canadian Segment Hydraulic Pumping Capacity:						
Active crewed HHP <sup>2</sup>	680	431	680	680	431	285
Active, maintenance/not crewed HHP <sup>2</sup>	455	194	425	455	194	N/A
Parked HHP <sup>2</sup>	114	50	140	114	50	N/A
	111	187	115	111	187	153

(\$ millions, except per share amounts)	As at December 31, 2017	As at December 31, 2016	As at December 31, 2015
Cash and cash equivalents	\$12.7	\$20.3	\$49.1
Working capital <sup>1</sup>	\$148.8	\$103.6	\$254.3
Total loans and borrowings	\$103.8	\$221.6	\$569.6
Total assets	\$1,506.2	\$915.4	\$1,349
Dividend (per share)	\$-	\$-	\$0.15

## FINANCIAL AND OPERATING HIGHLIGHTS

### 2017 Compared with 2016

- Consolidated revenue from continuing operations for 2017 was \$929.9 million, an increase of 186% compared to 2016.
- Adjusted operating income<sup>1</sup> for the year was \$183.3 million, compared to an adjusted operating loss of \$37.4 million in 2016.
- The acquisition of Canyon, coupled with an increase in activity and fracturing intensity led to significant growth in the volume of proppant pumped this year, increasing 219% when compared to 2016.
- A net debt<sup>1</sup> balance at December 31, 2017 of \$94.1 million, a reduction of \$107.9 million when compared to the prior year.

2017 annual results varied significantly from 2016 primarily as a result of the acquisition of Canyon, and improved commodity prices (see *Business Environment* below). This created strong demand for our services,

<sup>1</sup> See *Non-GAAP Measures* described on page 21 of this MD&A.

<sup>2</sup> See *Common Industry Terms*

and the Company pumped 1,488,000 tonnes of proppant in 2017, which was 219% higher than the 466,000 tonnes pumped in 2016. Improved demand allowed Trican to obtain increased prices for fracturing services.

#### **Fourth Quarter 2017 Compared with Fourth Quarter 2016**

- Consolidated revenue from continuing operations for Q4 2017 was \$280.5 million, an increase of 144% compared to Q4 2016.
- Adjusted operating income<sup>1</sup> for the quarter was \$47.0 million, compared to \$1.1 million in Q4 2016, which is net of \$5 million for tax reassessments and expenses for stainless steel fluid ends.
- The acquisition of Canyon, coupled with an increase in activity and fracturing intensity led to significant growth in the volume of proppant pumped this quarter, increasing 119% when compared to Q4 2016.
- In 2017, approximately 83% of Trican's revenue came from customers focused on oil or liquids rich gas plays, whereas 17% came from customers focused on dry gas plays. In 2016, dry gas wells comprised 50.3%; liquids rich gas plays were 26.8%; and oil was 22.9% of our revenue.

Fourth quarter results improved dramatically from the same period in 2016. Some of the key factors positively affecting the fourth quarter 2017 results include higher activity levels, as evidenced by proppant pumped, the acquisition of Canyon, and significantly improved prices.

#### **Fourth Quarter 2017 Sequential Overview**

Strong customer demand for services continued from Q3 2017 into the first half of Q4 2017, resulting in high utilization across our primary service lines. However, utilization in the second half of the quarter was affected by a number of customers finalizing their 2017 production targets and/or their capital programs sooner than initially anticipated. This resulted in our customers temporarily stopping their programs on short notice which did not give us an opportunity to backfill this work. Our customers re-commenced their work programs with us in January. The slow-down in customer activity resulted in a temporary oversupply of equipment in the industry, as a result, spot market pricing became competitive in the latter part of the quarter and Trican did not lower our prices for this short-term slow-down. Total proppant pumped declined 30% sequentially from Q3 2017 to 397,000 tonnes, with the steepest decline coming during the second half of the quarter. The sequential decline in revenue was less than the percentage decline in proppant pumped, as the customer mix shifted away from customers that provided their own proppant.

Operating income<sup>1</sup> from continuing operations was \$44.2 million, and adjusted operating income<sup>1</sup> was \$47.0 million for the quarter. The sequential decrease in revenue caused a larger percentage decline in both operating income and adjusted operating income due to our fixed operating costs, sales, general and administrative expenses ("SG&A") and maintenance costs not declining at the same rate as the revenue decline. Trican utilized the Q4 slowdown in activity to reduce our maintenance backlog and prepare our fleet for the high utilization anticipated in Q1 2018. The increase in available equipment will allow us to cycle equipment more effectively, reducing future maintenance costs. Additionally, fourth quarter 2017 adjusted operating income<sup>1</sup> was negatively affected by the recognition of \$3 million for prior period PST reassessments, \$0.7 million vehicle registration costs associated with the Canyon acquisition and \$2 million related to the determination that stainless steel fluid ends would no longer be capitalized, but rather expensed to operating income. The higher duty cycles and the continued trend towards 24 hour pad style work programs results in stainless steel fluid ends reaching their maximum lifespan within a 12 month period (see *Outlook* for a further discussion regarding changes to our capital expenditure plans).

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<sup>1</sup> See *Non-GAAP Measures* described on page 21 of this MD&A.

## 2017 Significant Events

Some of the key events from 2017 are as follows:

- Trican entered into an agreement in March 2017 to acquire Canyon Services Group Inc. (“Canyon”) in an all share transaction that was valued at \$627 million. The transaction created Canada’s largest pressure pumping company, and provides a platform for continued growth and enhanced ability to meet more complex customer requirements. The integration of the two companies has proceeded as expected, and the combined company realized \$31 million of annualized synergies<sup>1</sup> achieved through reduced costs, improved buying power, and more efficient operations.
- In January 2017, Trican sold its shares in National Oilwell Varco (“NOV”) and monetized a portion of its ownership in Keane Holdings (“Investments in Keane”) for net proceeds of approximately USD \$20.7 million and USD \$28.4 million, respectively. The proceeds of these sales were used to further pay down Trican’s outstanding long-term debt. The partial monetization of Investments in Keane was a result of Keane’s Initial Public Offering (“Keane IPO”) on January 20, 2017.
- The Company announced a Normal Course Issuer Bid (“NCIB”) in September 2017, believing that the investment of excess cash flow into common shares is preferable at this time to the investments into additional equipment. The Company purchased 8,325,989 common shares during 2017 at a weighted average price per share of \$4.30. An additional 3,570,900 million shares have been purchased subsequent to December 31, 2017 at a weighted average price per share of \$4.20).

## BUSINESS ENVIRONMENT

Oil (NYMEX WTI) and natural gas (AECO) prices are important factors that affect the results of Trican’s exploration and production (E&P) customers, and therefore ultimately affect Trican’s financial results. The US\$/CDN\$ exchange rate provides context for WTI oil prices which are priced in US\$. Oilfield services’ industry activity statistics help provide context to the operational and financial results of Trican relative to general oilfield service activity levels.

(Unaudited)	Three months ended			Year-ended		
	December 31,			December 31,		
	2017	2016	2015	2017	2016	2015
NYMEX WTI - Average Price (US\$/bbl)	\$55.30	\$49.29	\$42.16	\$50.85	\$43.47	\$48.41
AECO-C Spot Average Price (CDN\$/mcf)	\$1.67	\$3.11	\$2.48	\$2.23	\$2.18	\$2.71
Average Exchange Rate (US\$/CDN\$)	\$0.78	\$0.75	\$0.75	\$0.77	\$0.76	\$0.78
Thousands of Meters Drilled <sup>(2)</sup>	4,786	2,076	3,308	19,118	9,493	13,356
Canadian Average Drilling Rig Count <sup>(2)</sup>	212	197	177	213	136	195
Canadian Well Completions <sup>(1)</sup>	1,852	838	1,165	6,434	3,253	5,293

Trican’s revenue rates are influenced by crude oil and natural gas pricing. Changes in these prices directly affect our customer’s ability to generate cash flow and ultimately utilize Trican’s services. WTI crude prices in 2017 improved materially from 2016 as global supply and demand dynamics improved. AECO natural gas spot prices weakened towards the end of 2017 and early on in 2018, as pipeline constraints and US natural gas production reduced demand for Canadian natural gas. Natural gas extraction also produces byproducts such as condensate, ethane, propane, butane, isobutane, and pentane, which are more commonly known as

<sup>1</sup> See *Non-GAAP Measures* described on page 21 of this MD&A.

<sup>2</sup> Source: Nickles Energy Group.

natural gas liquids (NGLs). Pricing for NGLs is more correlated to WTI than AECO prices, which has kept economics favorable for most of Trican's gas focused customers.

## **2018 OUTLOOK**

Our outlook remains positive for 2018. Weak AECO natural gas prices will reduce demand from certain of our customers, however, we are seeing increased demand from other customers who are weighted to oil and natural gas liquids pricing. We expect customer spending will shift further away from dry gas plays to oil and liquids rich plays, and will continue the trend of higher service intensity per well. Higher sand loadings are expected to continue, leading to a continued shift in customer capital expenditure allocation to fracturing services.

We continue to work closely with our customers to improve our efficiencies. We have made significant investments into personnel, technology and infrastructure that increase returns to Trican and also reduce the overall cost to our customer by reducing product costs and service times. Industry demand and our strong customer service has resulted in our equipment being fully booked through Q1 2018, with second quarter bookings remaining stronger than a typical spring break-up<sup>1</sup>. The Company's customer commitments remain strong through to the second half of the year. We recognize demand in the second half will be dependent on commodity prices. However, approximately one-half of the Company's fleets are firmly committed to customer work programs with soft commitments on the balance of the fleet. We anticipate these commitments will be firmed up during the second quarter.

We have received strong customer interest in adding additional fracturing capacity to our active fleet. We have 111,000 HP parked and would only require nominal capital to re-activate additional equipment. The most significant barrier to activating additional crews remains the scarcity of qualified labour. We plan to add one additional crew to our active fleet in the first half of this year and will make decisions to add additional crews if customer commitments can be secured at the leading edge of our pricing to provide Trican with rates of return in excess of our cost of capital.

In 2017 we have been able to return pricing to profitable levels, and anticipate that pricing will remain stable through 2018. We have negotiated agreements with our customers to increase pricing in the event of cost inflation on certain input costs. Wage rate market adjustments affecting our compensation costs are not included in the cost inflation formulas. Wage rate adjustments are anticipated to cost Trican approximately \$15 million on an annualized basis.

The integration of Canyon continues to proceed as expected. Significant progress has been made in harmonizing the foundational systems that underpin our financial and operational processes. This progress has enabled us to more deeply leverage the synergies and cost advantages that come from our size and scale across Canada.

### *Capital Expenditures*

The Company's first half 2018 capital expenditure program is now projected to be \$33 million, lower than the previously announced capital program as a result of stainless steel fluid ends now being expensed. We believe expensing, rather than capitalizing fluid ends, will result in a decrease to our annual full year capital expenditure program by \$25 million to \$30 million. The Company continues to see an increase to maintenance capital expenditures as the intensity of hydraulic fracturing increases; however, we believe that current pricing levels reflect this anticipated increase in fracturing intensity.

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<sup>1</sup> See *Common Industry Terms*

## Primary Objectives

The Company's short term objectives remain essentially unchanged from the prior quarter:

- Personnel retention and recruitment: increasing our headcount, and/or reducing our turnover, to lower personnel costs and provide flexibility to reactivate idled equipment to service excess customer demand.
- Managing cost inflation: minimizing the effects that increasing pressure pumping activity will have on the Company's ongoing cost of operating.
- Optimization of our capital structure: debt repayment, credit renegotiation and share repurchases under our NCIB program.
- Driving efficiency: using our scale to further optimize our field operations to improve our clients and our economic returns.
- Adding equipment back into the market if economic returns remain at current levels.

Our strong financial position will allow us to pursue our primary long term objective of seeking out attractive investment activities that will add both long-term value on a per share basis and diversify our reliance on activity tied directly to drilling and completion activity.

## CONTINUING OPERATIONS – COMPARATIVE QUARTERLY INCOME STATEMENTS <sup>1,2</sup>

(\$ thousands, except tonnes, unaudited)						
Three months ended	December 31, 2017	% of Revenue	December 31, 2016	% of Revenue	September 30, 2017	% of Revenue
<b>Revenue</b>	<b>280,495</b>	<b>100%</b>	114,769	100%	362,817	100%
<b>Expenses</b>						
Materials and operating <sup>1</sup>	218,420	78%	109,546	95%	246,393	68%
General and administrative <sup>1</sup>	17,874	6%	12,612	11%	24,276	7%
Operating income / (loss) <sup>1</sup>	44,201	16%	(7,389)	(6%)	92,148	25%
Finance costs	4,212	2%	4,655	4%	3,998	1%
Depreciation and amortization	31,703	11%	16,281	14%	33,157	9%
Foreign exchange loss	399	-%	(331)	-%	2,520	1%
(Gain) on Investments in Keane	(20,651)	(7%)	-	-%	(6,420)	(2%)
Asset impairment	6,523	2%	3,136	3%	-	-%
Finance and other income	(2,148)	(1%)	(66,524)	(58%)	(847)	-%
Income before income taxes	24,163	9%	35,394	31%	59,740	16%
Income tax expense / (recovery)	10,161	4%	(21,539)	(19%)	12,827	4%
<b>Net income – Continuing Operations</b>	<b>14,002</b>	<b>5%</b>	56,933	50%	46,913	13%
Adjusted operating income <sup>1</sup>	46,990	17%	1,111	1%	98,045	27%
Gross profit / (loss) <sup>1</sup>	30,743	11%	(10,064)	(9%)	83,724	23%
Job count <sup>2</sup>	2,909		2,780		3,200	
Revenue per job <sup>1</sup>	96,354		40,746		113,816	
Proppant pumped (tonnes) <sup>2</sup>	397,000		181,000		563,000	

The above financial results reflect the acquisition of Canyon therefore, financial results, when compared to comparative periods, will be affected by the addition of Canyon effective June 2, 2017.

<sup>1</sup> See *Non-GAAP Measures* described on page 21 of this MD&A.

<sup>2</sup> See *Common Industry Terms*

## Sales Mix

Three months ended, (unaudited)	December 31, 2017	December 31, 2016	September 30, 2017
<b>% of Total Revenue</b>			
Fracturing	70%	57%	74%
Cementing	14%	26%	12%
Fluid Management	4%	-%	4%
Coil Tubing	3%	3%	4%
Nitrogen	3%	3%	4%
Acidizing	2%	4%	1%
Industrial Services	3%	5%	1%
Other	1%	2%	-%
Total	100%	100%	100%

### Fourth Quarter 2017 Overview (compared to prior year)

#### Revenue

Continued strong customer demand, increased pricing, and favorable weather and operating conditions, resulted in revenue increasing by 144% from the fourth quarter of 2016. An improved economic environment for our customers resulted in an increase to the WCSB<sup>1</sup> rig count of 12% in Q4 2017 compared to Q4 2016. The higher rig count resulted in strong demand for completions activity, allowing Trican to achieve improved utilization of our personnel and manned equipment in Q4 2017 relative to the same period in 2016. This is evidenced by a 119% increase in total proppant pumped<sup>1</sup> during the quarter. The general undersupply of manned fracturing equipment in the WCSB<sup>1</sup> during 2017 allowed Trican to increase pricing, and combined with larger job sizes, resulted in an increased revenue per job<sup>2</sup>. The change in revenue per job is due to the full quarter addition of Canyon's equipment which was more heavily weighted to fracturing operations. Additionally, relatively larger pricing increases in fracturing compared to other service lines also contributed to the increased revenue per job.

#### Operating Expenses

Materials and operating expenses decreased to 78% of revenue compared to 95% of revenue for Q4 2016. The significant improvement in operating leverage is due to pricing improvement, increased activity and fracturing intensity, a positive impact of realized synergies from the Canyon acquisition, a lower fixed cost structure and the fact that certain clients supply their own proppant.

#### SG&A

SG&A increased for the period primarily due the addition of the acquired Canyon business. Adjusted administrative expenses<sup>2</sup> increased to \$15.1 million in Q4 2017 from \$8.8 million in Q4 2016 as a result of the addition of Canyon, offset by a reduction in the recognized expense from cash-settled share-based compensation expenses. Cash-settled share-based compensation includes restricted share unit expenses, deferred share unit expenses and performance share unit expenses. Increases or decreases in these expenses are correlated to the number of vested units and the movement in Trican's share price.

#### Overall Results Summary

Revenue, gross profit and adjusted operating income<sup>2</sup> in Q4 2017 increased to \$280.5 million, \$30.7 million and \$47.0 million, respectively, when compared to the fourth quarter of 2016. This reflects a significant improvement in pricing and activity levels, the acquisition of Canyon, and an improved fixed cost structure.

<sup>1</sup> See *Common Industry Terms*

<sup>2</sup> See *Non-GAAP Measures* described on page 21 of this MD&A.

Net income in the fourth quarter of 2017 decreased by \$39.7 million from Q4 2016. The fourth quarter of 2016 included \$65.2 million gain on Keane Class C profits interest (see *Investments in Keane* for further discussion on Keane).

#### **Fourth Quarter 2017 Other Expenses and Income (compared to prior year)**

##### *Finance costs*

Finance costs for the fourth quarter of 2017 decreased 10% when compared to the same period of 2016. This decrease is mainly due to the decrease in interest expense on loans and borrowings, due to lower average borrowings, lower impact of debt issue expenses, and lower bank fees associated with debt agreement renegotiations.

##### *Depreciation and Amortization*

Depreciation and amortization expense increased during Q4 2017 compared to Q4 2016 as a result of the recognition of amortization expense associated with equipment and intangible assets originating from the Canyon acquisition.

##### *Foreign Exchange*

A foreign exchange loss of \$0.4 million has been recorded in the fourth quarter of 2017, compared to \$0.3 million gain recorded for the same period in 2016. This is mostly due to foreign exchange losses related to the Company's Investments in Keane. The foreign currency translation of the net assets of international entities are reported in discontinued operations.

##### *Income Taxes*

The Company recorded an income tax expense of \$7.0 million during the fourth quarter of 2017 compared to a recovery of \$21.5 million for the same period of 2016. The expense for the quarter was a result of the Company generating taxable income and approximated the Company's effective tax rate.

##### *Gain/Loss on Investments in Keane*

During the fourth quarter of 2017, the Company recorded \$20.7 million of unrealized gains. See *Investments in Keane* for further discussion.

##### *Other Comprehensive Income ("OCI")*

OCI includes the effects of foreign currency translation ("FCTA") adjusted by the reclassification of FCTA to net income for entities that have been sold or substantially disposed. OCI also includes the change in fair value, net of tax, of Trican's Class A shares, held in Keane Holdings, adjusted by the reclassification to net income for realized gains on the Class A shares. Class A Shares have been classified as available-for-sale.

The Company recorded other OCI of \$20.7 million during the fourth quarter of 2017, compared to income of \$31.7 million during the comparative period. The income included the net unrealized gain on Trican's Class A shares in Keane Holdings which was \$20.6 million, and foreign currency translation gain of \$0.1 million.

#### **Fourth Quarter 2017 Summary (compared with third quarter 2017)**

The strong activity levels experienced in the third quarter continued through the first half of the fourth quarter however, as a number of our customers finalized their 2017 capital programs, activity levels decreased in the second half of the fourth quarter. This, combined with the typical December holiday slowdown resulted in a 23% decrease in revenue when compared with the third quarter of 2017 (see *Fourth Quarter Sequential Overview* for further discussion).

## FOURTH QUARTER DISCONTINUED OPERATIONS (COMPARED TO PRIOR YEAR)

Discontinued operations include the results of pressure pumping operations in the United States and International operations, which were suspended or sold throughout 2015 and 2016. Additionally, discontinued operations include the completion tools business, which was sold in July 2016. The completion tools business had operations in Canada, the United States, Norway and Russia. The decisions to discontinue these businesses are not anticipated to have a significant effect on the continuing operations of the Company.

The net loss from discontinued operations was \$2.4 million in the fourth quarter of 2017, compared to a net loss for the three month period ended December 31, 2016 of \$4.2 million.

Management continues its efforts to wind up foreign operations resulting in assets being classified as held for sale. At December 31, 2017, the net carrying value of the assets and liabilities located in these regions was \$3.1 million and \$3.4 million respectively. The Company also had assets held for sale with a net carrying value of \$10.0 million in continuing operations which consisted mainly of real estate property.

Results from discontinued operations have not been included in the tables above. For information related to Trican's discontinued operations, please see audited annual consolidated financial statements and accompanying notes for the years ended December 31, 2017 and 2016.

## CONTINUING OPERATIONS – COMPARATIVE ANNUAL INCOME STATEMENTS <sup>1,2</sup>

(\$ thousands, except tonnes, unaudited)						
Year-ended	December 31, 2017	% of Revenue	December 31, 2016	% of Revenue	Year-Over -Year Change	% Change
<b>Revenue</b>	<b>929,912</b>	<b>100%</b>	325,179	100%	604,733	186%
<b>Expenses</b>						
Materials and operating <sup>1</sup>	700,202	75%	341,275	105%	358,927	105%
General and administrative <sup>1</sup>	74,699	8%	53,664	17%	21,035	39%
Operating income / (loss) <sup>1</sup>	155,011	17%	(69,760)	(21%)	224,771	322%
Finance costs	14,806	2%	26,016	8%	(11,210)	(43%)
Depreciation and amortization	101,997	11%	70,440	22%	31,557	45%
Foreign exchange loss	4,915	-%	3,058	-%	1,857	61%
Gain on Investments in Keane	(21,406)	(2%)	-	-%	(21,406)	100%
Asset impairment	6,523	1%	5,135	2%	1,388	27%
Finance and other income	(6,766)	(1%)	(70,455)	(22%)	63,689	(90%)
Income / (loss) before income taxes	54,942	6%	(103,954)	(32%)	158,896	(153%)
Income tax expense / (recovery)	34,825	4%	(63,225)	(17%)	98,050	(162%)
<b>Net income / (loss) – Continuing Operations</b>	<b>20,117</b>	<b>2%</b>	<b>(40,729)</b>	<b>(13%)</b>	<b>56,356</b>	<b>(138%)</b>
Adjusted operating income / (loss) <sup>1</sup>	183,314	20%	(37,369)	(11%)	220,683	(591%)
Gross profit / (loss) <sup>1</sup>	131,942	14%	(83,533)	(26%)	215,475	(258%)
Job count <sup>2</sup>	11,930		9,071		2,859	32%
Revenue per job <sup>1</sup>	87,609		35,448		52,161	147%
Proppant pumped (tonnes) <sup>2</sup>	1,488,000		466,000		1,022,000	219%

The above financial results reflect the acquisition of Canyon and include revenue and expenses for the period from June 2, 2017 to December 31, 2017. Financial results, when compared to prior periods, will be affected by the addition of Canyon on June 2, 2017.

<sup>1</sup> See *Non-GAAP Measures* described on page 21 of this MD&A.

<sup>2</sup> See *Common Industry Terms*

## 2017 Overview (compared to prior year)

### *Revenue*

Strong demand for the Company's services in 2017 resulted in revenues increasing by 186% when compared with the prior year. An improvement in the commodity price environment resulted in an increase of the WCSB rig count by 57%, resulting in increased demand for our services. Outside of spring break-up<sup>1</sup> and the second half of Q4 2017, utilization was at or near full capacity during 2017, leading to an increase in job count<sup>1</sup> of 32% and proppant pumped of 219% when compared to the 2016. With the improvement in operating conditions, the Company was able to increase pricing over the prior year. This pricing increase, combined with a shift in the sales mix to fracturing, which has larger job sizes, led to a 147% increase in revenue per job<sup>1</sup> compared to the prior year.

### *Operating Expenses*

Materials and operating expenses primarily relate to product (proppant and chemicals), personnel, and maintenance. Expenses decreased to 75% of revenue compared to 105% of revenue for the same period in 2016. The significant improvement in operating leverage is due to pricing improvement, increased activity, synergies realized from the Canyon acquisition, and a lower fixed cost structure.

### *SG&A*

SG&A increased 39% for the period primarily due to the acquisition of Canyon, and related transaction and severance costs, and the Keane indemnity claim, which was settled in the second quarter of 2017. Adjusted administrative expenses<sup>2</sup> for the year-ended December 31, 2017, increased to \$46.4 million compared to \$39.7 million in 2016. Cost reduction initiatives that occurred throughout 2016 partially offset the increase in adjusted administrative expenses<sup>2</sup> resulting from the acquired Canyon business. Additionally, cash-settled share-based compensation decreased significantly to \$1.3 million in 2017 compared to \$10.4 million in 2016. Cash-settled share-based compensation includes restricted share unit expenses, deferred share unit expenses and performance share unit expenses. Increases or decreases in these expenses are correlated to the number of vested units and the movement in Trican's share price.

### *Overall Results Summary*

Gross profit and adjusted operating income<sup>2</sup> for the year-ended December 31, 2017, increased by \$215.5 million and \$222.2 million, respectively, when compared to 2016. Net income for the year-ended December 31, 2017, was \$20.1 million compared to a net loss of \$40.7 million for the same period last year. This reflects a significant improvement in pricing and activity, the acquisition of Canyon, a gain in the current period from Investments in Keane, and an improved fixed cost structure offset by Canyon acquisition costs.

## 2017 Other Expenses and Income (compared to prior year)

### *Finance costs*

Finance costs for 2017 decreased by \$11.2 million when compared to the same period of 2016. This decrease was mainly due to the decrease in the average borrowings resulting in a lower interest expense.

### *Depreciation and Amortization*

Depreciation and amortization expense of \$102.0 million increased 45% for the year-ended December 31, 2017, compared to the same period of 2016. The increase in depreciation and amortization was primarily due to the acquisition of the Canyon assets.

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<sup>1</sup> See *Common Industry Terms*.

<sup>2</sup> See *Non-GAAP Measures* described on page 21 of this MD&A.

### *Foreign Exchange*

A foreign exchange loss of \$4.9 million was recorded for the year-ended December 31, 2017, compared to a loss of \$3.1 million for the same period in 2016. This is mostly due to foreign exchange losses related to the Company's Investments in Keane. The foreign currency translation of the net assets of international entities are reported in discontinued operations.

### *Income Taxes*

The Company recorded an income tax expense of \$34.8 million during the year-ended December 31, 2017, compared to an income tax recovery of \$63.2 million for the same period of 2016. The higher than anticipated tax rate during 2017 is due to non-deductibility of equity settled stock-based compensation, non-deductibility of certain advisory fees in relation to the Canyon transaction, and due to the transfer of deferred income tax expense from OCI to net income in relation to the Company's realized gain on its investment in Keane. U.S. tax losses are recognized within net income when the initial Keane unrealized gain is recorded in OCI (see *Investments in Keane* for further discussion). The 2016 recovery is due to the difference between taxable losses from the Company's Canadian operations in concert with the recognition of previously unrecognized operating losses of the US entities that offset the taxable gain on the appreciation of the value of Investments in Keane in 2016.

### *Gain/Loss on Investments in Keane*

The Company recorded a gain of \$21.4 million during the year-ended December 31, 2017 (2016 - gain of \$65.2 million). See *Investments in Keane* for further discussion.

### *Other Comprehensive Income*

OCI includes the effects of FCTA, adjusted by the reclassification of FCTA to net income for entities that have been sold or substantially disposed. OCI also includes the change in fair value, net of tax, of Trican's Class A shares in Keane Holdings, adjusted by the reclassification to net income for realized gains on the Class A shares. Class A shares have been classified as available-for-sale.

The Company had an other comprehensive loss of \$4.4 million during the year-ended December 31, 2017, compared to a loss of \$25.3 million during the same period of 2016. The loss included the net unrealized loss on Trican's Class A shares in Keane Holdings which was \$4.7 million, and a foreign currency translation gain of \$0.3 million.

## **ANNUAL DISCONTINUED OPERATIONS (COMPARED TO PRIOR YEAR)**

The net loss from discontinued operations was \$4.6 million for the year-ended December 31, 2017, compared to net income for the year-ended period ended December 31, 2016 of \$11.4 million.

Results from discontinued operations have not been included in the tables above. For information related to Trican's discontinued operations, please see audited annual consolidated financial statements and accompanying notes for the years ended December 31, 2017 and 2016.

## **LIQUIDITY, CAPITAL RESOURCES AND FUTURE OPERATIONS**

### *Working Capital and Cash Requirements*

As at December 31, 2017, the Company had a working capital balance of \$148.8 million compared to \$103.6 million as at December 31, 2016. As at December 31, 2017 trade and other receivables increased to \$209.6 million from \$108.3 million as at December 31, 2016 due to increased activity levels and increased pricing. Inventories increased by \$10.5 million primarily due to higher chemical and proppant levels required for increased activity levels. The Company's working capital position and available operating credit facilities exceed the level required to manage timing differences between cash collections and cash payments.

The Company continually monitors individual customer trade receivables, taking into account numerous factors including industry conditions, payment history and financial condition in assessing credit risk. The Company establishes an allowance for doubtful accounts for specifically identified customer balances which are assessed to have credit risk exposure and also a general provision for financial credit risk. When it is determined that no recovery of the doubtful accounts is expected, the doubtful account is reclassified as a bad debt expense. As at December 31, 2017, accounts receivable includes an allowance for doubtful accounts of \$2.5 million (2016 - \$2.2 million).

## **Operating Activities**

Cash flow from continuing operations was \$143.7 million during the year-ended December 31, 2017, compared to cash flow used in continuing operations for the year-ended December 31, 2016, of \$37.2 million. The net increase in cash flows provided by continuing operations was due to strong operational activity (see *Continuing Operations – Comparative Year-to-Date Income Statements*) offset by funds used in working capital<sup>1</sup>.

## **Investing Activities**

During 2017, Trican sold its National Oilwell Varco Inc. (“NOV”) shares and monetized a portion of the Investments in Keane. Trican obtained net proceeds of approximately US\$21.4 million (\$28.0 million) for the sale of its NOV shares and US\$28.4 million (\$37.8 million) from the sale of shares in the secondary offering of the Keane IPO. The combined net proceeds of approximately US\$49.8 million or \$65.8 million were used to pay down debt. Trican continues to hold Investments in Keane. (see *Investments in Keane* for further discussion of this investment).

The Company acquired all of the issued and outstanding shares of Canyon by issuing 152.5 million common shares to Canyon shareholders. The financial statement components of Canyon recognized by Trican are described in note 3 of the consolidated financial statements.

### *Capital Expenditures*

Capital expenditures related to continuing operations for the year-ended December 31, 2017, totaled \$30.3 million (2016 - \$1.4 million) and proceeds from the sale of property and equipment totaled \$10.6 million for 2017 (2016 - \$8.4 million). Trican regularly reviews its capital equipment requirements and will continue to follow its policy of adjusting the capital budget on a quarterly basis to reflect changing operating conditions, cash flow and capital equipment needs (see *Outlook* section of this MD&A for a description of the 2018 anticipated capital expenditure program).

## **Financing Activities**

### *Senior Notes*

The Company has several series of senior notes outstanding as at December 31, 2017. During the year-ended December 31, 2017, the Company retired the principle amount of Series A Senior Notes on maturity and retired portions in advance of its Series F and G Senior Notes using proceeds from the sale of its marketable securities.

### *Revolving Credit Facility*

As at December 31, 2017, Trican has a \$227.3 million (2016 – \$250 million) extendible revolving credit facility (“RCF”) with a syndicate of banks that is committed until April 18, 2020. The RCF is secured and bears interest at the applicable Canadian prime rate, U.S. prime rate, Banker’s Acceptance rate, or at LIBOR, plus 125 to 400 basis points (2016 – Canadian prime rate, U.S. prime rate, Banker’s Acceptance rate, or at LIBOR, plus 350 to 625 basis points), dependent on certain financial ratios of the Company. The undrawn amount of the RCF is \$184.3 million (2016 - \$110 million) of which \$179.5 million is accessible (2016 - \$35 million accessible).

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<sup>1</sup> See *Non-GAAP Measures* described on page 21 of this MD&A.

due to the Company's Letters of Credit and amounts drawn on the U.S. dollar swing line as at December 31, 2017.

As at December 31, 2017, Trican has a \$10 million (2016 - \$10 million) Letter of Credit facility with its syndicate of banks included in the \$227.3 million above. As at December 31, 2017, Trican had \$4.4 million in letters of credit outstanding (2016 - \$5.1 million).

The Company is required to comply with covenants that are applicable to the RCF and to the Senior Notes. Trican is required to comply with the following leverage and interest coverage ratio covenants:

For the quarter ended	Leverage Ratio	Interest Coverage Ratio	Calculation Basis
December 31, 2017	<4.0x	>2.5x	Last twelve months
Thereafter	<3.0x	>3.0x	Last twelve months

During the quarter ended December 31, 2017, Trican was in compliance with the required debt covenant ratios and we continue to forecast compliance with our covenants in future periods.

The Leverage Ratio is defined as debt excluding Subordinated Make Whole Notes plus Letter of Credit facility minus cash divided by adjusted EBITDA. As at December 31, 2017, the Leverage Ratio was 0.4 (2016 – not applicable).

The Interest Coverage Ratio is defined as adjusted EBITDA divided by interest expense minus paid in-kind interest. As at December 31, 2017, the Interest Coverage Ratio was 18.4 (2016 – not applicable).

Certain non-cash expenses and personnel based expenses such as severance are permitted to be added back to EBITDA to arrive at adjusted EBITDA for covenant calculation purposes.

#### *Share Capital*

As at February 21, 2018, Trican had 334,971,237 common shares and 10,274,223 employee stock options outstanding.

#### *Normal Course Issuer Bid*

On September 28, 2017, the Company announced a new Normal Course Issuer Bid ("NCIB"), commencing October 3, 2017, to purchase up to 34.27 million common shares for cancellation before October 2, 2018.

All purchases will be made at the prevailing market price at the time of purchase and will be subject to a maximum daily purchase volume of 458,628 (being 25% of the average daily trading volume of the common shares for the six months ending August 31, 2017 of 1,834,515 common shares) except as otherwise permitted under the TSX NCIB rules. All common shares purchased under the NCIB will be returned to treasury and cancelled.

For the year-ended December 31, 2017, the Company purchased and cancelled 8,325,989 common shares at a weighted average price per share of \$4.30. As at February 21, 2018, the Company had purchased and cancelled an additional 3,570,900 common shares at a weighted average price per share of \$4.20 pursuant to its NCIB.

## Other Commitments and Contingencies

The Company has commitments for operating lease agreements, primarily for office space, with minimum payments due as of December 31, 2017, and capital commitments, primarily related to major equipment as follows:

December 31, 2017	Payments due by period			Total
	1 year or less	1 to 5 years	5 years and thereafter	
Trade and other payables	\$124,119	\$-	\$-	\$124,119
Senior Notes (including interest)	3,821	41,359	6,017	51,197
RCF (including interest)	1,966	45,553	-	47,519
Finance leases	3,052	5,576	-	\$8,628
Operating leases	4,940	9,063	8,324	22,327
Total Commitments	\$137,898	\$101,551	\$14,341	\$253,790

In addition to the above commitments, the Company has committed to capital expenditures of \$4.7 million, see *Outlook* for further discussion of the Company's 2018 capital program.

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 Litigation and contingencies*

The tax regulations and legislation in the various jurisdictions that the Company operates in are continually changing. As a result, there are usually some tax matters under review. Management believes that it has adequately met and provided for taxes based on the Company's interpretation of the relevant tax legislation and regulations.

## INVESTMENTS IN KEANE

The book value of Trican's Investments in Keane as at December 31, 2017, was \$176.7 million (2016 - \$231.0 million). The decrease was a result of net proceeds received of US\$28.4 million (\$37.8 million) from the sale of shares in the secondary offering of the Keane IPO resulting in a realized gain of \$24.5 million. Although Keane's share price at December 31, 2017, was US\$19.01 compared to the IPO price of US\$19.00, the share price fluctuated significantly since the IPO, which highlights how the commodity price and oilfield services industry environment will likely drive significant volatility in the value of the investments for the duration of our ownership period.

The timing of further liquidity events are largely under the control of Cerberus Capital Management ("Cerberus"), a private equity firm. Effective July 21, 2017, Investments in Keane were no longer subject to the hold period mandated by the Keane IPO. We believe that our interests are aligned with Cerberus to maximize value under a liquidation strategy.

Subsequent to December 31, 2017, the Company received US\$27 million of distributions from its Investments in Keane. Keane Investor Holdings, LLC (Trican holds a 10% ownership) sold 15,230,015 shares of Keane common stock at a price to the public of US\$18.25 per share.

For more information on our Investments in Keane, refer to our AIF dated March 29, 2017, and the notes to our audited annual consolidated financial statements for the years ended December 31, 2017 and 2016, which are available under Trican's profile at [www.sedar.com](http://www.sedar.com).

## SUMMARY OF QUARTERLY RESULTS

(\$ millions, except per share, unaudited)	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue from continuing operations	280.5	362.8	137.2	149.4	114.8	78.0	32.5	99.9
Profit / (loss) from continuing operations	17.2	46.9	8.1	(48.9)	56.9	(14.7)	(40.4)	(42.5)
Per share – basic	0.05	0.14	0.03	(0.25)	0.30	(0.08)	(0.26)	(0.20)
Per share – diluted	0.05	0.13	0.03	(0.25)	0.30	(0.08)	(0.26)	(0.20)
Profit / (loss) from discontinued operations	(2.4)	-	(2.2)	(1.3)	(4.1)	(23.4)	(24.7)	63.4
Per share – basic and diluted	(0.01)	-	(0.01)	(0.01)	(0.03)	(0.12)	(0.16)	0.37
Profit / (loss) for the period	14.8	46.2	5.9	(50.2)	52.8	(38.1)	(65.1)	20.9
Per share – basic	0.05	0.14	0.02	(0.26)	0.27	(0.20)	(0.42)	0.17
Per share – diluted	0.05	0.13	0.02	(0.26)	0.27	(0.20)	(0.42)	0.17

Increased revenue during Q3 and Q4 2017 is due in part to the acquisition of Canyon on June 2, 2017. The Company experienced weak financial results from continuing operations in 2016 as lower revenues and loss were negatively impacted by lower commodity prices (For further discussion of the industry environment, see *Business Environment*). Q4 2016 was positively affected by gains on its Investments in Keane. Revenue during Q2 2017 was negatively impacted by seasonal weather related delays typical of spring break-up<sup>1</sup>. 2017 has experienced progressively improved pricing which has resulted in overall improved financial results.

## FINANCIAL INSTRUMENTS

The Company initially measures its financial instruments at fair value upon initial recognition of the transaction. Measurement in subsequent periods is dependent on whether the instrument is classified as “financial liabilities measured at amortized cost”, a “financial asset or financial liability at fair value through profit or loss”, or “financial assets or financial liabilities at fair value through other comprehensive income”.

The Company’s “financial liabilities measured at amortized cost” consist of loans and borrowings and trade and other payables. They are recognized 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.

On January 20, 2017, Keane Group, Inc. 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 have been transferred to Keane Holdings. Effectively, our Class A shares and Class C profits interest in Keane Group Holdings, LLC are now Class A common shares (Equity Interest) and Class C shares (Profit Interest) in Keane Holdings. The Company owns 100% of the Class C shares (“Profits Interest in Keane”) in Keane Holdings on the close of the sale of its U.S. pressure pumping business which has been categorized as a “financial asset or financial liability at fair value through profit or loss”. Changes in fair value are recognized in the consolidated statement of operations and comprehensive income (loss).

The Company owns 10% of the Class A shares in Keane (“Equity Interest in Keane”) in Keane Holdings on the close of the sale of its U.S. pressure pumping business which has been categorized as “financial assets or financial liabilities at fair value through other comprehensive income”. Changes in fair value are recognized in other comprehensive loss in the consolidated statement of comprehensive income.

The fair value of Class A and Class C shares was calculated based on an estimate of Trican's portion of future liquidity events using US\$19.01 per FRAC share, and a model risk adjusted rate of 30% for the Class C shares. The risk adjustment considered several estimates for uncertainties relating to Trican's non-controlling interest in the Keane Holdings and the timing and price of future liquidity events. The calculation of the fair value of the Class A and Class C shares also utilized the following distribution schedule:

Year ending March 15, 2018: 25% of outstanding shares after the IPO

Year ending March 15, 2019: 50% of outstanding shares after the IPO

Year ending March 15, 2020: 25% of outstanding shares after the IPO

#### Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements as at December 31, 2017, other than the operating leases described above under *Liquidity Risk*.

### **ACCOUNTING POLICIES AND ESTIMATES**

The Company's International Financial Reporting Standards (IFRS) accounting policies and future accounting pronouncements are provided in note 2 to the Annual Consolidated Financial Statements as at and for the years ended December 31, 2017 and 2016.

#### **Critical Accounting Estimates and Judgments**

In the preparation of the Company's Consolidated Financial Statements, management has made estimates that affect the recorded amounts of certain assets, liabilities, revenues and expenses. Actual results could differ from these estimates. Estimates and judgments used are based on management's experience and the assumptions used are believed to be reasonable given the circumstances that exist at the time the Consolidated Financial Statements are prepared. Please refer to the note 2 to the Consolidated Financial Statements for the years ended December 31, 2017 and 2016 for a description of the accounting policies of the Company. The Company considers the following to be the significant accounting policies and practices involving the use of estimates and judgments that are critical to determining Trican's financial results.

#### **Key Sources of Estimation Uncertainty**

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 CGU's 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, probability of loss and can a reliable estimate 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

The Company uses a cash flow model to determine the fair value of its ownership in Keane Holdings (“Investments in Keane”). Inputs to the model are subject to various estimates relating to the timing and size of liquidity events, the price at which shares are sold, discounts on Profit Interest and volatility of the share price. Fair value inputs are subject to market factors as well as internal estimates. The Company uses a waterfall table to calculate estimated proceeds in accordance with the Keane Holdings' operating agreement.

### Allowance for Doubtful Accounts

An allowance for doubtful accounts is recorded when there is objective evidence that the collection of the full amount is no longer probable under the terms of the original invoice. Impaired receivables are derecognized when they are assessed as uncollectible. Amounts estimated represent management's best estimate of probability of collection of amounts from customers.

### 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.).

### **BUSINESS RISKS**

Our business is subject to certain risks and uncertainties. Prior to making any investment decision regarding Trican, investors should carefully consider, among other things, the risks described herein (including the risks and uncertainties listed in the Forward-Looking Statements section in this MD&A) and the risk factors set forth in the most recently filed AIF of the Company available on SEDAR and can be accessed at [www.sedar.com](http://www.sedar.com). Other than risks described within this MD&A, including within this section, the Company's risk factors and management of those risks has not changed substantially from the most recently filed AIF.

#### **Credit Risk and Dependence on Major Customers**

The Company's accounts receivable are due from customers that operate in the oil and gas exploration and production industry, and are subject to typical industry credit risks that include oil and natural gas price fluctuations and the customers' ability to secure appropriate financing. The Company assesses the credit worthiness of its customers, and monitors accounts receivable outstanding on a regular, ongoing basis.

The Company has a customer base of more than 60 exploration and production entities, ranging from large multinational public entities to small private companies. Notwithstanding the Company's significant customer base, two customers accounted for 28.2% (2016 – one customer accounted for 14.9%) of the Company's accounts receivable while two customers accounted for 22.0% (2016 – one customer accounted for 17.0%) of its revenues.

Standard payment terms for the industry are 30-60 days from the invoice date, however industry practice allows payment for up to 70 days after the invoice date.

### **Integration Risk**

The Company continues to integrate Canyon into its continuing operations and is therefore subject to business risk associated with these activities.

### **Transportation Risk specific to Canadian Oil and Natural Gas prices trading below North American pricing index**

The bottleneck into the US market for heavy oil refining capacity combined with increasing transportation costs due to the need for pipeline capacity, has caused a more significant price gap between Canadian oil and WTI pricing. Canadian natural gas price volatility continues due to maintenance projects on natural gas transportation infrastructure, and increased US natural gas supply volumes from shale gas additions. The price differential for Canadian natural gas and heavy oil affects our customer's cash flow and ultimately the demand for our services.

## **CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

Disclosure controls and procedures (DC&P), as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), are designed to provide reasonable assurance that information required to be disclosed in reports filed with, or submitted to, securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified under Canadian securities law. DC&P include controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

The Chief Executive Officer and the Chief Financial Officer of Trican evaluated the effectiveness of the design and operation of the Company's DC&P. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Trican's DC&P were effective as at December 31, 2017.

### **Internal Control Over Financial Reporting**

Trican's Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting (ICFR), as such term is defined in NI 52-109. They have, as at the financial year-ended December 31, 2017, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework the officers used to design Trican's ICFR is the Internal Control - Integrated Framework (2013) published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Trican's ICFR includes policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions, acquisitions and dispositions of assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles; and
- Provide reasonable assurance regarding prevention, or timely detection, of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Trican conducted an evaluation of the effectiveness of its ICFR as at December 31, 2017, based on the COSO Framework, under the supervision of the Chief Executive Officer and the Chief Financial Officer. Based on this evaluation, the Officers concluded that as of December 31, 2017, Trican's ICFR is effective.

While the Officers believe that Trican's controls are effective, they do not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, provides reasonable, but not absolute, assurance that the objectives of the control system are met.

There have been no changes in Trican's internal control over financial reporting that occurred during the year-ended December 31, 2017, which have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Management has limited the scope on the design of disclosure controls and procedures and internal control over financial reporting of Trican to exclude the controls, policies and procedures of Canyon. Canyon's balance sheet is included in the December 31 2017, consolidated financial statements of Trican. The scope limitation is in accordance with Section 3.3 of National Instrument 52-109, 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. Trican intends to complete the design of disclosure controls and procedures and internal control over financial reporting of Canyon by June 30, 2018.

The table below summarizes the financial information for Canyon included in the December 31, 2017 audited financial statements of Trican:

(\$ thousands)	Canyon
Current assets	96,233
Non-current assets	318,793
Current liabilities	46,432
Non-current liabilities	36,626
Revenue	342,673
Net income before tax	23,781

## TRICAN ESTIMATED COMBINED FINANCIAL RESULTS

The following tables summarize the combined operating results of Trican and Canyon for the year-ended December 31, 2017. The calculated combined financial results are estimates and may not be representative of financial results had the Canyon acquisition actually occurred on January 1, 2017:

(\$ thousands; unaudited)	Year-ended December 31, 2017 - Trican	Period from January 1, 2017 to June 1, 2017 - Canyon	Year-ended December 31, 2017 - Combined
Revenue	929,912	213,291	1,143,203
Consolidated gross profit / (loss) (IFRS financial measure)	131,942	23,238	155,180
Deduct:			
Administrative expenses	(78,928)	(19,735)	(98,663)
Add:			
Depreciation & amortization	4,229	3,268	7,497
Depreciation expense - cost of sales	97,768	19,124	116,892
Consolidated operating income	155,011	25,895	180,906
Add:			
Transaction costs	9,917	2,443	12,360
Amortization of debt issuance costs	2,635	-	2,635
Equity-settled share-based compensation	5,027	2,009	7,036
Keane indemnity claim	2,158	-	2,158
Severance costs	8,566	1,910	10,476
Adjusted operating income <sup>1</sup>	183,314	32,257	215,571

As part of the acquisition, the Company assumed \$43 million in long-term debt held by Canyon. 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.

The Company incurred costs related to the acquisition of Canyon for the three months and year-ended December 31, 2017, of \$0.7 million and \$18.5 million, respectively. 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.

### NON-GAAP DISCLOSURE

Certain terms in this MD&A, including operating income / (loss), adjusted operating income / (loss) and adjusted administrative expenses do not have any standardized meaning as prescribed by IFRS and, therefore, are considered non-GAAP measures.

### Consolidated Gross Income/(Loss) to Adjusted Consolidated Operating Income/(Loss)

Operating income / (loss) and adjusted operating income / (loss) have been reconciled to gross profit / (loss), being the most directly comparable measures calculated in accordance with IFRS.

Adjusted operating income provides investors with an indication of operating income before equity-settled share-based compensation, amortization of debt costs, severance costs and excludes items significant but not reflective of our ongoing operations for the period. It provides investors with an indication of comparable operating income / (loss) between periods and provides an indication of measures used for debt covenant calculations.

<sup>1</sup> See *Non-GAAP Measures* described on page 21 of this MD&A.

(\$ thousands; unaudited)	Three months ended			Year-ended	
	December 31, 2017	December 31, 2016	September 30, 2017	December 31, 2017	December 31, 2016
Consolidated gross (loss) / profit (IFRS financial measure)	<b>30,743</b>	(10,064)	83,724	<b>131,942</b>	(83,533)
Deduct:					
Administrative expenses	<b>(18,245)</b>	(13,606)	(24,733)	<b>(78,928)</b>	(56,667)
Add:					
Depreciation & amortization	<b>371</b>	1,881	457	<b>4,229</b>	8,631
Depreciation expense – cost of sales	<b>31,332</b>	14,400	32,700	<b>97,768</b>	61,809
Consolidated operating (loss) / income	<b>44,201</b>	(7,389)	92,148	<b>155,011</b>	(69,760)
Add:					
Transaction costs	<b>347</b>	-	971	<b>9,917</b>	-
Amortization of debt issuance costs	<b>677</b>	653	653	<b>2,635</b>	3,776
Equity-settled share-based compensation	<b>1,365</b>	676	1,280	<b>5,027</b>	2,809
Keane indemnity claim	-	-	-	<b>2,158</b>	-
Severance costs	<b>400</b>	1,636	2,993	<b>8,566</b>	20,149
Inventory write-down	-	5,535	-	-	5,535
Professional fees related to restructuring	-	-	-	-	122
Adjusted consolidated operating income / (loss)	<b>46,990</b>	1,111	98,045	<b>183,314</b>	(37,369)

### Adjusted Administrative Expenses

Adjusted administrative expenses have been reconciled to administrative expenses, being the most directly comparable measure calculated in accordance with IFRS.

Adjusted administrative expenses provides investors with an indication of cash administrative expenses excluding non-cash expenses and other significant expenses that management has determined are less reflective of our ongoing operations for the period. Therefore, adjusted administrative expenses is presented before equity-settled share-based compensation, amortization of debt costs, severance costs and Canyon acquisition costs. It provides investors with a more effective basis with which to measure period changes in standardized cash administrative expenses. In addition, it should assist investors in evaluating the calculation of adjusted EBITDA used in covenant calculations as described in Financing Activities section of this MD&A.

(\$ thousands, unaudited)	Three months ended			Year-ended	
	December 31, 2017	December 31, 2016	September 30, 2017	December 31, 2017	December 31, 2016
<b>Three months ended,</b>					
Total administrative expenses	<b>17,874</b>	12,612	24,276	<b>74,699</b>	48,036
<b>Adjusted for:</b>					
Transaction costs	<b>347</b>	-	971	<b>9,917</b>	-
Amortization of debt issuance costs	<b>677</b>	653	653	<b>2,635</b>	3,776
Equity-settled share-based compensation	<b>1,365</b>	677	1,280	<b>5,027</b>	2,809
Keane indemnity claim	-	-	-	<b>2,158</b>	-
Severance costs	<b>400</b>	1,636	2,993	<b>8,566</b>	20,149
Professional fees related to restructuring	-	-	-	-	122
Adjusted administrative expenses	<b>15,085</b>	8,842	18,379	<b>46,396</b>	21,181
Cash-settled share-based compensation	<b>(478)</b>	4,646	2,769	<b>1,278</b>	10,386

### Other Non-Standard Financial Terms

In addition to the above non-GAAP financial measures, this MD&A makes reference to the following non-standard financial terms. These terms may differ from similar measures used by other companies.

#### *Adjusted operating income %*

Adjusted operating % is determined by dividing adjusted consolidated operating income by revenue from continuing operations.

#### *Net debt*

Net debt is calculated as the total of loans and borrowings less cash and cash equivalents.

#### *Synergies*

Synergies represent the Company's estimate of ongoing savings that can be achieved as a result of the Canyon Transaction. Synergies are generally measured on annual basis, but may be broken into specific periods of time. Prospective cost efficiencies are anticipated to be measured as business efficiencies and will no longer be measured as synergies.

#### *Transaction costs*

Transaction costs and/or Trican acquisition costs are costs incurred to assist in evaluating and completing the acquisition of Canyon, including legal, advisory and accounting related fees.

#### *Revenue per job*

Calculation is determined based on total revenue from continuing operations divided by total job count. This calculation may fluctuate based on both pricing, sales mix and method with which the customer requests its invoices.

#### *Working capital*

Working capital is calculated as current assets minus current liabilities, excluding cash and loans and borrowings.

### *Trican estimated combined financial results*

Financial information is provided to assist the reader in understanding the financial effect of the Canyon acquisition if it occurred at the start of 2017 for purposes of evaluating the business. The combined financial results presentation may differ from other forms of pro forma calculations. The financial information is unaudited.

## **COMMON INDUSTRY TERMS**

The following is a list of abbreviations, terms and other items that are commonly referred to in the oilfield services business and internally at Trican. The terms, calculations and definitions may differ from those used by other oilfield services businesses and may not be comparable. Some of the terms which may be used in this MD&A are as follows:

### **Measurement:**

Tonne Metric tonne

### **Places and Currencies:**

US United States  
WCSB Western Canadian Sedimentary Basin (an oil and natural gas producing area of Canada generally considered to cover a region from south west Manitoba to north east BC)

\$ or CDN\$ Canadian dollars  
US\$ or USD United States dollars

### **Common Business Terms:**

Canadian average drilling rig count The estimated average number of drilling rigs operating in the WCSB at a specified time reported in this MD&A as annual and quarterly averages.

Spring break-up In the WCSB during the spring season, provincial governments and rural municipalities (or counties) ban heavy equipment from roads to prevent damage. It becomes difficult, and in some case impossible, to continue to work during this period and therefore activity in the oilfield is often reduced.

Fluid end Hydraulic fracturing pumpers have a multiplex pump that pressurizes fracturing fluid for transfer down the wellbore. The multiplex pump consists of a power end and a fluid end. The power end houses a crankshaft that is connected to a spacer block that contains connecting rods that drive the individual plungers contained in the fluid end. The abrasive sand and fluid mixture is pumped through the fluid end at pressures of up to 15,000 pound-force per square inch (PSI), or 103 megapascals (MPA), which will wear out the fluid end. It is a modular unit that can be replaced independent of the power end and spacer block.

### **Company Specific Industry Terms:**

Proppant A solid material, typically sand, treated sand or man-made ceramic materials, designed to keep an induced hydraulic fracture open during and following a fracturing treatment.

Proppant Pumped The Company uses this as one measure of activity levels within the Pressure Pumping segment. The correlation of proppant pumped to Pressure Pumping activity may vary in

	the future depending upon changes in fracturing intensity, weight of proppant used, and job mix.
Job count	A job is essentially represented by an invoice. The frequency of invoices may differ as to how often the customer requests to be billed during a project. Additionally, the size and scope of a job can impact the length of time and cost on a job. Therefore, a job can vary greatly in time and expense.
HHP	Hydraulic horse power which is generally the measure of an individual hydraulic fracturing pump and a company's hydraulic fracturing fleet size.
Canadian segment HHP	Refers to the total available HHP in the Trican hydraulic fracturing fleet. The figures are presented in both the average available during the given period and the HHP available at the end of a specified period.
Active crewed HHP	Represents the total HHP that Trican has been activated or is currently operating. This figure is presented as at the end of a specified period.
Active, maintenance/not crewed HHP	This is fracturing equipment that is in the periodic maintenance cycle, which includes equipment that has completed a routine maintenance period and is ready for work, but no available crew to operate the equipment.
Parked HHP	Fracturing equipment that is not currently in the active and not in the maintenance cycle. Minimal reactivation cost is required to activate the equipment.
Period average active, crewed HHP	Fracturing equipment that has, on average, been active and crewed for the period.

## FORWARD-LOOKING STATEMENTS

Certain statements contained in this document constitute forward-looking information and statements (collectively "forward-looking statements"). These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "achieve", "estimate", "expect", "intend", "plan", "planned", and other similar terms and phrases. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. We believe the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this document should not be unduly relied upon. These statements speak only as of the date of this document.

In particular, this document contains forward-looking statements pertaining to, but not limited to, the following:

- anticipated industry activity levels in jurisdictions where the Company operates, as well as expectations regarding our customers' work programs, business plans and equipment utilization levels;
- expectations regarding increased proppant usage and sand loading levels;
- anticipated adjustments to our active equipment fleet, and related adjustments to cost structure;
- expectations regarding the Company's cost structure;
- expectations regarding future maintenance costs;
- expectations regarding fluid ends reaching their maximum lifespan within a 12 month period;
- anticipated pricing and customer allocation for fracturing services;

- expectations regarding the Company's equipment utilization levels and demand for our services for 2018;
- expectations regarding capital spending for 2018;
- expectations regarding increases to capital expenditures due to increased fracture intensity;
- expectations regarding the Company's financial results, working capital levels, liquidity and profits;
- expectations regarding the quantity of proppant pumped per well;
- expectations regarding pricing of the Company's services;
- expectations regarding the integration of Canyon and the anticipated benefits and synergies of the Canyon transaction and savings as a result thereof;
- expectations regarding the timing, value and realized cash flow from the Investments in Keane;
- expectations regarding the impact of discontinued operations in various international regions on the Company going forward;
- anticipated ability of the Company to meet foreseeable funding requirements;
- anticipated compliance with debt and other covenants under its revolving credit facilities;
- expectations regarding the potential outcome of contingent liabilities;
- expectations surrounding weather and seasonal slowdowns; and
- expectations regarding the impact of new accounting standards and interpretations not yet adopted.

Our actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and in the "Risk Factors" section of our AIF dated March 29, 2017:

- volatility in market prices for oil and natural gas;
- liabilities inherent in oil and natural gas operations;
- competition from other suppliers of oil and gas services;
- competition for skilled personnel;
- changes in income tax laws or changes in other laws and incentive programs relating to the oil and gas industry; and
- changes in political, business, military and economic conditions in key regions of the world.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Forward-looking statements are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although management of Trican believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because Trican can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: crude oil and natural gas prices; the impact of increasing competition; the general stability of the economic and political environment; the timely receipt of any required regulatory approvals; synergies from the Canyon acquisition; the Company's ability to continue its operations for the foreseeable future and to realize its assets and discharge its liabilities and commitments in the normal course of business; industry activity levels; Trican's policies with respect to acquisitions; the ability of Trican to obtain qualified staff, equipment and services in a timely and cost efficient manner; the ability to operate our business in a safe, efficient and effective manner; the ability of Trican to obtain capital resources and adequate sources of liquidity; the performance and characteristics of various business segments; the regulatory framework; the timing and effect of pipeline, storage and facility construction and expansion; and future commodity, currency, exchange and interest rates.

The forward-looking statements contained in this document are expressly qualified by this cautionary statement. We do not undertake any obligation to publicly update or revise any forward-looking statements except as required by applicable law.

Additional information regarding Trican including Trican's most recent AIF is available under Trican's profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

## **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 limited the scope on the design of disclosure controls and procedures and internal control over financial reporting of Trican to exclude the controls, policies and procedures of Canyon. Canyon's balance sheet is included in the December 31, 2017, consolidated financial statements of Trican. The scope limitation is in accordance with Section 3.3 of National Instrument 52-109, 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. Trican intends to complete the design of disclosure controls and procedures and internal control over financial reporting of Canyon by June 30, 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 annual report 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, 2017. 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 21, 2018



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205 5th Avenue SW  
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T2P 4B9  
Telephone (403) 691-8000  
Fax (403) 691-8008  
www.kpmg.ca

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Trican Well Service Ltd.

We have audited the accompanying consolidated financial statements of Trican Well Service Ltd., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, the consolidated statements of comprehensive income / (loss), changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Trican Well Service Ltd. as at December 31, 2017 and December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

February 21, 2018

Calgary, Canada

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Stated in thousands)

As at December 31,

2017

2016

### ASSETS

#### Current assets

Cash and cash equivalents (note 5)	\$12,739	\$20,254
Trade and other receivables (note 6)	209,595	108,266
Current tax assets	-	16,345
Inventory (note 7)	36,975	26,426
Prepaid expenses	4,718	4,056
Currency derivatives (note 18)	15,155	-
Marketable securities (note 18)	-	28,062
Assets held for sale (note 4)	12,900	8,667

**292,082** 212,076

Property and equipment (note 8)	718,664	432,401
Intangible assets (note 9)	57,477	213
Investments in Keane (note 18)	176,747	230,976
Currency derivatives (note 18)	-	17,479
Other assets	216	3,041
Goodwill (note 9)	261,031	19,251

**\$1,506,217** \$915,437

### LIABILITIES AND SHAREHOLDERS' EQUITY

#### Current liabilities

Trade and other payables (note 10)	\$127,171	\$87,956
Current tax liabilities	3,245	-
Current portion of loans and borrowings (note 11)	20,408	9,790
Liabilities held for sale (note 4)	118	279

**150,942** 98,025

Loans and borrowings (note 11)	83,360	211,776
Deferred tax liabilities (note 17)	95,867	37,917

#### Shareholders' equity

Share capital (note 12)	1,236,618	638,377
Contributed surplus	78,629	74,223
Accumulated other comprehensive income (note 12)	36,222	40,652
Deficit	(175,421)	(184,243)

Total equity attributable to equity holders of the Company **1,176,048** 569,009

Non-controlling interest - (1,290)

**\$1,506,217** \$915,437

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 INCOME/ (LOSS)**

(Stated in thousands, except per share amounts)

For the year ended December 31,

2017

2016

<b>Continuing operations</b>		
Revenue	\$929,912	\$325,179
Cost of sales (note 15)	797,970	408,712
<b>Gross profit / (loss)</b>	<b>131,942</b>	<b>(83,533)</b>
Administrative expenses (note 15)	78,928	56,667
Other income	(5,544)	(2,130)
<b>Results from operating activities</b>	<b>58,558</b>	<b>(138,070)</b>
Finance income (note 21)	(1,222)	(3,119)
Finance costs (note 21)	14,806	26,016
Gain on investments in Keane (note 18)	(21,406)	(65,206)
Foreign exchange loss	4,915	3,058
Asset impairments (note 16)	6,523	5,135
<b>Profit / (loss) before income tax</b>	<b>54,942</b>	<b>(103,954)</b>
Income tax expense / (recovery) (note 17)	34,825	(63,225)
<b>Profit / (loss) from continuing operations</b>	<b>\$20,117</b>	<b>(\$40,729)</b>
<b>Discontinued operations</b>		
(Loss) / profit from discontinued operations, net of taxes (note 4)	(4,622)	11,401
<b>Profit / (loss) for the year</b>	<b>\$15,495</b>	<b>(\$29,328)</b>
Other comprehensive income / (loss)		
Unrealized gain on Equity Interest in Keane	6,451	41,174
Reclassification of realized gain on Equity Interest of Keane, net of tax expense (\$13,324) to net income	(11,206)	-
Foreign currency translation gain	325	1,026
Reclassification of foreign currency translation gain on substantial disposition or sale of foreign operations	-	(67,540)
<b>Total comprehensive income / (loss)</b>	<b>\$11,065</b>	<b>(\$54,668)</b>
<b>Profit / (loss) attributable to:</b>		
Owners of the Company	14,205	(29,534)
Non-controlling interest	1,290	206
<b>Profit / (loss) for the year</b>	<b>\$15,495</b>	<b>(\$29,328)</b>
<b>Total comprehensive income / (loss) attributable to:</b>		
Owners of the Company	9,775	(54,874)
Non-controlling interest	1,290	206
<b>Total comprehensive income / (loss)</b>	<b>\$11,065</b>	<b>(\$54,668)</b>
Earnings / (loss) per share - basic and diluted (note 13)		
Continuing operations – basic and diluted	\$0.07	(\$0.24)
Discontinued operations – basic and diluted	(\$0.02)	\$0.06
Net income / loss – basic and diluted	\$0.05	(\$0.18)
Weighted average shares outstanding – basic	281,817	172,387
Weighted average shares outstanding – diluted	284,615	172,387

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	Deficit	Total	Non- controlling Interest	Total equity
Balance at January 1, 2016	\$570,337	\$72,082	\$65,985	(\$154,709)	\$553,695	(\$1,694)	\$552,001
(Loss) / income for the year	-	-	-	(29,534)	(29,534)	206	(29,328)
Foreign currency translation gain / (loss)	-	-	1,033	-	1,033	(7)	1,026
Share-based compensation expense	-	2,809	-	-	2,809	-	2,809
Share options exercised	2,114	(668)	-	-	1,446	-	1,446
Issuance of shares (net of issuance cost)	65,926	-	-	-	65,926	-	65,926
Reduction of non-controlling interest in Colombia	-	-	-	-	-	205	205
Unrealized gain on Equity Interest in Keane	-	-	41,174	-	41,174	-	41,174
Reclassification of foreign currency translation gain on substantial disposal of foreign operations	-	-	(67,540)	-	(67,540)	-	(67,540)
<b>Balance at December 31, 2016</b>	<b>\$638,377</b>	<b>\$74,223</b>	<b>\$40,652</b>	<b>(\$184,243)</b>	<b>\$569,009</b>	<b>(\$1,290)</b>	<b>\$567,719</b>
<b>Balance at January 1, 2017</b>	<b>\$638,377</b>	<b>\$74,223</b>	<b>\$40,652</b>	<b>(\$184,243)</b>	<b>\$569,009</b>	<b>(\$1,290)</b>	<b>\$567,719</b>
<b>Income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,205</b>	<b>14,205</b>	<b>54</b>	<b>14,259</b>
<b>Foreign currency translation (loss)</b>	<b>-</b>	<b>-</b>	<b>325</b>	<b>-</b>	<b>325</b>	<b>-</b>	<b>325</b>
<b>Share-based compensation expense</b>	<b>-</b>	<b>5,027</b>	<b>-</b>	<b>-</b>	<b>5,027</b>	<b>-</b>	<b>5,027</b>
<b>Share options exercised</b>	<b>1,798</b>	<b>(621)</b>	<b>-</b>	<b>-</b>	<b>1,177</b>	<b>-</b>	<b>1,177</b>
<b>Issuance of shares (note 3)</b>	<b>626,979</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>626,979</b>	<b>-</b>	<b>626,979</b>
<b>Reduction of non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,236</b>	<b>1,236</b>
<b>Unrealized gain on Equity Interest in Keane</b>	<b>-</b>	<b>-</b>	<b>6,451</b>	<b>-</b>	<b>6,451</b>	<b>-</b>	<b>6,451</b>
<b>Reclassification of realized gain on Equity Interest in Keane to net income</b>	<b>-</b>	<b>-</b>	<b>(11,206)</b>	<b>-</b>	<b>(11,206)</b>	<b>-</b>	<b>(11,206)</b>
<b>Shares cancelled under Normal Course Issuer Bid</b>	<b>(30,536)</b>	<b>-</b>	<b>-</b>	<b>(5,383)</b>	<b>(35,919)</b>	<b>-</b>	<b>(35,919)</b>
<b>Balance at December 31, 2017</b>	<b>\$1,236,618</b>	<b>\$78,629</b>	<b>\$36,222</b>	<b>(\$175,421)</b>	<b>\$1,176,048</b>	<b>\$-</b>	<b>\$1,176,048</b>

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Stated in thousands)

	2017	2016
Cash Provided By / (Used In):		
<b>Operations</b>		
Profit / (loss) from continuing operations	\$20,117	(\$40,729)
Charges to income not involving cash:		
Depreciation and amortization	101,997	70,439
Amortization of debt issuance costs	2,634	3,776
Share-based compensation	5,027	2,809
Gain on disposal of property and equipment	(2,680)	(1,767)
Net finance costs	14,257	24,989
Unrealized foreign exchange gain	(4,057)	(5,183)
Asset Impairments	6,523	5,135
Unrealized gain on marketable securities	(673)	(3,069)
Realized gain on Keane	(24,530)	-
Unrealized (gain) / loss on Keane	3,124	(65,206)
Income tax expense / (recovery)	34,825	(63,225)
Change in inventories	1,988	10,099
Change in trade and other receivables	(24,777)	37,223
Change in prepaid expenses	1,647	1,782
Change in trade and other payables	(10,171)	10,053
Interest paid	(14,722)	(22,444)
Income tax received / (paid)	33,137	(1,856)
Continuing operations	143,666	(37,174)
Discontinued operations	(10,088)	(56,760)
Cash flow (used in) / from operating activities	133,578	(93,934)
<b>Investing</b>		
Proceeds from a loan to unrelated third party	8,659	1,246
Purchase of property and equipment	(30,309)	(1,448)
Proceeds from the sale of property and equipment	10,588	8,356
Proceeds from sale of marketable securities	28,047	-
Proceeds from Investment in Keane	37,757	-
Cash acquired on acquisition	6,222	-
Continuing operations	60,964	8,154
Consideration on sale of discontinued operations	-	296,185
Discontinued operations	1,207	1,413
Cash flow from investing activities	62,171	305,752
<b>Financing</b>		
Net proceeds from issuance of share capital	1,177	67,368
Debt retired on acquisition	(43,000)	-
Repayment of long-term debt, net of debt issuance costs	(100,152)	(64,014)
Issuance of Senior Notes	-	14,066
Repayment of Senior Notes	(21,892)	(257,251)
Payment of finance lease	(2,884)	-
Repurchase and cancellation of shares under Normal Course Issuer Bid	(35,919)	-
Cash flow (used in) / from financing activities – continuing operations	(202,670)	(239,831)
<b>Effect of exchange rate changes on cash</b>	<b>(594)</b>	<b>(850)</b>
(Decrease) / Increase in cash and cash equivalents		
Continuing operations	1,960	(268,851)
Discontinued operations	(9,475)	239,988
Cash and cash equivalents, beginning of year	20,254	49,117
Cash and cash equivalents, end of year	\$12,739	\$20,254

See accompanying notes to the consolidated financial statements.

## Notes to Consolidated Financial Statements

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For the years ended December 31, 2017 and 2016

### NOTE 1 – NATURE OF BUSINESS, FUTURE OPERATIONS 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. At December 31, 2017, the Company also has a minority ownership interest of Keane Investor Holdings, LLC (“Keane Holdings”) in the United States. Trican acquired its interest in Keane Holdings in conjunction with the sale of its US operation (see note 18). The Company purchased 100% of the common shares of Canyon Services Group Inc. (“Canyon”) (see note 3) 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 an historical costs 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.

These consolidated financial statements were approved by the Board of Directors on February 21, 2018.

#### 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 judgements and assessment of the CGU's ability to generate independent cash inflows. Judgements 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

The Company uses a cash flow model to determine the fair value of its ownership in Keane Holdings (“Investments in Keane”). Inputs to the model are subject to various estimates relating to the timing and size of liquidity events, the price at which shares are sold, discounts on Profit Interest and volatility of the share price. Fair value inputs are subject to market factors as well as internal estimates. The Company uses a waterfall table to calculate estimated proceeds in accordance with the Keane Holdings' operating agreement.

### Allowance for Doubtful Accounts

An allowance for doubtful accounts is recorded when there is objective evidence that the collection of the full amount is no longer probable under the terms of the original invoice. Impaired receivables are derecognized when they are assessed as uncollectible. Amounts estimated represent management's best estimate of probability of collection of amounts from customers.

### 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 and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### **Inventory**

Inventory is measured at the lower of cost and net realizable value. The cost of inventory is determined using the standard cost method which are valued using the 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 or 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%-50%).

During 2017, the Company revised its useful life depreciation estimate and salvage value for certain of its components relating to field equipment. This change was adopted as a change in accounting estimate on a prospective basis.

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 cash generating unit (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.

Order backlog relate to the Company's acquisitions and are recorded at their estimated fair value on the acquisition date and are fully amortized on a straight line basis over 4 months.

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

## **Financial instruments**

### *Non-derivative financial assets*

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

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any

interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

#### Loans and receivables

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

Loans and receivables comprise trade and other receivables.

#### Financial Instruments – Available for sale

The Company owns 10% of the Class A shares (“Equity Interest in Keane”) in Keane Holdings, which was received on the close of the sale of its U.S. pressure pumping business (note 4). These securities were initially recognized at fair value. Subsequent changes in the fair value are recognized through other comprehensive income (OCI). Realized gains or losses on disposal or losses considered other than temporary are transferred from OCI to profit and loss.

#### Financial Instruments – Fair value through profit and loss

The Company owns 100% of the Class C shares (“Profit Interest in Keane”) in Keane Holdings, which has been categorized as a derivative asset. 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. Investment in Keane, marketable securities, and currency derivatives are already carried at fair value. Any losses on the Equity Interest in Keane considered other than temporary are transferred from OCI to profit and loss. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event had an impact on the estimated future cash flow resulting from that 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.

The Company evaluates impairment for financial assets measured at amortized cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment annually. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk profiles.

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 or 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, cancelled 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.

### **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. Service and other revenue is recognized when the services are provided and collectability is reasonably assured. Customer contract terms do not include provisions for significant post-service delivery obligations.

### **Finance income and finance costs**

Finance income is made up of interest income on funds invested and gains on marketable securities is recognized in profit or loss.

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

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

### **Income taxes**

The Company uses the liability method of accounting for income taxes. Under the liability method, deferred income tax assets and liabilities are recognized 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 or loss in the period of occurrence. Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative amount of foreign currency translation differences.

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 or loss at the grant date. Subsequently, at each reporting date between grant date and settlement date, the fair value of the liability is re-measured with any changes in fair value recognized in profit or loss for the period.

The Company has a 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 or 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, performance share units (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 based on the weighted average number of shares issued and outstanding during the year, adjusted by the total of the additional common shares that would have been issued assuming exercise of all dilutive share options.

## **Operating Segments**

Management determined that the Company has one reportable segment based on the operating results of business activities with discrete financial information that 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 or loss on a straight-line basis over the term of the lease.

## **New standards and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are not yet effective for the year ended December 31, 2017, and have not been applied in preparing these consolidated financial statements.

In July, 2014 the IASB issued the complete IFRS 9, Financial Instruments, (IFRS 9 (2014)). Under the new standard, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through OCI ("FVOCI") and fair value through profit and loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Further, IFRS 9 (2014) includes a new general hedge standard that is better aligned with companies' risk management, expands the scope of the hedging strategies, and introduces more judgment to assess the effectiveness of the hedge relationship. The amendments to IFRS 9 (2014) are effective for annual periods beginning or after January 1, 2018, and are available for early adoption.

The Company expects IFRS 9 will impact the Company's current policies and procedures regarding provisions on trade receivables. Trade receivables are recorded at its original invoice less any amounts estimated to be uncollectable. Under IFRS 9, the expected loss impairment model replaces the current incurred loss model and is based on forward looking approach which includes earlier recognition of losses. Given the short-term nature of these receivables, the Company does not anticipate these changes to have a material financial impact. IFRS 9 also contains a new model to be used for hedge accounting. The Company does not currently apply hedge accounting.

At December 31, 2017, The Company had equity investments classified as available-for-sale with a fair value of \$113.9 million that are held for long-term strategic purposes. Under IFRS 9, the Company intends to designate these investments as measured at FVTPL. Consequently, all fair value gains and losses related to the equity investment will be reported in profit or loss upon adoption at January 1, 2018. IFRS 9 is to be applied on a retrospective basis, with certain exceptions. As permitted under the standard, the Company has elected to adopt the standard without restatement of comparative figures. Any transition adjustments

arising on January 1, 2018 will be presented as adjustments to opening retained earnings and accumulated other comprehensive income.

IFRS 15, Revenue from Contracts with Customers, was issued on May 28, 2014. The Standard contains a single model that applies to contracts with customers and two approaches to recognising 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. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Standard replaces IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfer of Assets from Customers, and SIC 31, Revenue – Barter Transactions Involving Advertising Services. The new standard is effective for annual periods beginning on or after January 1, 2018. The Company has completed the review of its assessment and determined that there is no material impact to the timing of recognition or measurement of revenue under IFRS 15.

IASB issued IFRS 16, Leases, in January 2016. The new standard replaces IAS 17, Leases. It is in effect for accounting periods beginning on or after January 1, 2019. Early adoption is permitted only if the Company has adopted IFRS 15, Revenue from Contracts with Customers. Under the new standard, more leases will come on-balance sheet 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. As at December 31, 2017, the Company has completed a scoping exercise to identify the potential number and types of contracts that may contain leases within the Company and does not anticipate early adoption of this standard. In 2018, the Company will complete an assessment to document the potential impacts of IFRS 16 on its consolidated financial statements.

The Company’s initial assessments on the IFRS 9, IFRS 15, and IFRS 16 are based on work completed to date and may be subject to change as the assessments continue.

### 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 is 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 is 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 have 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)
<b>Total net assets acquired</b>	<b>\$626,979</b>

The goodwill and intangible assets arise 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 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 acquisition, 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 certain items.

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. As at December 31, 2017, management was committed to a plan to sell its operating assets in Australia, Colombia, Algeria and Saudi Arabia as well as assets relating to the microseismic division and relating to real estate assets in Canada's continuing operations.

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

	<b>December 31, 2017</b>	December 31, 2016
Trade and other receivables	<b>\$1,029</b>	\$783
Inventory	-	70
Prepaid expenses	<b>79</b>	75
Current tax assets	<b>145</b>	153
Property and equipment	<b>11,647</b>	7,586
<b>Total assets held for sale</b>	<b>\$12,900</b>	\$8,667
Trade and other payables	<b>\$118</b>	\$279
<b>Total liabilities held for sale</b>	<b>\$118</b>	\$279

An impairment charge of \$7.1 million (2016 – \$9.6 million) was recorded on property and equipment, of which \$1.6 million (2016 – \$4.5 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. Intangible assets were not impaired for the year ended December 31, 2017 (2016 – \$26.4 million).

The Company entered into a sales agreement for property and equipment remaining in Saudi Arabia. The sale is expected to close in Q1 2018. The sale of the assets in Colombia were finalized during Q3 2017.

## Results of Discontinued Operations

In 2017, there were no new discontinued operations and the amounts in the current period and prior period are primarily comprised of net income / (loss) associated with the Company's discontinued U.S. pressure pumping business and the completions service line.

An impairment was recognized on property and equipment in continuing operations of \$6.5 million (2016 – \$5.1 million) and \$1.6 million (2016 – \$4.5 million) was recognized in discontinued operations.

Following are the results of discontinued operations:

<b>Canadian Operations</b>	December 31,	
	<b>2017</b>	2016
Revenue	\$-	\$2,029
Cost of sales	-	5,712
<b>Gross loss</b>	-	(3,683)
Administrative expenses	125	135
Other income	(406)	(2,900)
<b>Results from operating activities</b>	<b>281</b>	(918)
Foreign exchange (gain) / loss	(337)	302
Reclassification of foreign currency translation loss	-	41
Asset impairment	-	26,372
Gain on disposal of operations	-	(1,117)
<b>Profit / (loss) before income tax</b>	<b>618</b>	(26,516)
Income tax recovery	-	(7,574)
<b>Profit / (loss) from discontinued Canadian operations</b>	<b>\$618</b>	(\$18,942)
<b>U.S. Operations</b>	December 31,	
	<b>2017</b>	2016
Revenue	\$-	\$66,947
Cost of sales	486	92,828
<b>Gross loss</b>	(486)	(25,881)
Administrative expenses	3,755	9,340
Other expenses / (income)	(157)	8,253
<b>Results from operating activities</b>	<b>(4,084)</b>	(43,474)
Finance income	(7)	-
Foreign exchange gain	(2,178)	(1,013)
Reclassification of foreign currency translation gain	-	(69,765)
Loss on disposal of operations	-	9,576
<b>Profit / (loss) before income tax</b>	<b>(1,899)</b>	17,728
Income tax expense / (recovery)	1	(26,839)
<b>Profit / (loss) from discontinued U.S. operations</b>	<b>(\$1,900)</b>	\$44,567

<b>International Operations</b>	December 31,	
	<b>2017</b>	2016
Revenue	<b>\$361</b>	\$20,066
Cost of sales	<b>305</b>	19,204
<b>Gross profit</b>	<b>56</b>	862
Administrative expenses	<b>1,331</b>	3,810
Other expenses / (income)	<b>(47)</b>	3,149
<b>Results from operating activities</b>	<b>(1,228)</b>	(6,097)
Finance income	<b>(9)</b>	-
Foreign exchange (gain) / loss	<b>494</b>	(2,246)
Reclassification of foreign currency translation loss	<b>-</b>	2,184
Asset impairment	<b>1,602</b>	4,503
Loss on disposal of operations	<b>-</b>	3,044
<b>Loss before income tax</b>	<b>(3,315)</b>	(13,582)
Income tax expense	<b>25</b>	642
<b>Loss from discontinued international operations</b>	<b>(\$3,340)</b>	(14,224)

<b>Total Discontinued Operations</b>	December 31,	
	<b>2017</b>	2016
Revenue	<b>\$361</b>	\$89,042
Cost of sales	<b>791</b>	117,744
<b>Gross loss</b>	<b>(430)</b>	(28,702)
Administrative expenses	<b>5,211</b>	13,285
Other expenses / (income)	<b>(610)</b>	8,502
<b>Results from operating activities</b>	<b>(5,031)</b>	(50,489)
Finance income	<b>(16)</b>	-
Foreign exchange gain	<b>(2,021)</b>	(2,957)
Reclassification of foreign currency translation gain	<b>-</b>	(67,540)
Asset impairment	<b>1,602</b>	30,875
Loss on disposal of operations	<b>-</b>	11,503
<b>Loss before income tax</b>	<b>(4,596)</b>	(22,370)
Income tax expense / (recovery)	<b>26</b>	(33,771)
<b>Profit / (loss) from discontinued total operations</b>	<b>(\$4,622)</b>	\$11,401

#### NOTE 5 – CASH AND CASH EQUIVALENTS

(Stated in thousands)	December 31, <b>2017</b>	December 31, 2016
Bank balances	<b>\$12,731</b>	\$20,215
Short-term deposits	<b>8</b>	39
Cash and cash equivalents	<b>\$12,739</b>	\$20,254

#### NOTE 6 – TRADE AND OTHER RECEIVABLES

(Stated in thousands)	December 31, <b>2017</b>	December 31, 2016
Trade receivables	<b>\$210,466</b>	\$94,529
Allowance for doubtful accounts (note 18)	<b>(2,476)</b>	(2,206)
Loans and other receivables	<b>1,605</b>	18,734
Total	<b>\$209,595</b>	\$111,057
Non-current	<b>-</b>	2,791
Current	<b>\$209,595</b>	\$108,266

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

## NOTE 7 – INVENTORY

(Stated in thousands)	December 31, 2017	December 31, 2016
Chemicals and consumables	\$15,808	\$11,974
Parts	20,196	14,009
Coiled tubing	971	443
	<b>\$36,975</b>	<b>\$26,426</b>

The total amount of inventory recognized as cost of sales during the year was \$275 million (2016 – \$138 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. As a result of lower levels of activity, the Company recorded an impairment charge of \$6.8 million (2016 - \$5.5 million) as cost of sales to write down inventory to net realizable value and write off obsolete inventory.

## NOTE 8 – PROPERTY AND EQUIPMENT

(stated in thousands)	Buildings and improvements	Equipment	Furniture and fixtures	Total
<b>Cost</b>				
Balance at January 1, 2016	\$176,264	\$1,987,050	\$54,443	\$2,217,757
Additions	-	1,657	1	1,658
Disposals	(44,403)	(772,646)	(6,635)	(823,684)
Reclassification to assets held for sale	(3,309)	(7,101)	-	(10,410)
Effect of movements in exchange rates	(31,910)	(380,010)	(3,026)	(414,946)
Balance at December 31, 2016	\$96,642	\$828,950	\$44,783	\$970,375
<b>Acquisition through business combination (note 3)</b>	<b>40,703</b>	<b>314,390</b>	<b>5,528</b>	<b>360,621</b>
<b>Additions</b>	<b>-</b>	<b>33,440</b>	<b>3,131</b>	<b>36,571</b>
<b>Disposals</b>	<b>(2,065)</b>	<b>(35,623)</b>	<b>(320)</b>	<b>(38,008)</b>
<b>Reclassification to assets held for sale</b>	<b>(7,991)</b>	<b>(3,558)</b>	<b>(142)</b>	<b>(11,691)</b>
<b>Balance at December 31, 2017</b>	<b>\$127,289</b>	<b>\$1,137,599</b>	<b>\$52,980</b>	<b>\$1,317,868</b>
<b>Accumulated Depreciation</b>				
Balance at January 1, 2016	\$72,546	\$1,273,344	\$45,567	\$1,391,457
Depreciation	5,423	69,153	3,751	78,327
Disposals	(12,028)	(533,218)	(5,732)	(550,978)
Reclassification to assets held for sale	(763)	(2,061)	-	(2,824)
Impairment (note 17)	3,136	6,501	-	9,637
Effect of movements in exchange rates	(31,687)	(352,235)	(3,723)	(387,645)
Balance at December 31, 2016	\$36,627	\$461,484	\$39,863	\$537,974
<b>Depreciation</b>	<b>4,643</b>	<b>79,630</b>	<b>5,273</b>	<b>89,546</b>
<b>Disposals</b>	<b>(698)</b>	<b>(29,092)</b>	<b>(311)</b>	<b>(30,101)</b>
<b>Reclassification to assets held for sale</b>	<b>(4,623)</b>	<b>(62)</b>	<b>(53)</b>	<b>(4,738)</b>
<b>Impairment (note 17)</b>	<b>3,518</b>	<b>3,005</b>	<b>-</b>	<b>6,523</b>
<b>Balance at December 31, 2017</b>	<b>\$39,467</b>	<b>\$514,965</b>	<b>\$44,772</b>	<b>\$599,204</b>
<b>Carrying amounts</b>				
At December 31, 2016	\$60,015	\$367,466	\$4,920	\$432,401
<b>At December 31, 2017</b>	<b>\$87,822</b>	<b>\$622,634</b>	<b>\$8,208</b>	<b>\$718,664</b>

Included within equipment are assets held under finance leases with a gross value of \$20.0 million (2016 – \$6.5 million) and accumulated depreciation of \$10.4 million (2016 – \$5.1 million). The lease obligations are secured by the leased equipment. At December 31, 2017, Trican had \$66.2 million in assets under construction (2016 – \$85.4 million).

## NOTE 9 – INTANGIBLE ASSETS AND GOODWILL

Intangible assets (stated in thousands)	CBM process	Customer relationships	Total intangible assets
<b>Cost</b>			
Balance at January 1, 2016	\$8,500	\$-	\$8,500
<b>Balance at December 31, 2016</b>	<b>\$8,500</b>	<b>\$-</b>	<b>\$8,500</b>
Additions	-	69,714	<b>69,714</b>
<b>Balance at December 31, 2017</b>	<b>\$8,500</b>	<b>\$69,714</b>	<b>\$78,214</b>
<b>Amortization</b>			
Balance at January 1, 2016	\$7,437	\$-	\$7,437
Amortization	850	-	850
<b>Balance at December 31, 2016</b>	<b>\$8,287</b>	<b>-</b>	<b>\$8,287</b>
Amortization	213	12,237	<b>12,450</b>
<b>Balance at December 31, 2017</b>	<b>\$8,500</b>	<b>\$12,237</b>	<b>\$20,737</b>
<b>Carrying amounts</b>			
At December 31, 2016	\$213	\$-	\$213
<b>At December 31, 2017</b>	<b>\$-</b>	<b>\$57,477</b>	<b>\$57,477</b>

### Goodwill

(stated in thousands)

	Amount
Carrying value, December 31, 2016 and 2015	\$19,251
Acquisition through business combination (Note 3)	241,780
<b>Carrying value, December 31, 2017</b>	<b>\$261,031</b>

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

(Stated in thousands)	December 31, 2017	December 31, 2016
Pressure pumping	\$258,956	\$18,216
Cementing	2,075	1,035
<b>Total goodwill</b>	<b>\$261,031</b>	<b>\$19,251</b>

## NOTE 10 – TRADE AND OTHER PAYABLES

(Stated in thousands)	December 31, 2017	December 31, 2016
Trade payables	\$82,783	\$42,365
Accrued liabilities	25,525	23,095
Liabilities for cash-settled share-based payments	8,976	10,574
Finance lease obligations (Note 11)	3,052	717
Other payables	6,835	11,205
<b>Total trade and other payables</b>	<b>\$127,171</b>	<b>\$87,956</b>

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 19.

## NOTE 11 – LOANS AND BORROWINGS

(Stated in thousands)	December 31, 2017	December 31, 2016
Senior Notes, net of transaction costs	\$56,816	\$81,254
RCF, net of transaction costs	41,376	140,048
Finance lease obligations	8,628	981
<b>Total</b>	<b>\$106,820</b>	<b>\$222,283</b>
Current portion of loans and borrowings	20,408	9,790
Current portion of finance lease obligations (Note 20)	3,052	717
Non-current	\$83,360	\$211,776

### Senior Notes

Trican had the following notes outstanding:

	Maturity	Canadian \$ Amount		USD \$ Denominated Amount	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
<b>Senior Notes</b>					
7.05% Series A	November 19, 2017	\$-	\$8,859	\$-	\$6,598
9.11% Series D	April 28, 2021	3,387	3,368	-	-
8.29% Series F	April 28, 2018	19,257	25,713	15,350	19,150
8.90% Series G	April 28, 2021	25,466	33,448	20,300	24,911
8.75% Series H	September 03, 2024	4,518	4,456	-	-
<b>Subordinated Make-Whole Notes</b>					
5.96% Series A	November 19, 2019	648	686	516	511
5.54% Series D	April 28, 2021	461	458	-	-
5.55% Series F	April 28, 2018	1,151	1,224	918	912
6.28% Series G	April 28, 2021	3,122	3,317	2,489	2,470
6.05% Series H	September 03, 2024	760	760	-	-
PIK Principal		-	2,075	-	-
Debt issue costs		(1,954)	(3,110)	-	-
<b>Senior Notes, net of debt issue costs</b>		<b>\$56,816</b>	<b>\$81,254</b>	<b>\$39,573</b>	<b>\$54,552</b>

During the year, \$2.6 million of debt issuance cost were amortized and included in finance cost in the statements of comprehensive income. \$0.5 million was added within debt issue costs for the extension of revolving credit facility.

During the year, Trican retired the principle amount of Series A Senior Notes on maturity and repaid USD \$8.8 million, retiring in advance, portions of its Series F and G Senior Notes using proceeds from the sale of its marketable securities.

## RCF

As at December 31, 2017, Trican has a \$227.3 million (2016 – \$250 million) extendible revolving credit facility (“RCF”) with a syndicate of banks that is committed until April 18, 2020. The RCF is secured and bears interest at the applicable Canadian prime rate, U.S. prime rate, Banker’s Acceptance rate, or at LIBOR, plus 125 to 400 basis points (2016 – Canadian prime rate, U.S. prime rate, Banker’s Acceptance rate, or at LIBOR, plus 350 to 625 basis points), dependent on certain financial ratios of the Company. The undrawn amount of the RCF is \$184.3 million (2016 – \$110 million) of which only \$179.5 million is accessible (2016 - \$35 million accessible) due to the Company’s Letters of Credit and amounts drawn on the U.S. dollar swing line as at December 31, 2017.

As at December 31, 2017, Trican has a \$10 million (2016 – \$10 million) Letter of Credit facility with its syndicate of banks included in the \$227.3 million above. As at December 31, 2017, Trican had \$4.4 million in letters of credit outstanding (2016 – \$5.1 million).

## Covenants

The Company is required to comply with covenants that are applicable to the RCF and to the Senior Notes. Trican is required to comply with the following leverage and interest coverage ratio covenants:

For the quarter ended	Leverage Ratio	Interest Coverage Ratio	Calculation Basis
December 31, 2017	<4.0x	>2.5x	Last twelve months
Thereafter	<3.0x	>3.0x	Last twelve months

The Leverage Ratio is defined as debt excluding Subordinated Make-Whole Notes plus Letter of Credit facility minus cash divided by adjusted EBITDA. As at December 31, 2017, the Leverage Ratio was 0.4 (December 31, 2016 – not applicable).

(stated in thousands)	December 31, 2017	December 31, 2016
Senior Notes Net Debt	92,289	N/A
Adjusted EBITDA	213,216	N/A
<b>Leverage Ratio</b>	<b>0.4</b>	N/A

The Interest Coverage Ratio is defined as adjusted EBITDA divided by interest expense minus paid in kind interest. As at December 31, 2017, the Interest Coverage Ratio was 18.4 (December 31, 2016 – not applicable).

(stated in thousands)	December 31, 2017	December 31, 2016
Interest Expense	11,566	N/A
Adjusted EBITDA	213,216	N/A
<b>Interest Coverage Ratio</b>	<b>18.4</b>	N/A

Certain non-cash expenses and personnel based expenses such as severance are permitted to be added back to EBITDA to arrive at adjusted EBITDA for covenant calculation purposes.

The Company is in compliance with its financial covenants for the quarter ended December 31, 2017 (2016 – no covenants applicable).

## Finance lease liabilities

(stated in thousands) As at December 31,	Present value of minimum lease payments		Interest payments		Future minimum lease payments	
	2017	2016	2017	2016	2017	2016
Less than one year	\$3,052	\$696	\$310	\$21	\$3,362	\$717
Between one and five years	5,576	260	330	4	5,906	264
Total	\$8,628	\$956	\$640	\$25	\$9,268	\$981

## NOTE 12 – SHARE CAPITAL AND ACCUMULATED OTHER COMPREHENSIVE INCOME

### 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, 2016	148,918,046	\$570,337
Exercise of stock options	1,524,801	1,446
Reclassification from contributed surplus on exercise of options	-	668
Issuance of shares (net of issuance cost and net of tax)	43,125,000	65,926
Balance, December 31, 2016	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 (note 3)	152,549,556	626,979
Shares repurchased and cancelled under Normal Course Issuer Bid	(8,325,989)	(30,536)
<b>Balance, December 31, 2017</b>	<b>338,505,628</b>	<b>\$1,236,618</b>

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.

### Accumulated other comprehensive income

#### Equity Interest in Keane

The Equity Interest in Keane comprises the fair value movement in the Class A shares in Keane Holding Company. At December 31, 2017, the Company had an unrealized gain on Equity Interest in Keane of \$36.4 million (2016 – \$41.2 million).

### Normal Course Issuer Bid

On September 28, 2017, the Company announced a new Normal Course Issuer Bid ("NCIB"), commencing October 3, 2017, to purchase up to 34.3 million common shares for cancellation before October 2, 2018.

All purchases will be made at the prevailing market price at the time of purchase and will be subject to a maximum daily purchase volume of 458,628 (being 25% of the average daily trading volume of the common shares for the six months ending August 31, 2017 of 1,834,515 common shares) except as otherwise permitted under the TSX NCIB rules. All common shares purchased under the NCIB will be returned to treasury and cancelled.

(stated in thousands, except share and per share amounts)	2017	2016
Number of Common Shares repurchased	8,325,989	-
Weighted-average price per share	\$4.30	\$-
Amount of repurchase <sup>1</sup>	\$35,919	\$-

<sup>1</sup>Includes Brokerage fees

## NOTE 13 – EARNINGS / (LOSS) PER SHARE

(Stated in thousands, except share and per share amounts)	2017	2016
Basic weighted average number of common shares	281,816,830	172,386,739
Diluted effect of stock options	2,798,648	-
Diluted weighted average number of common shares	284,615,478	172,386,739

Attributable to owners of the Company	2017	2016
<b>Profit / (loss) from continuing operations</b>	<b>\$20,117</b>	(\$40,729)
Per share – basic and diluted	<b>\$0.07</b>	(\$0.24)
<b>Profit / (loss) from discontinued operations</b>	<b>(\$5,912)</b>	\$11,195
Per share – basic and diluted	<b>(\$0.02)</b>	\$0.06
<b>Profit / (loss) for the year</b>	<b>\$14,205</b>	(\$29,534)
Per share – basic and diluted	<b>\$0.05</b>	(\$0.18)

At December 31, 2017, 2.8 million options were included in the diluted weighted average number of ordinary shares calculation (2016 – nil). For the year ended December 31, 2017, 1,156,737 employee stock options (2016 – 1,035,095 options) were not included in the calculation of dilutive potential shares as the result would have been anti-dilutive.

## NOTE 14 – SHARE-BASED PAYMENTS

The Company has four share-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 \$5.0 million (2016 – \$2.8 million). The corresponding amount has been recognized in contributed surplus. The weighted average grant date fair value of options granted during 2017 has been estimated at \$2.12 per option (2016 – \$1.08) 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:

<b>For the year ended December 31,</b>	<b>2017</b>	2016
Share price	<b>\$3.73</b>	\$1.99
Exercise price	<b>\$3.73</b>	\$1.99
Expected life (years)	<b>3.46</b>	3.48
Expected volatility	<b>83%</b>	79%
Risk-free interest rate	<b>1.0%</b>	0.6%
Forfeitures	<b>10.9%</b>	10.9%
Dividend yield	<b>0.0%</b>	0.0%

The Company has reserved 32,158,035 common shares as at December 31, 2017, (December 31, 2016 – 18,388,945) 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, 2017, 10,533,085 options (December 31, 2016 – 8,793,201) were outstanding at exercise prices ranging from \$0.82 to \$18.03 per share with expiry dates ranging from 2018 to 2024.

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

	<b>2017</b>		<b>2016</b>	
	<b>Options</b>	<b>Weighted average exercise price</b>	<b>Options</b>	<b>Weighted average exercise price</b>
Outstanding at the beginning of year	<b>8,793,201</b>	<b>\$6.22</b>	10,805,206	\$9.71
Granted	<b>4,095,200</b>	<b>3.73</b>	3,601,120	1.99
Exercised	<b>(714,214)</b>	<b>1.65</b>	(1,524,801)	0.95
Forfeited	<b>(785,478)</b>	<b>6.69</b>	(2,696,499)	10.50
Expired	<b>(855,624)</b>	<b>12.56</b>	(1,391,825)	19.87
Outstanding at the end of year	<b>10,533,085</b>	<b>\$5.01</b>	8,793,201	\$6.22
Exercisable at end of year	<b>4,115,265</b>	<b>\$8.39</b>	3,449,141	\$11.84

The weighted-average share price for the year ended December 31, 2017, was \$4.18 (2016 – \$2.32).

The following table summarizes information about stock options outstanding at December 31, 2017:

<b>Options Outstanding</b>						<b>Options Exercisable</b>	
Range of Exercise Prices			<b>Number Outstanding</b>	<b>Weighted Average Remaining Life</b>	<b>Weighted Average Exercise Price</b>	<b>Number Exercisable</b>	<b>Weighted Average Exercisable Price</b>
\$0.00	to	\$1.00	1,788,914	2.76	0.82	1,020,974	0.82
\$1.01	to	\$10.00	6,505,492	5.95	2.99	855,612	2.18
\$10.01	to	\$20.00	2,238,679	0.96	14.22	2,238,679	14.22
\$0.00	to	\$20.00	10,533,085	4.34	5.01	4,115,265	8.39

#### **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 1,399,002 DSUs outstanding at December 31, 2017 (2016 – 1,472,752).

#### 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 424,566 RSUs outstanding at December 31, 2017 (2016 – 795,780).

#### 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 920,200 PSUs outstanding at December 31, 2017 (2016 – 601,444). 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, 2016	1,373,063	2,039,786	920,251
Granted	298,923	152,420	284,900
Exercised	(199,234)	(489,058)	-
Forfeited	-	(907,368)	(603,707)
Balance, December 31, 2016	1,472,752	795,780	601,444
<b>Granted</b>	<b>154,844</b>	<b>83,100</b>	<b>405,800</b>
<b>Exercised</b>	<b>(228,594)</b>	<b>(306,409)</b>	<b>-</b>
<b>Forfeited</b>	<b>-</b>	<b>(147,905)</b>	<b>(87,044)</b>
<b>Balance at December 31, 2017</b>	<b>1,399,002</b>	<b>424,566</b>	<b>920,200</b>
<b>Vested at December 31, 2017</b>	<b>1,399,002</b>	<b>65,135</b>	<b>-</b>

#### December 31,

(Stated in thousands)	2017	2016
Cash-settled share-based compensation expense		
Expense / (recovery) arising from DSUs	(\$165)	\$6,243
Expense / (recovery) arising from RSUs	764	2,799
Expense / (recovery) arising from PSUs	679	1,344
Total expense / (recovery) cash-settled share-based compensation expense	\$1,278	\$10,386
Equity-settled share-based compensation expense		
Stock options	5,027	2,809
Total expense / (recovery) equity-settled share-based compensation expense	\$5,027	\$2,809
Total expense / (recovery) related to share-based payments	\$6,305	\$13,195

The outstanding liabilities for cash-settled compensation plans at December 31, 2017 of \$9.0 million (December 31, 2016 - \$10.6 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:

<b>Cost of sales</b>	<b>2017</b>	<b>2016</b>
Personnel expenses	\$190,175	\$113,401
Direct costs – Cost of sales	318,718	151,266
Direct costs – Other expenses	191,309	82,237
Depreciation and amortization	97,768	61,808
	<b>\$797,970</b>	<b>\$408,712</b>
<b>Administrative expenses</b>		
Personnel expenses	\$33,529	\$18,020
General organizational expenses	34,211	16,446
Bad debt expense	654	375
Depreciation and amortization	4,229	8,631
Expense related to share-based payments	6,305	13,195
	<b>\$78,928</b>	<b>\$56,667</b>

The following severance costs are included in personnel expenses above:

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Severance costs	\$8,566	\$20,149

#### **NOTE 16 – ANNUAL IMPAIRMENT ASSESSMENT**

For the purposes of impairment testing, goodwill and intangible assets are allocated to the Company's cash generating units ("CGUs"). As required by IAS 36, the Company performed its annual impairment tests on goodwill for the Pressure Pumping CGU, the Cement Services CGU and the Fluid Management Services CGU at December 31, 2017. Based on the results of the tests, no impairment was recognized.

##### 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, 2017 at a risk-adjusted discount rate of 12.1% and a terminal growth rate of 2.5%. 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 increasing in correlation with forecasted oil and gas industry activity. Costs were based on historical contribution margins adjusted for anticipated revenue growth. A terminal value thereafter was applied. Based on the analysis, no provision for impairment for the Company's long-term assets was required for the year ended December 31, 2017 (2016 – nil).

The estimated value in use for the CGU was particularly 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% or a decrease to the terminal growth rate by 1% would continue to support no impairment.

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, 2017 at a risk adjusted discount rate of 12.1% and a terminal growth rate of 2.5%. 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 increasing in correlation with forecasted oil and gas industry activity. Costs were based on historical contribution margins adjusted for anticipated revenue growth. A terminal value thereafter was applied.

The estimated value in use for the CGU was particularly 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% or a decrease to the terminal growth rate by 1% would continue to support no impairment.

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, 2017 at a risk adjusted discount rate of 14.1% and a terminal growth rate of 2.5%. 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 increasing in correlation with forecasted oil and gas industry activity. Costs were based on historical contribution margins adjusted for anticipated revenue growth. A terminal value thereafter was applied.

The estimated value in use for the CGU was particularly 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% or a decrease to the terminal growth rate by 1% would continue to support no impairment.

**NOTE 17 - INCOME TAXES**

(Stated in thousands)

<b>For the year ended December 31,</b>	<b>2017</b>	<b>2016</b>
<b>Current tax expense / (recovery)</b>		
Current year	\$3,347	\$1,095
Adjustment for prior years	-	(102)
	<b>\$3,347</b>	<b>\$993</b>
<b>Deferred tax expense / (recovery)</b>		
Current year	\$33,526	(\$64,806)
Adjustment for prior years	(2,048)	588
	<b>\$31,478</b>	<b>(\$64,218)</b>
<b>Total tax expense / (recovery) from continuing operations</b>	<b>\$34,825</b>	<b>(\$63,225)</b>

**(Income) / Loss Before Income Taxes**

(Stated in thousands)

<b>For the year ended December 31,</b>	<b>2017</b>	<b>2016</b>
Canada	(\$32,390)	\$103,842
Foreign	(22,550)	112
<b>(Income) / loss before income taxes from continuing operations</b>	<b>(\$54,940)</b>	<b>\$103,954</b>

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

(Stated in thousands) For the year ended December 31,	2017	2016
Expected combined federal and provincial income tax	\$14,779	(\$27,964)
Statutory and other rate differences	(2,718)	-
Unrecognized current year losses	-	636
Non-deductible expenses	397	569
Adjustments related to prior years	(2,048)	3,285
Recognition of previously unrecognized losses	2,555	(49,002)
Stock-based compensation	1,350	715
Translation of foreign subsidiaries	(889)	-
Changes to deferred income tax rates	10,992	-
Non-taxable portion of capital gains	2,198	-
Unrealized Gain in Keane Investments	2,477	8,754
Other	5,732	(218)
	<b>\$34,825</b>	<b>(\$63,225)</b>

On December 22, 2017 the Tax Cuts and Jobs Act (the Act) was enacted in the United States. Because IFRS requires companies to recognize the effect of tax law changes in the period that they are enacted or substantively enacted, the effects must be recognized in the companies' December 2017 financial statements, even though the effective date of the law for most provisions in January 1, 2018. These changes have resulted in a tax expense of \$11 million for the Company.

### 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, 2017, the Company had \$848 million (2016 - \$937 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:

(Stated in thousands) For the year ended December 31,	2017	2016
Deferred tax assets:		
Non-capital loss carryforwards	\$48,315	\$86,232
Other	8,913	4,822
	<b>\$57,228</b>	<b>\$91,054</b>
Deferred tax liabilities:		
Property, equipment and other assets	(\$92,055)	(\$49,033)
Goodwill and intangibles	(15,123)	-
Unrealized gain in Keane Investment	(45,917)	(79,938)
	<b>(\$153,095)</b>	<b>(\$128,971)</b>
	<b>(\$95,867)</b>	<b>(\$37,917)</b>

## Movement in Deferred Tax Balances During the Year

	January 1, 2016	Recognized in Profit or Loss	OCI	Other	December 31, 2016	Recognized in Profit or Loss	OCI	Other	December 31, 2017
Goodwill Intangible Assets	(\$7,860)	-	-	\$7,803	(\$57)	\$3,286	-	(\$18,352)	(\$15,123)
Non-Capital Loss Carry Forwards	289	85,943	-	-	86,232	(41,153)	-	3,236	48,315
Property and Equipment	(46,009)	(3,025)	-	-	(49,034)	(2,881)	-	(40,140)	(92,055)
Partnership Deferral	(26,019)	26,019	-	-	-	-	-	-	-
Unrealized Gain in Keane Investments	-	(34,180)	(45,758)	-	(79,938)	11,203	22,818	-	(45,917)
Other	295	(10,539)	-	15,124	4,880	(1,933)	-	5,966	8,913
	(\$79,304)	\$64,218	(\$45,758)	\$22,927	(\$37,917)	(\$31,478)	\$22,818	(\$49,290)	(\$95,867)

## 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 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. The fair value was calculated using a discounted cash flow approach with an effective interest rate of 6.14%, based on the fixed rate the Company pays on its interest rate swap. The fair value of the currency derivatives has been based on the forward swap rates comprised of both foreign exchange and interest rates at the end of the period.

On January 20, 2017, Keane Group, Inc. 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 have been transferred to Keane Holdings. Effectively, our Class A shares and Class C profits interest in Keane Group Holdings, LLC are now 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 of USD \$19 which resulted in a distribution of \$37.8 million (USD \$28.4 million) for Trican and a realized gain of \$24.5 million (\$11 million after tax). At December 31, 2017, Keane Holdings primary asset was 72.2 million shares of Keane Group, Inc. and it had no liabilities.

Future liquidity events will effectively be the future sale of the remaining shares of Keane Group, Inc. currently held by Keane Holdings. The proceeds from the future sales will be distributed to the owners of Keane Holdings. Trican’s portion of the future liquidity events will be calculated based on the following waterfall table:

	Trican	Liquidity Event Cumulative Proceeds Thresholds (USD \$MM)				
	Ownership	For the Year Ending March 15				
Tranche	Interest		2018	2019	2020	2021
First	10%	Up to	\$468	\$468	\$468	\$468
Second	9.2%	Between	\$468 - 791	\$468 - 1,028	\$468 - 1,336	\$468 - 1,737
Third	18.3%	Between	\$791 - 853	\$1,028 - 1,151	\$1,336 - 1,554	\$1,737 - 2,098
Fourth	27.4%	Greater than	\$853	\$1,151	\$1,554	\$2,098

The fair value of Class A and Class C shares was calculated based on an estimate of Trican's portion of future liquidity events using USD \$19.01 per FRAC share, and a model risk adjusted rate of 30% for the Class C shares. The risk adjustment considered several estimates for uncertainties relating to Trican's non-controlling interest in the Keane Holdings and the timing and price of future liquidity events. The calculation of the fair value of the Class A and Class C shares also utilized the following distribution schedule:

Year ending March 15, 2018: 25% of outstanding shares after the IPO  
Year ending March 15, 2019: 50% of outstanding shares after the IPO  
Year ending March 15, 2020: 25% of outstanding shares after the IPO

	Equity Interest in Keane (Class A Shares)	Profits Interest in Keane (Class C Shares)	Investments in Keane
Balance at January 1, 2016	\$-	\$-	\$-
Recognized on sale of U.S. operations	75,022	3,459	78,481
Unrealized gain on investment	87,289	65,206	152,495
<b>Balance at December 31, 2016</b>	<b>\$162,311</b>	<b>\$68,665</b>	<b>\$230,976</b>

	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)
<b>Balance at December 31, 2017</b>	<b>\$113,876</b>	<b>\$62,871</b>	<b>\$176,747</b>

At December 31, 2017, cumulative proceeds distributed was USD \$283.9 million, of which USD \$28.4 million was Trican's share of the distribution. Subsequent to December 31, 2017, USD \$279.6 million was distributed, of which USD \$27.2 million was Trican's share of the distribution. As of February 21, 2018, cumulative proceeds distributed was USD \$563.5 million, of which USD \$55.6 million was Trican's share.

For the year ended December 31, 2017, \$5.8 million of unrealized and foreign exchange loss (2016 – \$65.2 million of unrealized and foreign exchange gain) on the Class C shares and \$24.5 million (2016 – nil) of realized gain on the Class A shares, for a total gain of \$18.7 million, have been recorded in net income.

During the year ended December 31, 2017, Trican disposed of 558,221 National Oilwell Varco Inc. marketable securities, for net proceeds of \$28.0 million, representing its entire balance of marketable securities (fair value as at December 31, 2016 - \$28.1 million).

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).

	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
<b>December 31, 2017</b>				
<b>Financial assets</b>				
Fair value through profit and loss				
Currency Derivatives – current	\$15,155	\$-	\$15,155	\$-
Profit Interest in Keane	62,871	-	-	62,871
<b>Available for sale security</b>				
Equity Interest in Keane	113,876	-	-	113,876
<b>Financial liabilities</b>				
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	-

	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
<b>December 31, 2016</b>				
<b>Financial assets</b>				
Financial assets at amortized cost <sup>(1)</sup>				
Loan to unrelated third party – current	\$5,800	\$-	\$-	\$5,800
Loan to unrelated third party – non-current	2,791			2,791
Fair value through profit and loss				
Currency Derivatives – non-current	17,479	-	17,479	-
Profit Interest in Keane	68,665	-	-	68,665
Marketable securities	28,062	28,062	-	-
<b>Available for sale security</b>				
Equity Interest in Keane	162,311	-	-	162,311
<b>Financial liabilities</b>				
Financial liabilities at amortized cost				
Senior Notes – current	9,068	-	9,068	-
Senior Notes – non-current	64,123	-	64,123	-
RCF	150,348	-	150,348	-
Finance lease obligations – current	717	-	717	-
Finance lease obligations – non-current	264	-	264	-

(1) The current portion of this loan is included in Trade and Other Receivables. The non-current portion of this loan is included in Other Assets.

### **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:

#### Investment in Keane

An increase of 10% of Keane's share price would cause an increase of \$15.6 million (2016 – \$17.3 million) in the Profit Interest in Keane and \$9.8 million (2016 – \$10.7 million) in the Equity Interest in Keane. A decrease of 10% in Keane's share price would cause a reduction of \$14.2 million (2016 – \$15.7 million) in the Profit Interest in Keane and \$8.9 million (2016 - \$9.7 million) in the Equity Interest in Keane.

### Interest rate risk

An increase or decrease in interest expense for each one percent change in interest rates on floating rate debt would have been \$1.1 million for the year ended December 31, 2017 (2016 - \$1.2 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.

Trican has a cross-currency swap with the purpose of hedging the gains and losses incurred on U.S. dollar debt balances. The fair value of the cross-currency swap agreement at December 31, 2017, is \$15.2 million (2016 - \$17.5 million) and has been recorded as a currency derivative rather than as an adjustment to the related Senior Notes.

For the years ended December 31 2017 and 2016, fluctuations in the value of foreign currencies would have had the following impact on net income and other comprehensive income:

(stated in thousands of dollars)	Impact to Net Income		Impact to Other Comprehensive Income	
	2017	2016	2017	2016
1% increase in the value of the U.S. dollar	<b>(\$48)</b>	(\$660)	<b>\$1,139</b>	\$924
1% decrease in the value of the U.S. dollar	<b>\$48</b>	\$660	<b>(\$1,139)</b>	(\$924)

### **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, 2017, two customers accounted for 28.2% (2016 – one customer accounted for 14.9%) of the Company's accounts receivable while two customers accounted for 22.0% (2016 – one customer accounted for 17.0%) of its revenues.

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:

December 31,	2017	2016
(Stated in thousands)		
Current (0 - 30 days from invoice date)	<b>\$81,958</b>	\$51,742
31 - 60 days past due	<b>73,935</b>	40,792
60 - 90 days past due	<b>29,683</b>	10,674
Greater than 90 days past due	<b>26,495</b>	7,263
<b>Total</b>	<b>\$212,071</b>	\$110,471
<b>Provision for doubtful accounts</b>	<b>\$2,476</b>	\$2,206

**Movement in provision for the years ended December 31,**

(stated in thousands)	2017	2016
Provision for doubtful accounts at January 1	\$2,206	\$3,426
(Decrease) / Increase in provision	924	(846)
Write-off of provision	(654)	(374)
Provision for doubtful accounts at December 31	\$2,476	\$2,206

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, 2017, the Company had accessible unused committed bank credit facilities in the amount of \$179.5 million (2016 – \$35.0 million) plus cash, trade and other receivables, marketable securities and investment in Keane of \$12.7 million (2016 – \$20.3 million), \$209.6 million (2016 – \$108.3 million), nil (2016 – \$28.1 million) and \$176.7 million (2016 - \$231.0 million) respectively, for a total of \$578.5 million (2016 – \$422.7 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 borrowing 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 2018. 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, 2017 (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	\$124,119	\$124,119	\$-	\$-	\$-	\$124,119
Current portion of long-term debt	20,408	20,408	-	-	-	20,408
Senior Notes	36,408	-	648	32,436	5,278	38,362
Interest on Senior Notes	-	3,821	6,476	1,799	739	12,835
RCF (including interest)	44,966	1,966	45,553	-	-	47,519
Finance lease obligations	7,988	3,052	5,576	-	-	8,628
		\$153,366	\$58,253	\$34,235	\$6,017	\$251,871

## 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:

<b>December 31,</b> (Stated in thousands, except ratios)	<b>2017</b>	<b>2016</b>
Loans and borrowings	<b>\$106,268</b>	\$221,566
Shareholders' equity	<b>1,176,048</b>	569,009
Total capitalization	<b>\$1,282,316</b>	\$790,575
Long-term debt to total capitalization	<b>0.08</b>	0.28

## NOTE 20 – OTHER COMMITMENTS AND CONTINGENCIES

<b>December 31, 2017</b>	Payments due by period			Total
	1 year or less	1 to 5 years	5 years and thereafter	
Finance leases	<b>\$3,052</b>	<b>\$5,576</b>	<b>\$-</b>	<b>\$8,628</b>
Operating leases	<b>4,940</b>	<b>9,063</b>	<b>8,324</b>	<b>22,327</b>
Total commitments	<b>\$7,992</b>	<b>\$14,639</b>	<b>\$8,324</b>	<b>\$30,955</b>
<b>December 31, 2016</b>				
Finance leases	\$717	\$264	\$-	\$981
Operating leases	4,641	9,838	8,324	22,803
Total commitments	\$5,358	\$10,102	\$8,324	\$23,784

In addition to the above commitments, the Company has committed to capital expenditures of \$4.7 million.

### Other litigation

On January 13, 2016, a class action lawsuit was filed on behalf of 11 plaintiffs against Trican Well Service, LP. The claim alleges that Trican misclassified the plaintiffs' position as "exempt", resulting in a loss of overtime. The plaintiffs claim that the potential damages as a result of this claim could reach USD \$2.2 million.

Given the information available at this stage of litigation, management has not recorded any amount for this contingent liability associated with these claims based on our belief that a liability is not probable and any range of potential future charge cannot be reasonably estimated at this time.

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 recognized tax assets and provided for tax liabilities based on the Company's interpretation of the relevant tax legislation and regulations.

## NOTE 21 – FINANCE INCOME AND COSTS

(Stated in thousands)	December 31, 2017	December 31, 2016
<b>Finance Income</b>		
Interest income	\$549	\$50
Gain on marketable securities	673	3,069
<b>Total finance income</b>	<b>\$1,222</b>	<b>\$3,119</b>
<b>Finance Cost</b>		
Interest on loans and borrowings	\$14,710	\$25,790
Interest on finance lease	96	226
<b>Total finance cost</b>	<b>\$14,806</b>	<b>\$26,016</b>

## 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:

December 31, (stated in thousands)	2017	2016
Salaries	\$1,775	\$1,683
Share-based awards	1,416	1,129
Option-based awards	1,791	1,227
All other compensation	2,034	1,102
Total	\$7,016	\$5,141

## NOTE 23 – EMPLOYEE BENEFIT EXPENSE

December 31, (Stated in thousands)	2017	2016
Wages and salaries	\$202,410	\$117,209
Termination payments	2,813	-
Employee benefits	17,565	12,101
Share based compensation (note 14)	6,470	6,952
Total	\$229,258	\$136,262

## NOTE 24 – RESEARCH AND DEVELOPMENT COSTS

During the year ended December 31, 2017, Trican incurred \$8.7 million (2016 – \$15.2 million) in research and development costs.

## NOTE 25 – SUBSEQUENT EVENTS

### *Normal Course Issuer Bid*

For the period from January 1, 2018 to February 21, 2018, the Company purchased and cancelled 3,570,900 common shares at a weighted average price per share of \$4.20 pursuant to its NCIB.

### *Investments in Keane*

On January 22, 2018, the Company announced the pricing of an upsized underwritten secondary offering by Keane Holdings, which includes the Company's portion of 15,320,015 shares of Keane Group, Inc.'s common stock at a price to the public of USD \$18.25 per share. The net proceeds received by Trican from this offering was approximately USD \$27.2 million.