CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2011

(UNAUDITED)

CANYON SERVICES GROUP INC.

Condensed Consolidated Balance Sheet
(Unaudited)

In thousands of dollars

	Note	March 31, 2011	December 31, 2010	January 1, 2010
Assets				
Current assets:				
Cash and cash equivalents		$36,613	$41,247	$12,724
Trade and other receivables	4	61,174	46,285	7,035
Inventories		9,585	8,059	4,939
Prepayments		2,429	1,862	904
Other assets		-	-	23
Total current assets		109,801	97,453	25,625
Non-current assets:				
Property and equipment	9	193,955	175,298	108,021
Intangible assets	10	375	397	235
Total non-current assets		194,330	175,695	108,256
Total Assets:		$304,131	$273,148	$133,881
Liabilities and Equity				
Current liabilities:				
Trade and other payables		$37,268	$29,919	$8,065
Loans and borrowings	11	1,243	1,070	489
Dividend payable		-	3,020	-
Current tax liabilities		8,652	14,161	-
Total current liabilities		47,163	48,170	8,554
Non-current liabilities:				
Loans and borrowings	11	1,432	1,435	696
Deferred tax liabilities	12	2,199	1,276	-
Total non-current liabilities		3,631	2,711	696
Equity				
Share capital	13	182,486	181,683	135,161
Warrants	13	96	191	286
Contributed surplus		4,286	4,042	3,445
Retained earnings (deficit)		66,469	36,351	(14,261)
Total equity		253,337	222,267	124,631
Total liabilities and equity		$304,131	$273,148	$133,881

The notes on pages 5 to 35 are an integral part of these unaudited condensed interim consolidated financial statements.

Signed:
Raymond P. Anthony

Signed:
Bradley P. D. Fedora

CANYON SERVICES GROUP INC.

Condensed Consolidated Statement of Comprehensive Income
(Unaudited)

For the three months ended March 31
In thousands of dollars

	Note	2011	2010
Revenue		$99,037	$41,460
Cost of services	6	(52,432)	(25,931)
Operating income		46,605	15,529
Administrative expenses	7	(5,389)	(3,165)
Results from operating activities		41,216	12,364
Finance costs		(80)	(81)
Profit before income tax		41,136	12,283
Income tax expense	8	(11,018)	(295)
Net earnings and comprehensive income		$30,118	$11,988
Earnings per share			
Basic		$ 0.50	$ 0.25
Diluted		0.48	0.25

The notes on pages 5 to 35 are an integral part of these unaudited condensed interim consolidated financial statements.

CANYON SERVICES GROUP INC.

Condensed Consolidated Statement of Changes in Equity
(Unaudited)

In thousands of dollars

	Share Capital	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance at January 1, 2010	$135,161	$286	$3,445	($14,261)	$124,631
Total Comprehensive income for the period				11,988	11,988
Transactions with owners, recorded in equity contributions by and distributions to owners:					
Issue on exercise of stock options	149				149
Reclassification on exercise of stock options and incentive-based units	227		(227)		-
Share-based payment transactions			247		247
Balance at March 31, 2010	$135,537	$286	$3,465	($2,273)	$137,015
Balance at December 31, 2010	$181,683	$191	$4,042	$36,351	$222,267
Total Comprehensive income for the period				30,118	30,118
Transactions with owners, recorded directly in equity:					
Issue on exercise of stock options	406				406
Issue on exercise of warrants	50				50
Reclassification on exercise of stock options and incentive-based units	252		(252)		-
Reclassification on exercise of warrants	95	(95)			-
Share-based payment transactions			496		496
Balance at March 31, 2011	$182,486	$96	$4,286	$66,469	$253,337

The notes on pages 5 to 35 are an integral part of these unaudited condensed interim consolidated financial statements.

CANYON SERVICES GROUP INC.

Consolidated Statement of Cash Flows
(Unaudited)

For the three months ended March 31
In thousands of dollars

	Note	2011	2010
Cash flows from operating activities:			
Net earnings and comprehensive income		$ 30,118	$ 11,988
Adjustments for:			
Depreciation and amortization	6, 7	4,846	2,862
Net finance costs		80	81
Stock-based compensation expense		1,918	1,030
Gain (loss) on sale of property and equipment		(30)	-
Income tax expense	8	11,018	295
		47,950	16,256
Change in inventories		(1,525)	(331)
Change in trade and other receivables		(14,889)	(17,065)
Change in prepayments		(567)	113
Change in trade and other payables		5,927	10,021
Cash generated from operating activities		36,896	8,994
Interest paid		(80)	(81)
Income tax paid		(15,604)	-
Net cash from operating activities		21,212	8,913
Cash flows from investing activities:			
Proceeds from sale of property and equipment		122	-
Acquisition of property and equipment	9	(23,143)	(19,886)
Net cash used in investing activities		(23,021)	(19,886)
Cash flows from financing activities			
Proceeds from exercise of share options		456	149
Repayment of borrowings		(30)	(48)
Payment of finance lease liabilities		(231)	(84)
Dividends paid	13	(3,020)	-
Net cash from (used in) financing activities		(2,825)	17
Net decrease in cash and cash equivalents		(4,634)	(10,956)
Cash and cash equivalents at January 1		41,247	12,724
Cash and cash equivalents at March 31		$ 36,613	$ 1,768

The notes on pages 5 to 35 are an integral part of these unaudited condensed interim consolidated financial statements.

1. Reporting Entity:

Canyon Services Group Inc. (the "Company") is a company domiciled in Canada. The Company is a publicly-traded company listed on the Toronto Stock Exchange under symbol 'FRC'. These consolidated financial statements include the accounts of Canyon Services Group Inc. and its wholly-owned subsidiaries, Canyon Technical Services Ltd. and Canyon Technical Services Inc.

The Company's activities are conducted in the oilfield services industry and are focused on providing specialized fracturing and chemical stimulation services to companies exploring for and developing petroleum and natural gas resources operating in the Western Canadian Sedimentary Basin. These services are designed to enhance oil and natural gas production and maximize recovery from conventional and unconventional reservoirs.

2. Basis of preparation:

(a) Statement of compliance:

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements, including International Accounting Standard (IAS) 34 and IFRS 1. Subject to certain transition elections disclosed in note 17, the company has consistently applied the same accounting policies in its opening IFRS balance sheet as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 17 discloses the impact of the transition of IFRS on the company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the company's consolidated financial statements for the year ended December 31, 2010.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of May 10, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the company's Canadian GAAP ("CGAAP") annual financial statements for the year ended December 31, 2010.

(b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for the following material item in the consolidated balance sheet:

(i) Liabilities for cash-settled share-based payment arrangements are measured at fair value.

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may 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.

In preparing these consolidated interim financial statements, the significant judgments made by management applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical estimates and judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include:

Estimates of collectability of accounts receivable

The Company recognizes revenue when services are provided and collectability is reasonably assured. The Company's services are sold based upon orders or contracts with customers that include agreed upon rates for equipment, tools, services, supplies consumed and travel time. There are no post-service delivery obligations. All revenues recorded are based on actual invoices issued to customers.

Depreciation of property and equipment

Depreciation is calculated using varying methods and is intended to reflect the historical value of the underlying asset component that is consumed in conducting each period's operations. Estimates affecting management's assessment of the most appropriate depreciation rate and method of calculation for any particular asset component include the productive life of the asset, its salvage value, equipment utilization rates, planned maintenance programs and technological change.

Management believes that its assessment and choice of estimates used in calculating depreciation are reasonable and consistent with our competitors; however there is no certainty

that the depreciation expense provided will correctly measure the actual reduction in value of asset components used in operations over time.

Long-lived assets

On a periodic basis, management assesses the carrying value of long-lived assets for indications of impairment. When an indication of impairment is present, the asset is written down to its estimated fair value. The value of long-lived assets was assessed for impairment. No write-down was required.

Income taxes

The Company follows the asset and liability method of accounting for future income taxes, under which future income tax assets and liabilities are determined based on temporary differences between the accounting basis and the tax basis of the Company's assets and liabilities. Income tax rates used and statutes followed are those currently enacted (or substantively enacted) that are expected to apply when these differences reverse. Income tax expense is the sum of the Company's provision for current income taxes and the difference between opening and ending balances of the future income tax assets and liabilities.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS balance sheet as at January 1, 2010 for the purposes of the transition to IFRS.

(a) Foreign currency:

(i) Foreign currency transactions:

Transactions in foreign currencies are translated to the respective functional currencies for the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(b) Financial instruments:

(i) Non-derivative financial assets:

The Company initially recognizes trade and other receivables and deposits on the date that they originate. 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.

Financial assets and liabilities are offset and the net amount presented in the balance sheet 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.

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss, and loans and receivables.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise of interest rate swaps and forward exchange contracts. The Company did not hold any financial assets designated at fair value through profit or loss as at March 31, 2011, December 31, 2010 and January 1, 2010.

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 method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

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

(ii) Non-derivative financial liabilities:

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they originate. All other liabilities (including liabilities designated at fair value through profit or loss) 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 liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the consolidated balance sheet 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.

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

(iii) Share capital:

Common shares

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

(c) Property and equipment:

(i) Recognition and measurement:

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The Company has elected under IAS 16 and IFRS 1 to use the retrospective IFRS carrying amount which is the original cost less depreciation under IFRS.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2010. Canyon elects under IFRS 1 to apply IAS 23, the borrowing cost standard, prospectively on transition.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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

(ii) Subsequent costs:

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. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment (repair and maintenance) are recognized in profit or loss as incurred.

(iii) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss either on a straight-line or diminishing balance basis over the estimated useful lives of each component of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Field equipment	5 to 10 years	straight line
Automotive	15 to 25%	declining balance
Office, shop and yard	5%	declining balance
Computers and office equipment	20 to 30%	declining balance
Leasehold improvements	over the term of the lease	straight line

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

(d) Intangible assets:

(i) Research and development:

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to

and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2010. Other development expenditure is recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

(ii) Other intangible assets:

Other intangible assets include intellectual properties with respect to proprietary light weight proppant and a license to perform a patented stimulation technique in both horizontal and vertical wellbores that were acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Subsequent expenditure:

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iv) Amortization:

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life for the current and comparative periods is as follows:

Intellectual property with respect to light weight proppant	15 years straight line
License for patented stimulation technique	3 years straight line

Amortization methods, useful lives and residual values are reviewed at each financial period-end and adjusted if appropriate.

(e) Leased assets:

Leases in terms of 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.

Other leases are operating leases and the leased assets are not recognized in the Company's consolidated balance sheet.

(f) Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the average cost, and includes expenditure incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition.

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

(g) Impairment:

(i) Financial assets (including receivables):

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are assessed for specific impairment.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows

are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU") and reflects the lowest level at which each CGU is monitored for internal reporting purposes.

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

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

(h) Employee benefits:

(i) Termination benefits:

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(ii) Short-term employee benefits:

Short-term employee benefits 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 bonus or profit-sharing plans if it is probable that the liability will be payable.

(iii) Share-based payment transactions:

The grant date fair value of awards granted to directors, officers and employees pursuant to the Share Purchase Option Plan, Stock-Based Compensation Plan and Warrants, is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards (vesting period). The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

The fair value of the amount payable to directors, officers and employees in respect of Share Appreciation Rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the directors, officers and employees unconditionally become entitled to payment. The liability is re-measured at each reporting date and at settlement date and is recorded in trade and other payables. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

Share-based payment arrangements comprising Warrants in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

(i) 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 estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Onerous contracts:

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

(j) Revenue:

Services:

The Company's services are generally sold based upon orders or contracts with customers that include agreed upon rates for equipment, services, down-hole tools used, supplies consumed and travel time. Revenue is recognized when there is persuasive evidence that an arrangement exists, the service has been provided, the rate is fixed and determinable, and the collection of the amounts billed to the customer is considered probable. The Company considers persuasive evidence to exist when a formal contract is signed or customer acceptance is obtained. There are no post-service delivery obligations.

(k) Lease payments:

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

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.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Company's incremental borrowing rate.

(l) Finance income and finance costs:

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognized on financial assets. 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.

Foreign currency gains and losses are reported on a net basis.

(m) Income tax:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Earnings per share:

The Company presents basic and diluted earnings per share (EPS) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise share options granted to employees.

(o) New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for the quarter ended March 31, 2011, and have not been applied in preparing these consolidated financial statements.

IFRS 9 Financial Instruments

In November 2009 the IASB issued IFRS 9 *Financial Instruments* (IFRS 9 (2009)), and in October 2010 the IASB published amendments to IFRS 9 (IFRS 9 (2010)).

IFRS 9 (2009) replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*, on the classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of loans and receivables.

Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortized cost; or
- financial assets measured at fair value.

The Company intends to adopt IFRS 9 (2010) in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 9 (2010) to have a material impact on the financial statements. The classification and measurement of the Group's financial assets is not expected to change under IFRS 9 (2010) because of the nature of the Company's operations and the types of financial assets that it holds.

4. Financial Risk Management Overview

Trade and other receivables

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. As at March 31, 2011, five customers accounted for 48% (December 31, 2010 – five customers accounted for 57%) of the Company's accounts receivable while five customers account for 45% (December 31, 2010 – five customers account for 50%) of the revenue.

Standard payment terms for the industry are 30-60 days from the invoice date, however industry practice allows for payment up to 90 days after invoice date. The Company's accounts receivable as at March 31, 2011 before the allowance for doubtful accounts of $418 (December 31, 2010: $479) is aged as follows:

Thousands of dollars	March 31, 2011	December 31, 2010
Current (0-30 days from invoice date)	$33,354	$21,384
31-60 days past due	17,591	20,713
Over 60 days past due	10,647	4,667
Total	$61,592	$46,764

Capital management

The Company's objectives when managing its capital structure are to maintain a balance between debt and capitalization so as to maintain investor, creditor and market confidence and to sustain future development of the business. Debt includes operating facility less cash and cash equivalents, plus current portion of long-term debt, plus long-term debt. Capitalization is calculated as the debt, as described above, and shareholders' equity less intangible assets. The Company also manages its capital structure to ensure compliance with the financial covenants on its credit facilities. The Company may be required to adjust its capital structure from time to time as a result of expansion activities.

The debt to capitalization ratios were as follows:

(Thousands of dollars, except ratios)

	March 31, 2011	December 31, 2010
Debt, net of cash	$ -	$ -
Shareholders' equity (net of intangible assets)	252,962	221,870
Capitalization	$ 252,962	$ 221,870
Debt to Capitalization ratio	-	-

The Company also manages its capital structure to ensure compliance with the following financial covenants specified in the credit facilities:

The company is required to maintain a working capital ratio of not less than 1.25 to 1.00, calculated as at the end of each fiscal quarter.

The Company is required to maintain a ratio of total debt to total tangible net worth of not greater than 2.0 to 1.0, calculated as at the end of each fiscal quarter. Tangible net worth is defined as shareholders' equity excluding intangibles and goodwill.

As at the end of each fiscal quarter, the total outstanding balances under the Operating Facility and the Extendible Facility cannot exceed 50% of the net book value of property and equipment net of real estate assets.

The Company's ratio of income (loss) before income taxes, plus depreciation and amortization, plus interest on long-term debt and other interest, plus stock-based compensation expense to total debt

service obligations is calculated on an annual basis on December 31 of each year. On December 31, 2011, the ratio cannot be less than 1.25 to 1.00.

As at March 31, 2011, the Company is in compliance with each of the above financial covenants.

5. Seasonality of Operations:

The Company's business is seasonal in nature with the periods of greatest activity being in the first and fourth quarter, and the least activity tending to be in the second quarter because of spring break-up. Spring break-up typically occurs for periods of up to six weeks between March and May. The Company's operating activities can also be affected by extended periods of rainy weather which can result in restrictions to the movement of heavy equipment. As a result, March through May is traditionally the Company's least active time and as such the operating results of the Company will vary on a quarterly basis.

6. Cost of Services:

Cost of services for the three months ended March 31, 2011 totaled $52,432 (2010: $25,931) and includes employee benefits expense of $13,601 (2010: $6,502) depreciation of property and equipment (note 9) of $4,591 (2010: $2,679).

7. Administrative Expenses:

Administrative expenses for the three months ended March 31, 2011 totaled $5,389 (2010: $3,165) and includes employee benefits expense of $1,741 (2010: $1,093) depreciation of buildings and office equipment of $233 (2010: $178), amortization of intangible assets (note 10) of $22 (2010: $5), and stock-based compensation expense of $1,918 (2010: $1,030).

8. Income Tax Expense:

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected applied to the pre-tax income of the interim period. The Company's consolidated effective tax rate for the three months ended March 31, 2011 was 26.8% (three months ended March 31, 2010: 2.4%). The change in effective tax rate was caused mainly by the following factors:

- Some losses occurred prior to the March 31, 2010 interim period for which no deferred tax asset had been recognized because management did not consider it probable in 2009 that future taxable profits would be available against which those tax losses could be utilized. In the three months ended March 31, 2010, management reassessed this estimate and considered it probable that future taxable profits would be available against which those tax losses could be utilized. As a result, a decrease in the deferred tax valuation allowance was recorded in the three months ended March 31, 2010 resulting in the effective tax rate of 2.4%.

9. Property and equipment:

In thousands of dollars	Land	Office, Shop & Yard	Field Equipment	Automotive	Office Equipment & Leaseholds	Total
Cost or deemed cost:						
Balance at January 1, 2010	$3,851	$11,173	$102,244	$23,896	$2,928	$144,092
Additions	1,291	-	62,571	17,789	1,045	82,696
Reclassification	528	(528)	-	-	-	-
Disposals	-	-	(2,957)	(231)	(46)	(3,234)
Balance at Dec 31, 2010	**$5,670**	**$10,645**	**$161,858**	**$41,454**	**$3,927**	**$223,554**
Additions	-	449	16,583	4,987	1,554	23,573
Disposals	-	-	-	(181)	-	(181)
Balance at Mar 31, 2011	**$5,670**	**$11,094**	**$178,441**	**$46,260**	**$5,481**	**$246,946**
Depreciation:						
Balance at Jan. 1, 2010	$ -	$1,307	$23,731	$9,429	$1,604	$36,071
Depreciation for the year	-	444	10,743	2,958	381	14,526
Disposals	-	-	(2,207)	(93)	(41)	(2,341)
Balance at Dec 31, 2010	**$ -**	**$1,751**	**$32,267**	**$12,294**	**$1,944**	**$48,256**
Depreciation for the period	-	106	3,193	1,399	126	4,824
Disposals	-	-	-	(89)	-	(89)
Balance at Mar 31, 2011	**$ -**	**$1,857**	**$35,460**	**$13,604**	**$2,070**	**$52,991**
Carrying amounts:						
At January 1, 2010	$3,851	$9,866	$78,513	$14,467	$1,324	$108,021
At December 31, 2010	5,670	8,894	129,591	29,160	1,983	175,298
At March 31, 2011	5,670	9,237	142,981	32,656	3,411	193,955

Leased equipment

Property and equipment includes leased assets as the Company leases equipment under a number of finance lease agreements. The leased equipment secures lease obligations (see note 11). At March 31, 2011, the net carrying amount of the leased equipment was $2,904 (December 31, 2010: $1,288; January 1, 2010: $960).

10. Intangible Assets:

Intangible assets comprise intellectual properties with respect to proprietary light weight proppant and were acquired in February 2007 for consideration of 125,000 warrants of the Company. On February 1, 2009, the warrants, with an exercise price of $4.96, were repriced at $1.20 to reflect the current economic conditions, resulting in the recording of additional consideration of $29. The carrying value of this property totaling $210 as at March 31, 2011 ($215 as at December 31, 2010; $235 as at January 1, 2010) is being amortized using the straight line method over its estimated useful life of 15 years. Intangible assets also include the purchase from a major exploration and production company of a license to perform a patented stimulation technique in both horizontal and vertical wellbores and is recorded at cost and amortized over its expected useful life of 3 years using the straight line method. The carrying value of this property totaled $165 as at March 31, 2011 ($182 as at December 31, 2010; $Nil as at January 1, 2010).

11. Loans and borrowings:

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost.

In thousands of dollars	Nominal Interest Rate	Year of Maturity	Mar 31, 2011	Dec 31, 2010
Current Liabilities:				
Current portion of secured equipment loans	5%	2012	$77	$96
Current portion of finance lease liabilities	6.3-8.4%	2011-2014	1,166	974
			$1,243	$1,070
Non-current liabilities:				
Secured equipment loans	5%	2012	$11	$20
Finance lease liabilities	6.3-8.4%	2011-2014	1,421	1,415
			$1,432	$1,435

In addition, the Company has two bank loan facilities with a combined amount available of $36 million. The Operating Facility is a demand revolving facility up to a maximum amount of $10 million and bears interest, payable monthly, at the bank's prime lending rate plus 1.25 percent and is secured by a general security agreement over all of the Company's assets. As at March 31, 2011 and December 31, 2010, no amounts were drawn on the Operating Facility.

The Extendible Facility is a revolving extendible credit facility up to a maximum amount of $26 million and bears interest, payable monthly, at the bank's prime lending rate plus 1.25 percent and is

secured by a general security agreement over all of the Company's assets. The Extendible Facility is subject to renewal on May 23, 2011 at which time it can be extended at the lender's option for 364 days. If the Extendible Facility is not extended, all amounts outstanding are repayable over two years as to seven quarterly installments of one-twentieth of the amount outstanding and the eighth installment being for the balance outstanding. Security for the Extendible Facility is a general security agreement over all of the Company's assets. As at March 31, 2011 and December 31, 2010, no amounts were drawn on the Extendible Facility.

The Company is bound by certain financial covenants as described in Note 4 and non-financial covenants. The Company was in compliance with the terms of the lending agreements as at March 31, 2011 and December 31, 2010.

12. Deferred tax assets and liabilities:

Recognized deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of dollars	Mar 31/11	Dec 31/10	Mar 31/11	Dec 31/10	Mar 31/11	Dec 31/10
Property and equipment	$ -	$ -	$5,298	$3,584	$5,298	$3,584
Share issuance costs	(903)	(976)	-	-	(903)	(976)
Share-based payment transactions	(1,549)	(1,193)	-	-	(1,549)	(1,193)
Capital leases	(647)	(139)	-	-	(647)	(139)
Tax (assets) liabilities	$(3,099)	$(2,308)	$5,298	$3,584	$2,199	$1,276

As at March 31, 2011, deferred tax assets are based on a rate of 25% and total $3,099 (December 31, 2010: $2,308). Deferred tax assets comprise amounts deductible for tax purposes in future periods in respect of: (i) expenses associated with the issuance of common shares in 2009 and 2010; (ii) amounts included in trade and other payables in respect of the Company's Share Appreciation Rights; and (iii) amounts resulting from the recording of capital lease obligations. The deferred tax liabilities which are based on a rate of 25% comprise the difference between the carrying amount of property and equipment and the underlying value for tax purposes.

13. Capital and reserves:

Share capital, warrants and contributed surplus
In thousands of shares

	Common Shares	
	Three Months Ended March 31, 2011	Year Ended December 31, 2010
On issue at January 1	60,369	47,162
Issued for cash	-	12,305
Exercise of share options	267	820
Exercise of warrants	42	42
Conversion of incentive based units	40	40
On issue at end of period	60,718	60,369

Issuance of common shares

The above includes 101 common shares issued during the three months ended March 31, 2011 as a result of the exercise of vested options arising from the share purchase option plan granted to key management. Options were exercised at an average price of $1.19 per option. All issued shares are fully paid.

Common shares

The holders of common shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Dividends

During the three months ended March 31, 2011, the Company paid total dividends of $3,020 (2010: nil).

14. Share-based payment:

Description of the share-based payment arrangements

As at March 31, 2011 the Company has the following share-based payment arrangements:

a) Share Purchase Option Plan:

The Company's share purchase option plan (the "Plan") is available to Directors and certain employees as determined by the Company's Board of Directors. The Plan allows for the granting of options to purchase Common shares to a maximum number equal to 10% of the then issued and outstanding Common Shares of the Company. The price of each share purchase option granted is set by the Company's Board of Directors based on the market value of the Company's

stock on the date of the grant. Issued share purchase options generally vest equally over a three year period or, as determined by the Board of Directors, and expire on the fifth anniversary date of their issuance.

The per share weighted average fair value of stock options granted during the three months ended March 31, 2011 was $4.54 based on the date of grant valuation using the Black-Scholes option pricing model. Stock-based compensation of $424 has been recorded for the three months ended March 31, 2011 (2010: $173) using the fair value method.

A summary of the status of the Company's stock option plan as at March 31, 2011 and December 31, 2010 and changes during the periods then ended is presented below:

Number of options in thousands	Options Outstanding	Range of Exercise Price	Weighted Average Exercise Price
Outstanding as at January 1, 2010	1,746	$ 0.78 – $ 2.15	$ 1.17
Granted	1,387	$ 2.43 – $ 11.41	$ 3.78
Exercised	(820)	$ 0.96 – $ 2.15	$ 1.14
Forfeited	(123)	$ 0.96 – $ 5.10	$ 1.57
Outstanding as at December 31, 2010	2,190	$ 0.78 – $ 11.41	$ 2.79
Granted	520	$ 10.86 – $ 12.31	$ 11.62
Exercised	(267)	$ 0.96 – $ 2.43	$ 1.51
Forfeited	(7)	$ 2.43 – $ 2.43	$ 2.43
Outstanding as at March 31, 2011	2,436	$ 0.78 – $ 12.31	$ 4.81

b) Stock-based Compensation Plan:

(Number of incentive based units in thousands)

On March 31, 2009, the Company's shareholders approved a Stock-Based Compensation Plan (the "Plan") to provide certain directors, officers, key employees and consultants of the Company with an opportunity to acquire common shares in lieu of cash bonuses. Under the Plan, the Board of Directors from time to time may grant incentive based units to participants as compensation in respect of services rendered by the participant for a fiscal year. Each incentive based unit will give the participant the right to receive, on or after the vesting date for such incentive based unit upon exercise, one common share for no further consideration or payment by such participant. The aggregate number of common shares that may be issued pursuant to the exercise of incentive based units awarded under the Plan is 5% of the issued and outstanding common shares of the Company. For the three months ended March 31, 2011, there were 45 incentive based units granted to directors of the Company. There were 40 incentive based units converted into common shares of the Company by directors during the three months ended March 31, 2011. The compensation cost to the Company for the three months ended March 31, 2011 was $72

(2010: $15). As at March 31, 2011, there were 188 incentive based units outstanding (183 as at December 31, 2010).

c) **Share Appreciation Rights (cash settled):**
(Number of units in thousands)

In August, 2007, the Company established a Deferred Share Unit Plan. Under this Plan, upon acceptance of the Company's offer of employment, the President was granted 800 units with base values varying between $5.00 and $8.65 per unit. Effective February, 2009, the term was extended, the number of units granted was modified to 600 and the base values were modifed to between $1.25 and $2.00 per unit in response to market conditions. The term of the plan is 5 years, expiring on February 14, 2014, and at that time the President will receive a cash amount equal to the market value of the Company's shares in excess of the base value of the deferred share units. The deferred share units obligation is recorded as a liability in trade and other payables and revalued at each reporting period. In the three months ended March 31, 2011, the Company recorded compensation costs of $1,422 (2010 – $783) related to the outstanding deferred share units.

d) **Warrants:**
(Number of warrants in thousands)

In connection with the purchase of intangible assets in February 2007, the Company issued 125 warrants. These warrants are recorded at $96 as at March 31, 2011 ($191 as at December 31, 2010). The warrants were valued upon grant using the Black-Scholes method with the following assumptions: risk free interest rate of 4.25%, expected life of 5 years, expected dividends of nil and expected volatility of 40%. These warrants entitle the holder to purchase common shares of the Company at an exercise price of $4.96 per share, become exercisable over a three year period and expire in November 2011. On February 11, 2009, the warrants were re-priced at $1.20 to reflect the current economic conditions, resulting in the recording of additional consideration of $29. On March 3, 2011, 42 warrants were exercised for proceeds of $50. Upon exercise of the warrants $95 was reclassified from warrants to capital stock. The outstanding 42 (2010 – 83) warrants were exercisable as at March 31, 2011.

Upon acceptance of the Company's offer of employment, the President was granted 425 warrants valued at $712 using the Black-Scholes method with the following assumptions: risk free interest rate of 4.50%, maximum life of 5 years, expected dividends of nil and expected volatility of 40%. These warrants entitle the holder to purchase common shares of the Corporation at an exercise price of $4.00 per share, becoming exercisable over a three year period and expire in August 2012. Stock-based compensation has been recorded over the three year vesting period and $nil has been recorded in the three months ended March 31, 2011 (2010: $59). The outstanding 425 warrants were exercisable as at March 31, 2011.

e) Inputs for measurement of grant date fair values

The grant date fair value of the share based payment plans was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plans during the first quarter of 2011 are the following:

	Three Months Ended	
Share Purchase Option Plan	March 31, 2011	March 31, 2010
Fair value of share options and assumptions:		
Fair value at grant date	$4.54	$0.98
Share price at grant date	$11.62	$2.46
Exercise price	$11.62	$2.46
Expected volatility (weighted average)	50.6%	44.1%
Option life (expected weighted average life)	4.0 years	4.0 years
Expected dividends (weighted average)	0.9%	0.0%
Risk-free interest rate (weighted average)	2.4%	2.1%
Forfeiture rate	5.3%	12.5%

15. Operating leases:

Non-cancellable operating lease rentals are payable as follows:

In thousands of dollars	March 31, 2011	December 31, 2010
Less than one year	$1,191	$995
Between one and five years	3,426	3,531
More than five years	1,622	1,815
	$6,239	$6,341

The Company leases a number of offices and warehouse facilities under operating leases. The leases typically run for a period of three to seven years, with an option to renew the lease after that date.

16. Capital commitments:

As at March 31, 2011 the Company has commitments to purchase property and equipment for $48 million (as at December 31, 2010: $57 million).

17: First Time adoption of IFRS:

As stated in note 2(a), these are the Company's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the quarter ended March 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of an opening IFRS balance sheet as at January 1, 2010 (the Company's date of transition).

The Company adopted IFRS on January 1, 2011, with a transition date of January 1, 2010. Under IFRS 1 "First time Adoption of International Financial Reporting Standards", IFRS is applied retrospectively at the transition date with the offsetting adjustments to assets and liabilities generally included in deficit. While the adoption of IFRS has not changed the actual cash flows of the Company, the adoption has resulted in changes to the reported financial position and results of operations of the Company. There are no material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under Canadian GAAP.

The changes in presentation due to IFRS are presented below as reconciliations to the Condensed Interim Consolidated Balance Sheet of the Company from the amounts reported under Canadian GAAP.

As at January 1, 2010
Consolidated Balance Sheet
In thousands of dollars

		CGAAP December 31, 2009	Effects of Transition to IFRS	IFRS January 1, 2010
Assets				
Current assets:				
Cash and cash equivalents		$12, 724		$12,724
Trade and other receivables		7,035		7,035
Inventories		4,939		4,939
Prepayments		904		904
Other assets		23		23
Total current assets		25,625		25,625
Non-current assets:				
Property and equipment	*notes a, b*	107,199	822	108,021
Intangible assets		235		235
Total non-current assets		107,434	822	108,256
Total assets:		$133,059	$822	$133,881
Liabilities and Equity				
Current liabilities:				
Trade and other payables	*note c*	$8,011	$53	$8,065
Loans and borrowings	*note b*	172	317	489
Total current liabilities		8,183	370	8,554
Non-current liabilities:				
Loans and borrowings	*note b*	116	580	696
Total non-current liabilities		116	580	696
Equity:				
Share capital		135,161		135,161
Warrants		286		286
Contributed surplus	*note c*	3,364	81	3,445
Retained earnings (deficit)	*notes a, b, c*	(14,052)	(209)	(14,261)
Total equity		124,760	(128)	124,631
Total liabilities and equity:		$133,059	$822	$133,881

As at March 31, 2010
Consolidated Balance Sheet
In thousands of dollars

		CGAAP March 31, 2010	Effects of Transition to IFRS January 1, 2010	Effects of Transition to IFRS	IFRS March 31, 2010
Assets					
Current assets:					
Cash and cash equivalents		$1,768			1,768
Trade and other receivables		24,099			24,099
Inventories		5,271			5,271
Prepayments		790			790
Other assets		24			24
Total current assets		31,952			31,952
Non-current assets:					
Property and equipment	*notes a, b*	124,437	822	171	125,430
Intangible assets		230			230
Total non-current assets		124,667	822	171	125,660
Total Assets:		$156,619	$822	$171	$157,612
Liabilities and Equity					
Current liabilities:					
Trade and other payables	*note c*	18,968	53	(153)	18,868
Loans and borrowings	*note b*	154	317	165	636
Total current liabilities		19,122	370	12	19,504
Non-current liabilities:					
Loans and borrowings	*note b*	87	580	130	797
Future income taxes		295			295
Total non-current liabilities		382	580	130	1,092
Equity:					
Share capital		135,537			135,537
Warrants		286			286
Contributed surplus	*note c*	3,327	81	57	3,465
Retained earnings (deficit)	*notes a, b, c*	(2,036)	(209)	(28)	(2,273)
Total equity		137,115	(128)	29	137,015
Total liabilities and equity:		$156,619	$822	$171	$157,612

As at December 31, 2010
Consolidated Balance Sheet
In thousands of dollars

	Note	CGAAP December 31, 2010	Effects of Transition to IFRS January 1, 2010	Effects of Transition to IFRS	IFRS December 31, 2010
Assets					
Current assets:					
Cash and cash equivalents		$41,247			$41,247
Trade and other receivables		46,285			46,285
Inventories		8,059			8,059
Prepayments		1,862			1,862
Other assets		-			-
Total current assets		97,453			97,453
Non-current assets:					
Property and equipment	*a, b*	173,460	822	1,016	175,298
Intangible assets		397			397
Total non-current assets		173,857	822	1,016	176,695
Total Assets:		$271,310	$822	$1,016	$273,148
Liabilities and Equity					
Current liabilities:					
Trade and other payables	*c*	29,813	53	53	29,919
Loans and borrowings	*b*	96	317	657	1,070
Dividend payable		3,020			3,020
Current tax liabilities		14,161			14,161
Total current liabilities		47,090	370	710	48,170
Non-current liabilities:					
Loans and borrowings	*b*	19	580	836	1,435
Deferred income taxes	*d*	1,414		(138)	1,276
Total non-current liabilities		1,433	580	698	2,711
Equity					
Share capital		181,683			181,683
Warrants		191			191
Contributed surplus	*c*	3,631	81	330	4,042
Retained earnings (deficit)	*a, b, c, d*	37,282	(209)	(722)	36,351
Total equity		222,787	(128)	(392)	222,267
Total liabilities and equity		$271,310	$822	$1,016	$273,148

The changes in presentation due to IFRS are presented below as reconciliations to the Condensed Interim Consolidated Statement of Comprehensive Income of the Company from the amounts reported under Canadian GAAP.

Condensed Interim Consolidated Statement of Comprehensive Income under IFRS
For the three months ended March 31
In thousands of dollars

		CGAAP 2010	Effects of Transition to IFRS	IFRS 2010
Revenue		$41,460		$41,460
Cost of services	*notes a, b*	(25,833)	(98)	(25,931)
Operating income		15,627		15, 529
Administrative expenses	*note c*	(3,259)	94	(3,165)
Results from operating activities		12,368		12,364
Finance costs	*note b*	(56)	(25)	(81)
Profit before income tax		12,312		12,283
Income tax expense		(295)		(295)
Total comprehensive income		12,017	(29)	$11,988
Earnings per share				
Basic		$0.25		$0.25
Diluted		$0.25		$0.25

Condensed Interim Consolidated Statements of Comprehensive Income under IFRS
For the twelve months ended December 31
In thousands of dollars

		CGAAP 2010	Effects of Transition to IFRS	IFRS 2010
Revenue		$215,891		$215,891
Cost of services	*notes a, b*	(127,449)	(320)	(127,769)
Operating income		88,442		88,122
Administrative expenses	*note c*	(17,670)	(383)	(18,053)
Results from operating activities		70,772		70,069
Finance costs	*note b*	(133)	(156)	(289)
Profit before income tax		70,639		69,780
Income tax expense	*note d*	(16,286)	138	(16,148)
Total comprehensive income		$54,353	$(721)	$53,632
Earnings per share				
Basic		$0.96		$0.95
Diluted		$0.93		$0.92

Notes to the IFRS reconciliations of Equity and Total Comprehensive Income from Canadian GAAP to IFRS

a) Property and Equipment

On transition, IFRS requires detailed analysis of property and equipment costs that should and should not be capitalized, component accounting and application of a depreciation method that reflects the pattern that matches the future economic benefits expected to be consumed. In order to componentize its assets, the Company considered the materiality and significance of each component of an asset in relation to the total cost of the asset as well as its necessity to the asset, percentage of asset and economic useful life of each possible component. The Company also considered the economic useful lives of each component of its property and equipment using the same approach used for componentization.

With respect to property and equipment cost, IFRS 1 provides optional exemptions from the retrospective restatement of cost in accordance with IFRS. The Company reconstructed the carrying amount of all items of property and equipment to comply with IFRS on an asset by asset basis. The Company has elected under IAS 16 and IFRS 1 to use the retrospective IFRS carrying amount, which for us, was very

similar to Canadian GAAP except for depreciation expense, whereby assets will be at original cost less depreciation adjusted under IFRS. Furthermore, since borrowing costs were never capitalized under CGAAP, the Company elected under IFRS 1 to apply the borrowing cost standard (IAS 23), prospectively on transition (January 1, 2010).

The total impact of this change due to componentization decreased (increased) retained earnings as follows:

Consolidated Balance Sheet

In thousands of dollars	As at January 1, 2010	As at March 31, 2010	As at December 31, 2010
Increase (Decrease) in non-current assets	($138)	($157)	($707)
Increase (Decrease) in retained earnings	($138)	($157)	($707)

Consolidated Statement of Comprehensive Income

In thousands of dollars	As at March 31, 2010	As at December 31, 2010
Increase (Decrease) in depreciation expense	$157	$707

b) Finance Leases

Under IFRS, contracts are assessed on the basis of whether or not the Company bears the risks and rewards, in substance. The Company applied the criteria under IAS 17 to contracts in order to determine which items are required to be capitalized and to reflect retrospective application from the date of initial recognition (at inception date of the lease). As a result, the Company has re-classified certain equipment leases from operating to finance leases.

The effect of this change in classification from an operating lease to finance lease were as follows:

Consolidated Balance Sheet

In thousands of dollars	As at January 1, 2010	As at March 31, 2010	As at December 31, 2010
Increase (Decrease) in non-current assets	$960	$328	$1,723
Increase (Decrease) in current liabilities	317	165	657
Increase (Decrease) in non-current liabilities	580	130	836
Increase (Decrease) in retained earnings	$63	$33	$230

Consolidated Statement of Comprehensive Income

In thousands of dollars	As at March 31, 2010	As at December 31, 2010
Increase (Decrease) in cost of services	($109)	($717)
Increase in finance costs	25	156
Increase (Decrease) in depreciation expense	50	330
	$34	$231

Under IAS 37, contracts are considered onerous when the unavoidable costs of meeting the obligations or the cost of fulfilling the obligations under the contract exceed the economic benefits expected to be received under the contract. The company has determined that none of the leases represent onerous contracts.

The company has, under IFRS 1, taken the exemption not to reassess whether or not an arrangement contains a lease as it had already done so under Canadian GAAP. Under IFRS, applying IAS 17 and IFRIC 4, the determination of whether or not an arrangement contains a lease would provide the same outcome as EIC 150 under Canadian GAAP.

c) Share Based Payments

The Company grants share-based payments, including a stock based compensation plan, deferred share unit plan and warrants to certain key employees, consultants, directors and officers. Forfeitures were not previously estimated under Canadian GAAP. Under Canadian GAAP, the Company accounted for the deferred share units using the intrinsic value method. Under IFRS, the fair values of all of these share based payments at fair value are measured using the Black-Scholes option pricing model. A forfeitures estimate has been applied under IFRS to determine the fair value of all awards. The company elected under IFRS 2 not to restate awards that had vested prior to the date of transition.

The effect of this change in the re-measurement of deferred share units, application of a forfeiture estimate to all awards, and graded vesting, where applicable, were as follows:

Consolidated Balance Sheet:

In thousands of dollars	As at January 1, 2010	As at March 31, 2010	As at December 31, 2010
Increase (Decrease) in current liabilities	$53	($153)	$53
Increase (Decrease) in contributed surplus	81	57	330
Increase (Decrease) in retained earnings	($134)	$96	($383)

Consolidated Statement of Comprehensive Income (Loss)

In thousands of dollars	As at March 31, 2010	As at December 31, 2010
Increase (Decrease) in administrative expenses	($94)	$383

d) Income Taxes

The net reduction of the deferred tax liability is attributable to the deferred tax asset resulting from the recording of capital lease obligations upon conversion to IFRS, partially offset by the deferred tax liability attributable to changes in property and equipment from the recording of capitalization of leases and additional depreciation.

The effects of the transition to IFRS decrease the deferred income tax liability based on a rate of 25%. The effect of this change is as follows:

Consolidated Balance Sheet

In thousands of dollars	As at January 1, 2010	As at March 31, 2010	As at December 31, 2010
Increase (Decrease) in non-current liabilities	-	-	($138)
Increase (Decrease) in retained earnings	-	-	$138

Consolidated Statement of Comprehensive Income (Loss)

In thousands of dollars	As at March 31, 2010	As at December 31, 2010
	-	
Increase (Decrease) in income tax expense	-	($138)

e) Impairment of Property and Equipment and Intangible Assets

The methodology used for performing impairment testing under IFRS differs from Canadian GAAP. The Company reviewed the carrying amounts of property and equipment and intangible assets for any indication of impairment at the date of transition as well as at March 31, 2011 and concluded no indicators were present.