LOGAN INTERNATIONAL INC.
Condensed Interim Consolidated Financial Statements
As at and for the three month and six month periods ended
June 30, 2015 and 2014

LOGAN INTERNATIONAL INC.

Condensed Interim Consolidated Statements of Financial Position

(in thousands of U.S. dollars)

	June 30, 2015 (unaudited)	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,508	$ 3,545
Trade receivables	22,007	33,365
Income tax receivable	2,687	1,360
Inventories	86,934	78,610
Prepaid expenses and other current assets	1,715	1,816
	115,851	118,696
Property, plant and equipment, net	49,575	50,115
Intangible assets, net	30,168	32,494
Goodwill	65,856	67,909
Deferred tax assets	2,346	2,344
Other assets	198	205
Total Assets	$ 263,994	$ 271,763
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade payables and accrued expenses	$ 11,825	$ 18,874
Income tax payable	952	1,142
Current portion of loans and borrowings [note 3]	982	873
	13,759	20,889
Loans and borrowings [note 3]	54,285	48,454
Deferred tax liabilities	12,919	13,829
Total liabilities	80,963	83,172
Shareholders' equity		
Share capital	99,267	98,814
Contributed surplus	3,463	3,356
Accumulated other comprehensive loss	(9,928)	(7,047)
Retained earnings	90,229	93,468
Total shareholders' equity	183,031	188,591
Total Liabilities and Shareholders' Equity	$ 263,994	$ 271,763

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

LOGAN INTERNATIONAL INC.

Condensed Interim Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)

(in thousands of U.S. dollars, except per share data)

(unaudited)

	Three month periods ended June 30, 2015	Three month periods ended June 30, 2014	Six month periods ended June 30, 2015	Six month periods ended June 30, 2014
Revenue	$ 21,181	$ 42,568	$ 48,936	$ 86,212
Cost of goods sold	14,027	27,429	32,331	54,412
Gross profit	7,154	15,139	16,605	31,800
Administrative expenses	8,948	10,399	18,791	21,397
Other expense (income)	(8)	(50)	(198)	22
Earnings (loss) from operations	(1,786)	4,790	(1,988)	10,381
Finance cost, net	491	322	1,962	1,645
Earnings (loss) before income tax expense (benefit)	(2,277)	4,468	(3,950)	8,736
Income tax expense (benefit)	(320)	1,709	(711)	3,076
Net earnings (loss)	(1,957)	2,759	(3,239)	5,660
Exchange differences on translation of foreign operations	545	2,139	(2,881)	259
Total comprehensive income (loss)	$ (1,412)	$ 4,898	$ (6,120)	$ 5,919
Earnings (loss) per share:				
Basic	$ (0.06)	$ 0.08	$ (0.10)	$ 0.17
Diluted	$ (0.06)	$ 0.08	$ (0.10)	$ 0.17

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

LOGAN INTERNATIONAL INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(in thousands of U.S. dollars)

(unaudited)

	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance as at January 1, 2014	$ 98,410	$ 2,779	$ 93,257	$ (3,302)	$ 191,144
Net earnings	-	-	5,660	-	5,660
Exchange differences on translation of foreign operations	-	-	-	259	259
Total comprehensive income (loss)	-	-	5,660	259	5,919
Vesting of restricted shares	112	(112)	-	-	-
Share-based compensation expense	-	341	-	-	341
Exercise of stock options	207	(63)	-	-	144
Balance as at June 30, 2014	$ 98,729	$ 2,945	$ 98,917	$ (3,043)	$ 197,548
Balance as at January 1, 2015	$ 98,814	$ 3,356	$ 93,468	$ (7,047)	$ 188,591
Net loss	-	-	(3,239)	-	(3,239)
Exchange differences on translation of foreign operations	-	-	-	(2,881)	(2,881)
Total comprehensive income (loss)	-	-	(3,239)	(2,881)	(6,120)
Vesting of restricted shares	422	(422)	-	-	-
Share-based compensation expense	-	540	-	-	540
Exercise of stock options	31	(11)	-	-	20
Balance as at June 30, 2015	$ 99,267	$ 3,463	$ 90,229	$ (9,928)	$ 183,031

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

LOGAN INTERNATIONAL INC.

Condensed Interim Consolidated Statements of Cash Flows

(in thousands of U.S. dollars)

(unaudited)

	Six month periods ended June 30, 2015	2014
Cash flows from (used in) operating activities:		
Net earnings (loss)	$ (3,239)	$ 5,660
Adjustments:		
Income tax expense (benefit)…………	(711)	3,076
Interest expense…………	1,176	1,285
Bad debt expense…………	30	29
Loss (gain) on adjustment of inventory…………	(69)	183
Depreciation and amortization expense…………	6,095	6,698
Share-based compensation payments…………	417	525
Unrealized loss on foreign exchange…………	734	453
Gain on sale of property, plant and equipment…………	(596)	(734)
Net change in working capital [note 6]…………	(6,126)	(3,821)
Decrease (increase) in non-current assets…………	13	(38)
Income tax payments, net of tax refunds of $63 and $38, respectively…………	(1,446)	(4,511)
Interest payments…………	(635)	(1,034)
Net cash (used in) from operating activities…………	(4,357)	7,771
Cash flows from (used in) financing activities:		
Net draws (payments) on revolving loans and borrowings…………	7,246	(2,515)
Payments on term loans and borrowings…………	(235)	(2,539)
Proceeds from exercise of stock options…………	20	144
Payments of finance lease liabilities…………	(428)	(593)
Net cash from (used in) financing activities…………	6,603	(5,503)
Cash flows used in investing activities:		
Acquisition of property, plant and equipment…………	(4,250)	(2,598)
Proceeds from sale of property, plant and equipment…………	1,021	1,335
Proceeds from collection of notes receivable…………	-	144
Payments of acquisition consideration…………	-	(1,045)
Net cash used in investing activities…………	(3,229)	(2,164)
Net change in cash and cash equivalents…………	(983)	104
Cash and cash equivalents, beginning of period…………	3,545	2,764
Effect of exchange rate changes on cash and cash equivalents…………	(54)	65
Cash and cash equivalents, end of period…………	$ 2,508	$ 2,933

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. Incorporation and Operations

Logan International Inc. (the "Company", "Logan" or "LII"), and its subsidiaries (together the "Group"), is governed by the laws of the province of Alberta, Canada. Logan's common shares are listed on the Toronto Stock Exchange under the symbol "LII".

The Group's business is conducted predominantly in North America in two reportable segments – the downhole tool segment and the rental tool segment. The downhole tool segment manufactures and sells tools and provides services for the drilling, workover and completion of oil and gas wells. The rental tool segment rents tools that are primarily used in the drilling and workover of oil and gas wells. The Group's Canadian operations are seasonal as the ability to transport oilfield drilling and service equipment is dependent on weather conditions. The Canadian operations are typically strongest in the first quarter when the ground is frozen, enabling field personnel and equipment easy access to project sites, and operations are normally weakest in the second quarter because, as the ground thaws, access to public roads is restricted.

2. Basis of Presentation

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2014.

The condensed interim consolidated financial statements of the Company for the period ended June 30, 2015, were authorized for issue in accordance with a resolution of the directors on August 11, 2015.

These financial statements have been prepared on a going concern basis, which presumes that the Company will continue normal operations for the foreseeable future. Based on management's most recent forecast, the Company anticipates it will temporarily breach the leverage covenant included in the 2014 Amended Credit Agreement (the "Agreement") at the end of the third quarter of 2015. The breach, if it occurs, would be considered a nonmonetary breach, for which the Agreement provides for a thirty day cure period. The leverage covenant measures the Company's financial leverage (long term debt) as a multiple of its EBITDA. Management forecasts the breaches will persist through the first quarter of 2016. The Company is in compliance with the interest coverage covenant, which measures the Company's ability to service the debt, and the asset coverage covenant which measures the value of the Company's tangible assets relative to its outstanding borrowings throughout the forecast period. Management expects the Company will comply with all three financial covenants after the first quarter of 2016.

An actual breach will constitute an event of default under the Agreement, which provides the lenders several alternatives including a waiver of the breach, an amendment to the Agreement to reset the covenant or, in the unlikely event, a requirement to repay the borrowings. While the Company has not yet explored alternative external financing, management is confident that the Company could place either alternative debt or equity financing in the event the lenders elect to call the loan.

The Company and the lenders are currently in discussions to amend the financial leverage covenant in the Agreement to avoid such a breach. Based on the bank discussions to date, the nature of the forecasted breach and the Company's current and forecasted financial condition, management expects to successfully negotiate an acceptable amendment within the third quarter.

However, since the lenders have the right to, and may, after the expiration of the cure period, demand repayment, in the absence of an amended (or waived) covenant, or placement of alternative financing, the expected breach gives rise to a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The Company currently is in compliance with each of the financial covenants.

Basis of Measurement

The condensed interim consolidated financial statements are prepared on the historical cost basis.

The Company's reporting currency is the U.S. dollar. Local currencies are used as the functional currency for the Company's Canadian and Colombian subsidiaries, while the U.S. dollar is the functional currency for all other subsidiaries.

Use of Estimates and Judgment

The preparation of the condensed interim consolidated financial statements in conformity with International Financial Reporting Standards ("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.

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2014.

Amended and New Accounting Standards Adopted in this Report

No amendments to existing standards or new accounting standards, have been adopted by the Company since December 31, 2014.

New Accounting Standards Not Yet Effective

IFRS 9
In November 2009, IFRS 9 "Financial Instruments" was published regarding the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and a single impairment method replacing the multiple rules in IAS 39. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. The new requirements are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The adoption of IFRS 9 is not expected to have a material impact on the Company's consolidated financial statements.

IFRS 15
In May 2014, the International Accounting Standards Board issued IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"). The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

Significant Accounting Policies

The accounting policies disclosed in the Company's December 31, 2014 consolidated financial statements have been applied consistently to all periods presented in these condensed interim consolidated financial statements.

3. Loans and Borrowings

2014 Amended Credit Agreement

In December 2014, the Company and its wholly owned subsidiary, Logan Holdings, entered into an amended and restated credit agreement (the "2014 Amended Credit Agreement") that provides for a $75 million U.S.-based revolving credit facility and a $40 million Canadian-based credit facility with several banks. Subject to the terms of the 2014 Amended Credit Agreement, the Company has the ability to increase the commitment by an additional $30 million. The 2014 Amended Credit Facility matures in December 2016.

Borrowings under the Canadian-based revolving credit facility are available in Canadian funds and bear interest at the Canadian prime lending rate plus defined margins of 1.0% to 2.0% based on the Group's financial leverage. Borrowings under the U.S.-based revolving credit facility are available in U.S. funds and, at the Company's election, bear interest at the U.S. base rate plus defined margins of 1.0% to 2.0%, or at the Eurocurrency rate plus defined margins of 2.0% to 3.0%, based on the Group's financial leverage.

The Company is obligated to pay a fee between 0.375% and 0.5% (depending on the Group's financial leverage) of the unborrowed commitment, which is paid at the end of each quarter and is included in interest expense. The 2014 Amended Credit Facility is collateralized by the assignment of security interests covering substantially all of the Company's and its subsidiaries' North American assets. Principal payments are not due under the 2014 Amended Credit Agreement until the facility matures on December 23, 2016, when all outstanding borrowings are due.

The 2014 Amended Credit Agreement includes the following financial covenants: (i) maintenance of a financial leverage ratio, which measures the Group's total borrowed debt to its total earnings before interest, tax, depreciation and amortization, other non-cash items and certain acquisition costs ("EBITDA"), no greater than 3.00:1; (ii) maintenance of an interest coverage ratio, which measures the Group's EBITDA to its interest expense, of at least 3.00:1; and (iii) maintenance of an asset coverage ratio, measured by the sum of certain Group assets to the Group's total borrowed debt, of at least 1.33:1. As at June 30, 2015, the Company was in compliance with each of the financial covenants.

As at June 30, 2015, the borrowings under the Canadian-based and U.S. based revolving credit facilities were $16.5 million and $37.6 million, respectively. In addition, there were outstanding letters of credit of $19 thousand under the U.S. based revolving credit facility, resulting in borrowing availability of $23.5 million and $37.4 million under the Canadian-based credit facility and the U.S. based credit facility, respectively.

The following schedule presents the outstanding balances of the Company's loans and borrowings:

	June 30, 2015	December 31, 2014
Current portion of loans and borrowings:		
Term and other loans	$ 295	$ 174
Finance lease liabilities	687	756
Current portion of unamortized debt transaction costs	-	(57)
Total current portion of loans and borrowings	$ 982	$ 873
Loans and borrowings:		
Term and other loans	$ 113	$ 34
Revolving loans	54,098	48,211
Finance lease liabilities	572	740
Long-term unamortized debt transaction costs	(498)	(531)
Total loans and borrowings	$ 54,285	$ 48,454

The following is a summary of the scheduled future maturities of the Company's loans and borrowings in the periods noted (unless otherwise demanded):

Six months ending December 31, 2015	$ 596
Year ending December 31, 2016	54,754
Year ending December 31, 2017	246
Year ending December 31, 2018	82
Year ending December 31, 2019 and thereafter	87
Total future maturities of loans and borrowings	$ 55,765

4. Income Tax Expense

Income tax expense is recognized based on management's best estimate of the expected annual income tax rate for the full year applied to the pre-tax income of the period. The Group's consolidated effective tax rate was 18.0% for the six month period ended June 30, 2015 and 35.2% for the six month period ended June 30, 2014. The effective rate decreased in 2015 primarily due to the estimated losses in the Company's Canadian entities, which have lower tax rates than the United States, exceeding estimated earnings in the United States.

5. Share Capital

a. Authorized

Common shares — Unlimited in amount with no par value

Preferred shares — Unlimited in amount with no par value

b. Common shares issued

	Shares
Issued and outstanding common shares as at December 31, 2014	33,599,496
Shares issued from vesting of restricted share units and exercise of stock options	69,781
Issued and outstanding common shares as at June 30, 2015	33,669,277

c. Issuance of share options

During the three month period ended June 30, 2015, the Company granted options to purchase 5,000 common shares. The options vest over three years.

d. Issuance of Restricted Share Units ("RSUs")

During the three month period ended June 30, 2015, the Company granted 70,590 RSUs at a weighted average fair value of $3.31 (CDN) per share, which was the market price at the date of grant. The RSUs have a vesting period of one year and are settled in shares on the vesting date.

6. Supplemental Cash Flow Information

The following schedule presents the changes in the components of operating working capital:	June 30, 2015	June 30, 2014
Trade receivables	$ 10,029	$ 231
Inventories	(9,307)	(2,303)
Prepaid expenses and other current assets	313	76
Trade payables and accrued expenses	(7,161)	(1,825)
Net change in working capital	$ (6,126)	$ (3,821)

The following schedule presents non-cash transactions:	June 30, 2015	June 30, 2014
Property, plant and equipment acquired through capital lease	$ 246	$ 556
Insurance premiums financed through the issuance of a note payable	306	475
Vesting of restricted shares	422	112

7. Earnings per Share

The number of basic and diluted shares used in computing the earnings per share amounts presented in the accompanying condensed interim consolidated statements of earnings and comprehensive income are presented below:

	Three month periods ended June 30,		Six month periods ended June 30,	
	2015	2014	2015	2014
Basic weighted average number of shares oustanding……………………	33,615,793	33,551,472	33,607,644	33,533,102
Dilutive items:				
Effect of outstanding stock options………………………………...……….	606	278,087	13,119	331,029
Effect of outstanding restricted share units…………………………...…..	107,941	103,829	108,441	91,026
Diluted weighted average number of shares oustanding…………………	33,724,340	33,933,388	33,729,204	33,955,157

For the three and six month periods ended June 30, 2015, the effects of 1.4 million and 1.1 million outstanding stock options, respectively, were excluded from the calculation of diluted earnings per share. In addition, for the three and six month periods ended June 30, 2014, the effects of 0.2 million and 0.4 million outstanding stock options, respectively, were excluded from the calculation of diluted earnings per share. These options were excluded because they were anti-dilutive, since their exercise price exceeded the Company's average stock price during the applicable periods.

8. Finance cost, net

The components of finance cost, net presented in the accompanying condensed interim consolidated statements of earnings and comprehensive income are shown below:

	Three month periods ended June 30,		Six month periods ended June 30,	
	2015	2014	2015	2014
Interest expense…………………………………………...………………	$ 635	$ 637	$ 1,176	$ 1,285
Loss (gain) on foreign exchange……………………………..……………	(144)	(292)	786	383
Interest Income…………………………..…………………………………	-	(23)	-	(23)
Total finance cost, net………...…………………………………...………..	$ 491	$ 322	$ 1,962	$ 1,645

9. Operating Segments

The Company's business is conducted in two reportable segments – the downhole tool segment and the rental tool segment. The downhole tool segment manufactures and sells tools and provides services for the drilling, workover and completion of oil and gas wells. It also provides well completion services. The rental tool segment rents tools primarily used in the drilling and workover of oil and gas wells. The customers of both segments are oilfield service companies, energy exploration and production companies and drilling contractors.

The Company reports segment information based upon how management organizes the operating segments in making operational decisions and in assessing financial performance. The Company does not allocate corporate finance and administrative costs or income taxes to its reportable segments. The accounting policies of the reportable segments are the same as those used in the preparation of the condensed interim consolidated financial statements.

Below is the financial information related to the profitability of each segment for the three month periods ended June 30, 2015 and June 30, 2014:

Three month period ended June 30, 2015	Downhole Tool	Rental Tool	Corporate	Total
Revenue from external customers	$ 20,093	$ 1,088	$ -	$ 21,181
Intersegment revenue	945	147	-	1,092
Earnings (loss) from operations	1,589	(1,390)	(1,985)	(1,786)
Net finance cost (income)	(136)	-	627	491
Earnings (loss) before income tax expense	1,725	(1,390)	(2,612)	(2,277)

Three month period ended June 30, 2014	Downhole Tool	Rental Tool	Corporate	Total
Revenue from external customers	$ 39,807	$ 2,761	$ -	$ 42,568
Intersegment revenue	349	80	-	429
Earnings (loss) from operations	7,732	(899)	(2,043)	4,790
Net finance cost (income)	(313)	(53)	688	322
Earnings (loss) before income tax expense	8,045	(846)	(2,731)	4,468

Below is the financial information related to the profitability of each segment for the six month periods ended June 30, 2015 and June 30, 2014:

Six month period ended June 30, 2015	Downhole Tool	Rental Tool	Corporate	Total
Revenue from external customers	$ 45,654	$ 3,282	$ -	$ 48,936
Intersegment revenue	1,413	164	-	1,577
Earnings (loss) from operations	4,398	(1,937)	(4,449)	(1,988)
Net finance cost (income)	560	103	1,299	1,962
Earnings (loss) before income tax expense	3,838	(2,040)	(5,748)	(3,950)

Six month period ended June 30, 2014	Downhole Tool	Rental Tool	Corporate	Total
Revenue from external customers	$ 80,202	$ 6,010	$ -	$ 86,212
Intersegment revenue	1,272	119	-	1,391
Earnings (loss) from operations	15,423	(1,075)	(3,967)	10,381
Net finance cost	16	(54)	1,683	1,645
Earnings (loss) before income tax expense	15,407	(1,021)	(5,650)	8,736

Below are the liabilities and assets for each of the Company's segments as at June 30, 2015 and December 31, 2014:

Segment Assets:	June 30, 2015	December 31, 2014
Downhole tool	$ 209,532	$ 215,263
Rental tool	51,022	54,928
Other corporate assets	3,440	1,572
Total assets	$ 263,994	$ 271,763

Segment Liabilities:	June 30, 2015	December 31, 2014
Downhole tool	$ 25,929	$ 32,519
Rental tool	1,591	2,864
Other corporate liabilities	53,443	47,789
Total liabilities	$ 80,963	$ 83,172

10. Related Party Transactions

The Company recorded $0.2 million and $0.5 million in sales during the three and six month periods ended June 30, 2015 and $0.8 million and $1.7 million, respectively, during the same periods ended June 30, 2014, to an entity controlled by a significant shareholder of the Company. In addition, the Company was owed $0.2 million and $0.5 million by this entity as at June 30, 2015 and December 31, 2014, respectively. The terms of these sales were similar to those charged to unrelated customers. No ongoing commitments resulted from these transactions.