Consolidated Financial Statements

(Unaudited)

Dalmac Energy Inc.

For the quarter ended

October 31, 2015

Expressed in Canadian Dollars

Contents

Dalmac Energy Inc.
Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	October 31 2015 (Unaudited)	April 30 2015 (Audited)
Assets		
Current		
Cash and cash equivalents	**414,632**	1,609,870
Accounts receivable	**4,323,044**	4,133,527
Inventories (Note 4)	**598,406**	603,838
Short term investments	**290,000**	-
Current portion of Note Receivable (Note 6)	**84,794**	-
Prepaid expenses and deposits (Note 7)	**300,449**	264,775
	6,011,325	6,612,010
Property and equipment (Note 8)	**19,851,660**	20,800,221
	25,862,985	**27,412,231**
Liabilities		
Current		
Account payable and accrued liabilities (Note 9)	**2,148,718**	2,036,962
Current portion of finance lease obligation (Note 10)	**721,719**	893,678
Current portion of long term debt (Note 11)	**277,077**	257,697
	3,147,514	3,188,337
Finance lease obligations (Note 10)	**1,057,125**	1,542,834
Long term debt (Note 11)	**9,472,790**	9,399,656
Deferred tax liabilities (Note 12)	**913,226**	1,206,724
	14,590,655	15,337,551
Shareholder's Equity		
Share capital (Note 14)	**9,732,135**	9,724,485
Contributed surplus	**1,155,875**	1,130,046
Retained earnings	**384,320**	1,220,149
	11,272,330	12,074,680
	25,862,985	27,412,231

Commitments (Note 17)

On behalf of the Board

Signed "John I. Babic" Director   Signed "Shawn Szydlowski" Director

Dalmac Energy Inc.
Consolidated Statements of Comprehensive Income (Loss)
(Expressed in Canadian Dollars)
(Unaudited)

Quarter Ended October 31, 2015

	Three months ending October 31		Six months ending October 31	
	2016	**2015**	**2016**	**2015**
Revenue				
Service and products	**5,713,731**	8,611,046	**11,050,900**	15,810,094
Expenses				
Costs - Service and products (Note 4)	**3,987,134**	6,069,450	**8,456,304**	11,642,335
Amortization of property and equipment	**796,835**	831,197	**1,588,347**	1,660,938
General and administrative	**755,287**	1,116,769	**1,714,145**	2,185,623
Interest and finance charges	**188,976**	168,981	**337,258**	338,665
Other losses (Note 8)	**79,042**	138,610	**84,174**	177,001
	5,807,274	8,325,007	**12,180,228**	16,004,562
Income (loss) before income taxes	**(93,543)**	286,039	**(1,129,328)**	(194,468)
Income tax expense (recovery) (Note 12)	**(19,452)**	72,673	**(293,499)**	(47,454)
Net income (loss) and comprehensive income (loss)	**(74,091)**	213,366	**(835,829)**	(147,014)
Loss per basic and dilute (Note 15)	0.00	0.01	(0.04)	(0.01)

See accompanying notes to the consolidated financial statements.

Dalmac Energy Inc.
Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)
(Unaudited)

2015

	Share Capital	Contributed surplus	Retained earnings	Total
	$	$	$	$
Balance - May 1, 2015	9,724,485	1,130,046	1,220,149	12,074,680
Exercise of stock options	7,650	-	-	7,650
Employee share-based payment options	-	25,829	-	25,829
Net loss and comprehensive loss for the year	-	-	(835,829)	(835,829)
Balance - October 31, 2015	9,732,135	1,155,875	384,320	11,272,330

2014

	Share Capital	Contributed surplus	Retained earnings	Total
	$	$	$	$
Balance - May 1, 2014	9,713,460	1,085,252	2,380,839	13,179,551
Exercise of stock options	7,500	-	-	7,500
Employee share-based payment options	-	28,153	-	28,153
Net loss and comprehensive loss for the year	-	-	(147,014)	(147,014)
Balance - October 31, 2014	9,720,960	1,113,405	2,233,825	13,068,190

See accompanying notes to the consolidated financial statements.

Dalmac Energy Inc.
Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)
(Unaudited)

Six Months Ended October 31, 2015	**October 2015 $**	**October 2014 $**
Cash provided by (used in)		
Net loss for the period	(835,829)	(147,014)
Items not affecting cash		
Amortization of property and equipment	1,588,347	1,660,938
Loss on disposal of property and equipment	84,174	177,001
Finance charges	337,258	338,665
Deferred income tax recovery	(293,499)	(47,454)
Share-based payment	25,829	28,153
	906,280	2,010,289
Change in non-cash operating working capital		
Accounts receivable	(274,311)	2,190,305
Inventories	5,433	183,460
Prepaid expenses and deposits	(35,674)	(32,597)
Accounts payable and accrued liabilities	111,756	(565,685)
	713,483	3,785,772
Financing activities		
Net proceeds from the issuance of shares	7,650	7,500
Proceeds from long-term debt	61,644	-
Repayment of long-term debt	-	(2,730,512)
Proceeds from notes receivable		
Collection of notes receivable	-	50,305
Repayment of obligations under finance lease	(682,125)	(157,625)
Interest paid	(306,388)	(311,666)
	(919,219)	(3,141,998)
Investing activities		
Purchase of short term investments	(200,000)	
Purchase of property and equipment	(950,148)	(253,114)
Proceeds of disposal of property and equipment	250,646	535
	(899,502)	(252,579)
Increase (decrease) in cash and cash equivalents during the	(1,105,238)	391,195
Cash and cash equivalents - Beginning of period	1,519,870	436,215
Cash and cash equivalents - end of period	414,632	827,410

Supplemental cash flow information (Note 16)

See accompanying notes to the consolidated financial statements.

(Unaudited)

1. Description of operations

Dalmac Energy Inc. (the "Company") was incorporated under the Canada Business Corporations Act and is listed on the TSX Venture Exchange trading under the symbol "DAL.V". The head office is situated at 4934-89 Street, Edmonton, Alberta, T6E 5K1.

2. Basis of presentation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published in the Chartered Professional Accountants of Canada Handbook issued and applicable by October 31, 2015.

These consolidated financial statements were approved by the Board of Directors for issuance on December 22, 2015.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented has been rounded to the nearest dollar.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of measurement

The consolidated financial statements were prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the judgment process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed further in this note.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Dalmac Oilfield Services Inc. and 1421771 Alberta Ltd. All intercompany balances and transactions are eliminated on consolidation. The Company has applied uniform accounting policies throughout all consolidated entities and reporting dates of subsidiaries are consistent with the parent.

Subsidiaries are those entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity. Subsidiaries are fully consolidated from the date control is obtained by the Company and are deconsolidated from the date control ceases.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and all substantial risks and rewards are transferred. Financial liabilities are derecognized when they are extinguished, discharged, cancelled, or expire.

All financial instruments and certain non-financial derivatives are initially measured at fair value. Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

The Company's financial assets are comprised of cash and cash equivalents and accounts receivable and have been classified as loans and receivables. Loans and receivables are subsequently measured at amortized cost using the effective interest method.

Financial assets measured at amortized cost are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Accounts receivable are also assessed for impairment on a collective basis. This is determined by reference to industry and past experience, as well as observable changes in national or local economic conditions that correlate with default on receivables. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the accounts receivables is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in income (loss).

Financial Liabilities

The Company's financial liabilities include accounts payable, accrued liabilities, finance lease obligations and long term debt and have been classified as other financial liabilities. Financial liabilities are measured subsequently at amortized cost using the effective interest method.

(Unaudited)

Joint arrangements

The Company applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed its nature of its joint arrangements and determined them to be joint operations.

The Company accounts for its rights and obligations in a joint operation by recognizing:

a) its assets, including its share of any assets held jointly;

b) its liabilities, including its share of any liabilities incurred jointly;

c) its revenue from the sale of its share of the output arising from the joint operation;

d) its share of the revenue from the sale of the output by the joint operation; and

e) Its expenses, including its share of any expenses incurred jointly.

Cash and cash equivalents

Cash and cash equivalents consist of cash and balances with banks net of outstanding cheques and short-term highly liquid investments with original maturities of three months or less.

Inventory

Inventory consists of maintenance supplies and consumables, and chemicals. Raw materials and consumables are comprised of spare parts, tires, materials, and supplies. Chemicals comprise of diesel fuel and various chemicals used to carry out operations to the oil and natural gas industries in Alberta. Inventory is stated at the lower of cost, determined on a first-in, first-out basis, and net realizable value. Cost includes the direct purchase price of the goods and transportation costs from vendors. Net realizable value is the estimated selling price less applicable selling expenses. If carrying value exceeds net realizable value, a writedown is recognized. The writedown may be reversed in a subsequent period if the circumstances which caused it no longer exist.

Property and equipment

Property and equipment are recorded at historical cost less accumulated amortization and accumulated impairment loss, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the asset. When significant parts of property and equipment are required to be replaced and it is probable that future economic benefits associated with the item will be available to the Company, the expenditure is capitalized and the carrying amount of the item replaced is derecognized. Similarly, maintenance and inspection costs associated with major overhauls are capitalized and depreciated over their useful lives when it is probably that future economic benefits will be available and any remaining carrying amounts of the cost of previous overhauls are derecognized. All other costs are expensed. Property and equipment are amortized using the methods and rates designated to amortize the cost of the property and equipment over their estimated economic useful lives, net of residual value.

(Unaudited)

The annual amortization rates and methods are as follows:

Buildings	4% declining balance method with no residual value
Service vehicles and equipment	8 – 12 years straight-line method with 20% residual value
Improvements to service vehicles and equipment	4 years straight-line method with no residual value
Motor vehicles	8 years straight-line method with no residual value
Shop equipment	5 – 10 years straight-line method with no residual value
Leasehold improvements	term of lease straight-line method with no residual value
Computer and office equipment	3 – 4 years straight-line method with no residual value
Rental equipment	12 years straight-line method with 20% residual value

Included above in service vehicles, shop equipment and computer equipment are assets under finance lease.

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

Amortization of an asset commences when it is available-for-use. Amortization of an asset ceases at the earlier of the date that the asset is classified as held-for-sale or the date the asset is derecognized. Amortization does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. Assets under construction are not amortized until they are available-for-use.

The residual value and useful lives of the assets are reviewed at least annually and adjusted if appropriate.

Impairment of long-lived assets

Long-lived assets are comprised of property and equipment.

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

(Unaudited)

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Lease obligations

Finance leases, which transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the income statement.

Leased assets are amortized over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is amortized over the shorter of the estimated useful life of the asset and the lease term.

All other leases are classified as operating leases whereby payments are recognized as an expense on a straight-line basis over the lease term.

Income taxes

Tax expense comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It established provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probably that future taxable profit will be available against which the temporary differences can be utilized.

Share-based compensation

The Company has established a stock option plan for the executive and board of directors, and employees as described in note 14. The Company uses the fair value method of accounting for stock options. The fair value of the option grants is calculated on the grant date for employees using the Black-Scholes option pricing model and recognized as compensation expense over the vesting period of those granted options, adjusted for estimated forfeitures. The corresponding adjustment is recorded to contributed surplus. The fair value of the option grants to non-employees is calculated based on the value of the services provided in exchange for the option issue. When the options are exercised the proceeds received by the Company, together with the related amount in contributed surplus, are added to share capital. Forfeited or expired options are put back into the pool of available stock options for future grants. No adjustment is recorded for stock options that expire unexercised. Compensation expense related to forfeited options is not recorded after the forfeiture date provided the options have not vested.

Revenue recognition

The Company's services are provided based on orders and contracts with customers that include fixed or determinable prices and are based on daily, hourly or contracted rates. Contract terms do not include the provision for post-service obligations. Revenue is recognized for services on completion provided it is probable the economic benefits will flow to the Company, the sales price is fixed or determinable, and collectability is reasonably assured. These criteria are generally met at the time the services are performed and have been accepted by the customer.

Product sales revenue is recognized when the products are delivered, at which time title passes to the customer, and when collectability is reasonably assured. No right of return exists for products.

Earnings per share

Basic earnings per share is calculated by dividing the net income applicable to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted earnings per share reflects the assumed conversion of all dilutive securities using the treasury stock method. Diluted earnings per share figures are equal to those of earnings per share if the effects of stock options and warrants have been excluded since they are anti-dilutive. For warrants and stock options, the treasury method is used whereby the number of additional common shares is calculated by assuming that outstanding warrants and stock options were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the fiscal year.

Provisions and contingent liabilities

Provisions are recognized when present obligations as a result of a past event will most likely lead to an outflow of economic resources from the Company that can be estimated reliably. The timing or amount of the liability may still be uncertain. Provisions are measured at the estimated amount required to settle the present obligation, taking into consideration the most reliable evidence available at the reporting date. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

When a business combination is undertaken, the Company initially measures any of the acquired company's contingent liabilities at the acquisition date fair value. The contingent liabilities are subsequently measured at the higher of the amount that would be recognized above and the amount initially recorded.

(Unaudited)

Critical accounting judgments and estimates

Estimates and judgments are continually enhanced and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes judgment and estimates concerning the future. The resulting accounting estimate will by definition, seldom equal the related actual results. The judgments and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are addressed below.

Critical accounting judgments

- Leases

  Management uses judgment in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards of ownership. Management evaluates the lease terms and determines appropriate classification of finance leases.

Critical accounting estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

- Impairment of long-lived assets

  An impairment loss is recognized when the amount of an asset’s or cash generating unit’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and the value in use. Management estimates expected future cash flows from each asset or cash generating unit when determining the value in use. Management makes assumptions about future operating results in the process of measuring expected future cash flows, which are based on future events and circumstances. Actual results may vary from those estimates and may cause significant adjustments to the Company’s assets in following years.

- Inventories

  Inventories are measured at the lower of cost and net realizable value. Management uses the most reliable evidence available at the time in determining the net realizable values of the inventories. Allowances against slow moving, obsolete, and damaged inventories are recorded in each reporting period as required based on management estimates.

- Share-based compensation

  The Company uses the Black-Scholes option pricing model for valuing its stock options to employees and directors at the date of issue. Further information regarding this estimate is described in note 14.

(Unaudited)

Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations adopted by the Company

The following standards have been adopted by the Company for the first time for the financial year beginning on May 1, 2014.

Amendments to IAS 32, Financial Instruments: Presentation on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the financial statements of the Company.

IFRIC 21, Levies: Sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 Provisions: the Interpretations address what the obligation event in that gives rise to pay a levy and when a liability should be recognised. The Company is not currently subjected to significant levies so the impact on the Company is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on May 1, 2014 are not material to the Company.

(b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after April 30, 2015, and have not been applied in preparing these consolidated financial statements. The Company is in the process of assessing the impact of these standards.

IFRS 9, Financial Instruments: addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable opinion at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit of loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is yet to assess IFRS 9's full impact.

(Expressed in Canadian Dollars)

(Unaudited)

IFRS 15, ‘Revenue from contracts with customers’ deals with revenue recognition and establishes principals for reporting useful information to users of financial statements about the nature, amount., timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 ‘Revenue’ and IAS 11 ‘Construction contracts’ and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Company is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. Inventories

	October 31, 2015	April 30, 2015
	$	$
Maintenance and supplies	455,743	447,389
Chemicals	142,663	156,449
	598,406	603,838

The cost of inventory expensed in cost of sales for the period is $564,458 (October 31, 2014 - $821,935).

5. Joint arrangements

In previous years, the Company entered into joint arrangements with the following entities where each investor has 50% ownership of certain service equipment and shares 50% of revenue and expenses from the joint operation:

- 1719414 Alberta Ltd.
- Jimco Holdings Inc.
- Mittsfit Trucking Ltd.
- 1538401 Alberta Inc.
- 1760909 Alberta Ltd.

The principal place of business of the joint operations referred to above is the Province of Alberta.

Net book value of the Company’s share of the equipment held under the above joint arrangement amounts to $789,883 at October 31, 2015 and is included in service vehicles and equipment under property and equipment in note 8.

Year to date, at October 31, 2015, the Company has recognized its share of revenue and expenses from the above joint arrangements in the amount of $279,992 and $153,243 respectively.

(Expressed in Canadian Dollars)

(Unaudited)

In addition, the Company has entered into joint arrangements with the following related parties:

- 1414956 Alberta Ltd.
- PCS Ltd.

The above related parties own certain service equipment (see note 18). The Company shares 50% of revenues and expenses form the joint operations. Year to date, at October 31, 2015, the Company has recognized its share of revenue and expenses from the above joint arrangements with related parties in the amount of $65,743 and $101,983 respectively.

6. Note receivable

On October 31, 2015 the Company entered into a joint venture agreement with a related party whereby the Company sold 50% ownership interest in an asset. Fifty percent of all net profits will be applied to the outstanding balance of the note until paid in full. At October 31, 2015, $84,794 (April 30, 2015 - $nil) is owing to the Company.

7. Prepaid expenses and deposits

	October 31, 2015	**April 30, 2015**
	$	**$**
Deposits	168,890	164,265
Insurance	8,862	15,130
Other prepaids	122,697	85,380
	300,449	264,775

Deposits relate to funds deposited for the purpose of entering into equipment and premises lease agreements. Other prepaid expenses include registration and rent for various properties paid in advance.

(Expressed in Canadian Dollars)

(Unaudited)

8. Property and equipment

	Land	Service Vehicles & Equipments	Motor vehicles	Plant & Shop Equipments	Leasehold improvements	Office Equipment	Rental Equipment	Capital Work-in-Process	TOTAL
	$	$	$	$	$	$	$	$	$
Cost									
At July 31 2015	32,657	33,666,814	739,562	1,156,192	817,125	736,922	3,509,447	206,164	**40,864,883**
Additions		553,327		36,013		3,953	2,951	69,649	**665,893**
Disposal		(450,533)	(29,637)						**(480,170)**
At October 31 2015	**32,657**	**33,769,608**	**709,925**	**1,192,205**	**817,125**	**740,875**	**3,512,398**	**275,813**	**41,050,606**
Depreciation									
At July 31 2015	-	16,747,110	328,848	805,502	592,851	607,731	1,470,551	-	**20,552,593**
Charge for the year		630,638	23,967	22,741	34,721	20,630	64,138		**796,835**
Related to disposal		(124,241)	(26,241)						**(150,482)**
At October 31 2015	**-**	**17,253,506**	**326,574**	**828,243**	**627,572**	**628,362**	**1,534,689**	**-**	**21,198,946**
Net carrying amount									
At October 31 2015	**32,657**	**16,516,103**	**383,351**	**363,962**	**189,553**	**112,513**	**1,977,709**	**275,813**	**19,851,660**

Included in the above categories are the following amounts for assets under finance lease:

- service vehicles and equipment with a net book value of $2,555,527 (April 30, 2015 - $2,972,970)
- shop equipment with a net book value of $374 (April 30, 2015 - $1,122)
- computer equipment with a net book value of $79,709 (April 30, 2015 - $45,087)

9. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities recognized in the consolidated balance sheets can be analyzed as follows:

	October 31, 2015	April 30, 2015
	$	$
Accounts payable	1,317,707	1,160,051
Accrued liabilities	76,628	200,670
GST payable	124,024	46,903
Other payables	630,359	629,338
	2,148,718	2,036,962

(Expressed in Canadian Dollars)

(Unaudited)

10. Finance lease obligations

	October 31 2015 $	April 30 2015 $
Service vehicle lease, with monthly payments of $3,900 including interest at 12%, expiring October 2015. Secured by specific equipment with a net book value of $122,730 (April 30, 2015 - $129,909).	-	11,470
Shop equipment leases, with payments from $176 per month at a weighted average interest rate of 14% maturing between May 2013 and December 2015. Secured by shop equipment with a net book value of $374 (April 30, 2015 - $1,496).	347	1,333
Computer equipment lease, with payments of $566 per month at an interest rate of 2.25%, maturing in April 2017. Secured by equipment with a net book value of $8,206 (April 30, 2015 - $11,488)	8,367	11,649
Service vehicle lease, with monthly payments of $6,499 including interest at 5.12%, expiring March 2018, secured by specific equipment with a net book value of $271,522 (April 2015 – $554,261)	171,206	410,604
Service vehicle lease, with monthly payments of $2,850 including interest at 5.12%, expiring March 2018, secured by specific equipment with a net book value of $132,511 (April 2015 – $140,225)	75,157	90,108
Service vehicle lease, with monthly payments of $7,242 including interest at 5.12%, expiring March 2018, secured by specific equipment with a net book value of $383,752 (April 2015 – $401,223)	190,854	228,855
Service vehicle lease, with monthly payments of $10,870 including interest at 5.48%, expiring February 2018, secured by specific equipment with a net book value of $239,023 (April 2015 – $255,695)	285,069	341,564
Computer equipment lease, with payments of $928 per month at an interest rate of 6.85%, maturing in November 2018, secured by equipment with a net book value of $47,068 (April 2015 – $43,146)	31,643	36,043
Computer equipment lease, with payments of $1,151 per month at an interest rate of 9.74%, maturing in January 2019, secured by equipment with a net book value of $24,436 (April 2015 – $33,599)	39,205	44,067
Service vehicle lease, with monthly payments of $8,000 per month at an interest rate of 14.5%, expiring October 2017. Secured by specific equipment with a net book value of $300,980 (April 2015 – $318,354)	147,595	183,364

(Expressed in Canadian Dollars)

(Unaudited)

Service vehicle lease, with monthly payments of $5,000 including interest at 9%, expiring August 2017, secured by specific equipment with a net book value of $0 (April 2015 – $169,015)	-	123,195
Service vehicle lease, with monthly payments of $4,950 including interest at 8%, expiring August 2017, secured by specific equipment with a net book value of $156,686 (April 2015 - $162,348)	97,149	122,371
Service equipment leases, with monthly payments of $13,200 including interest at 7.5%, expiring May 2017, secured by specific equipment with a net book value of $381,315 (April 2015 - $271, 955)	236,749	306,235
Service equipment leases, with monthly payments of $6,858 including interest at 7.5%, expiring March 2017, secured by specific equipment with a net book value of $356,769 (April 2015 - $399,206)	312,534	340,515
Service equipment leases, with monthly payments of $4,812 including interest at 5.99%, expiring November 2018, secured by specific equipment with a net book value of $186,801 (April 2015 - $376,228)	161,518	185,139
Service vehicle lease, with monthly payments of $781 including interest at 9.27%, expiring August 2018, secured by specific vehicle with a net book value of $23,438 (April 2015 - $0)	21,446	-
	1,778,839	2,436,512
Less: Amounts due within one year	(721,719)	(893,678)
	1,057,120	1,542,834

Minimum Lease Payments Due

	Within one year	One to Five Years	After Five Years	Total
October 31, 2015				
Lease Payments	824,842.63	1,136,695.34	-	1,961,537.97
Finance Charges	(103,123.45)	(79,575.91)	-	(182,699.36)
Net present value	721,719.18	1,057,119.43	-	1,778,838.61

(Expressed in Canadian Dollars)

11. Long term debt

	October 31 2015 $	April 30 2015 $
Vehicle conditional sales contracts, with average interest rates of 4.88% per annum repayable in monthly blended payments that vary over the term of each contract, maturing from October 2015 to December 2017, secured by specific service vehicles with a carrying value of $221,609 (April 30, 2015 – $247,841)	118,463	161,871
Non-revolving term loans which bear interest at lender prime plus 2.5% per annum, with term ranging from 60 months to 68 months, monthly payments excluding interest ranging from $750 to $9,025, secured by a first charge on specific equipment with a carrying value of $536,317 (April 30, 2015 – $396,737)	485,752	464,970
Secured revolving credit facility for up to $17,000,000, subject to certain borrowing base restrictions, with an accordion feature which the Company may request for an additional $3,000,000. This facility has an interest rate of lender prime plus 2.5%, there are no principal payments required until the due date, which is September 10, 2017. The facility is secured by a general security agreement with a first charge on all the Company's assets	9,145,652	9,030,512
	9,749,867	9,657,353
Less amounts due in one year	(277,077)	(257,697)
	9,472,790	9,399,656

Approximate principal repayments due within each of the next five years are as follows:

2016	277,077
2017	9,367,998
2018	76,048
2019	28,744
2020	-
	9,749,867

The aforementioned secured revolving credit facility is subject to certain financial covenants including fixed charge coverage and maximum senior leverage test covenants. The Company is in compliance with amended covenants (See Note 13).
Interest expense as at October 31, 2015 on long-term debt amount to $262,254 (April 30, 2015 - $509,603)

(Expressed in Canadian Dollars)

(Unaudited)

12. Income taxes

Tax liabilities

	October 31, 2015	April 30, 2015
	$	$
Current	-	-
Deferred	913,226	1,206,724
	913,226	1,206,724

Non-capital losses

As at April 30, 2015, the Company has non-capital losses available for carry-forward of $5,611,774 (2014 – $3,394,798) of which $2,798,927 will expire in 2030, $262,940 will expire in 2031, $169,412 will expire in 2032, $163,519 will expire in 2033, $1,370,238 in 2034 and $877,097 in 2035.

Temporary differences

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for income tax purposes. Significant components of the Company's deferred income tax liability are as follows:

	October 31, 2015	April 30, 2015
	$	$
Net book value in excess of undepreciated capital cost for tax purposes	3,006,236	3,299,734
Non capital losses carried forward	(1,407,265)	(1,407,265)
Financing costs deductible for tax purposes	19,650	19,650
Intangible asset	(96,267)	(96,267)
Finance lease obligations	(609,128)	(609,128)
Recognized future income tax (asset) liability	913,226	1,206,724

(Expressed in Canadian Dollars)

(Unaudited)

13. Capital management

The Company's strategy is to: (a) maintain a level of capital for operations and to sustain future growth of the business; and (b) meet the debt covenants imposed by the banking institution. The Company strives to maintain a healthy balance between debt and equity to ensure the continued access to capital to fund growth and ensure long-term viability. The Company defines capital as long-term debt, long-term capital lease obligations and shareholders' equity. The Company monitors its capital balance through regular evaluations of its long-term debt to equity ratio. The components of capital used in the long-term debt to equity ratio as at October 31, 2015 are shown in the table below:

	October 31, 2015	**April 30, 2015**
	$	**$**
Long-term debt	9,472,790	9,399,656
Finance lease obligations - long term	913,226	1,542,834
Total long-term debt	10,386,016	10,942,490
Shareholder's equity	11,272,330	12,074,680
Total capital	21,658,346	23,017,170
Long-term debt to equity ratio	0.92	0.91

The Company is subject to externally imposed capital requirements in the form of: fixed charge coverage and maximum senior leverage test ratios. As at October 31, 2015, the Company is compliance with its covenants.

(Expressed in Canadian Dollars)

(Unaudited)

14. Share capital

Authorized:

Unlimited common voting shares
Unlimited preferred non-voting shares, issuable in series

Common shares issued

	Number of shares	October 31, 2015 $
Balance - May 1, 2013	23,177,406	9,709,060
Share issued on exercise of options	20,000	4,400
Balance - April 30, 2014	23,197,406	9,713,460
Balance - May 1, 2014	23,197,406	9,713,460
Shares issued on exercise of options	101,000	18,675
Balance - October 31, 2015	23,298,406	9,732,135

Stock options

The Company has a stock option plan under which directors, officers and employees of the Company and its affiliates are eligible to receive stock options. The maximum number of shares issuable pursuant to the exercise of outstanding options granted under the plan shall be 10% of the issued shares of the Company at the time of granting the options. The maximum number of common shares optioned to any one optionee shall not have an expiry date which exceeds 5% of outstanding common shares of the Company and options granted under the plan may not exceed five years. The exercise price of each option shall be determined by the directors at the time of grant but shall not be less than the price permitted by the policy or policies of the stock exchanges on which the Company's common shares are then listed.

On October 2, 2014, the Company granted 200,000 options to its Directors under the stock option plan with a fair value of $52,200. These options are vested equally over three years starting October 2, 2014. The fair value of the options was calculated using a risk free interest rate of 0.9%, the expected life of the options was five years, the expected volatility was 88.8%, and the expected forfeiture rate estimate was nil%.

The total cost of options vested in the current period resulted in stock-based compensation expense and an addition to contributed surplus of $25,828 (April 30, 2015 – $48,319).

(Expressed in Canadian Dollars)

(Unaudited)

The following summarizes activity related to stock options:

	Number	Weighted average exercise price $
Balance - May 1, 2014	1,531,000	0.48
Expired	-	
Forfeited	(255,000)	
Granted	200,000	
Exercised	(50,000)	
Outstanding - April 30, 2015	1,426,000	0.47
Exercisable - April 30, 2015	1,059,333	0.48
Balance - May 1, 2015	1,426,000	0.47
Expired	-	
Forfeited	-	
Granted	-	
Exercised	(51,000)	
Outstanding - October 31, 2015	1,375,000	0.48
Exercisable -October , 2015	1,008,333	0.50

The following summarizes stock options outstanding as at October 31, 2015.

Expiry Date	Number outstanding	Exercise price $
August 30, 2016	400,000	0.50
January 17, 2017	75,000	0.50
March 21, 2017	200,000	0.50
August 31, 2017	500,000	0.50
October 2, 2019	200,000	0.38
	1,375,000	

(Expressed in Canadian Dollars)

(Unaudited)

15. Earnings per share

The following table sets forth the computation of basic and diluted income per share:

	October 31, 2015 $	April 30, 2015 $
Numerator for basic and diluted earnings (loss) per shares		
Net income (loss) attributable to common shareholders	(835,828)	(1,160,690)
Denominator for basic and diluted earnings (loss) per share		
Weighted average number of common shares	23,297,173	23,246,173
Basic loss per share	(0.04)	(0.05)
Diluted loss per share	(0.04)	(0.05)

The effects of the following stock options outstanding are not included in the diluted loss per share calculation as the impact would be anti-dilutive:

	October 31, 2015 $	April 30, 2015 $
Options issued and outstanding	1,375,000	1,531,000

16. Supplemental cash flow information

Non-cash financing and investing activities

Acquisition of property and equipment with finance leases of $24,457 (April 30, 2015 - $1,209,588).

(Expressed in Canadian Dollars)

(Unaudited)

17. Commitments

The Company leases equipment and premises under long term operating leases. The leases for premises are exclusive of operating costs.

The Company pays consulting fees to the CEO who is a director and officer of the Company, at Jul 31, 2015, of $12,445 (April 30, 2015 – $12,445) per month pursuant to a contract agreement expiring on November 14, 2019. In addition, when the Company's net income before tax reaches $500,000, the contract agreement requires a bonus payment of 5% on the first $500,000 of the Company's earnings before tax, 6% on amounts between $500,001 and $800,000, 7% on amounts between $800,001 and $1,000,000 and 7.5% on amounts over $1,000,000.

Future minimum annual payments at October 31, 2015 are as follows:

	Minimum Payments Due			
	Within one Year	Two to Five Years	After Five Years	Total
Equipment leases	$ 156,579	$ 164,372	$ -	$ 320,951
Premises leases	$ 1,044,538	$ 1,532,198	$ -	$ 2,576,736
Management Contracts	$ 149,338	$ 373,346	$ -	$ 522,684
Total	$ 1,350,455	$ 2,069,916	$ -	$ 3,420,371

18. Related party transactions

The related party transactions are conducted on the terms and conditions agreed to by the related parties.

Compensation of key management personnel

The remuneration of directors and other key members of management personnel during the period include the following expenses:

	October 31, 2015	October 31, 2014
	$	$
Salaries - including bonuses	76,547	161,849
Director's fees	39,250	24,083
Benefits	10,675	4,605
Share-based payments	25,829	28,513
	152,302	219,050

The remuneration of directors and key executives is determined by the Executive Compensation Committee, taking into account the performance of individuals and market trends.

(Expressed in Canadian Dollars)

(Unaudited)

Transactions with related parties

The Company has entered into transactions in the normal course of business with corporations controlled by some officers and or directors of the Company and corporations that have common ownership. These transactions were recorded at the exchange amount established and agreed to by the parties. During the 6 months ended October 31, 2015 the following expenses were incurred:

	October 31, 2015	October 31, 2014
	$	$
Management and consulting fees	87,223	87,223
Leased Premises	244,254	158,854
Rental/equipment operating lease	127,011	184,974
	458,488	431,051

19. Financial instruments

a) Financial instruments — carrying values

	October 31, 2015	April 30, 2015
	$	$
Financial assets - classified as loans and receivables		
Cash	414,632	1,609,870
Accounts receivable	4,323,044	4,133,527
Financial liabilities - classified as other financial liabilities		
Accounts payable and accrued liabilities	2,148,718	2,034,320
Finance leases	1,778,844	2,436,572
Long-term debt	9,749,867	9,657,353

The estimated fair value of the Company's financial instruments approximates the amount for which the financial instruments could currently be exchanged in an arm's length transaction between willing parties under no compulsion to act. The Company has determined that the fair value of its short-term financial assets, including cash and accounts receivable and short-term liabilities including accounts payable and accrued liabilities approximates their respective carrying amounts as at the statements of financial position dates because of the short-term maturity of those instruments. The fair value of the notes receivable approximates their carrying value as the interest rate is similar to the current market rate for similar instruments. The fair value of the long-term debt obligations approximates their carrying value as the interest rates are similar to the current market rate for similar debt.

(Unaudited)

b) Financial risk management

- Credit risk

  Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company is exposed to credit risk from customers; however, it is the opinion of the Company's management that the credit risk in minimal. Accounts receivable carried at amortized cost are subject to periodic impairment review and are classified as impaired when, in the opinion of management, there is a reasonable doubt that credit related losses are expected to be incurred taking into consideration all circumstances known at the date of review. The Company is exposed to credit risk through its cash. The Company manages this risk by holding its funds with reputable financial institutions. The Company's maximum exposure is the value of its trade accounts receivable and cash, which at October 31, 2015, had a total carrying value of $4,323,044. A significant portion (64%) of the outstanding accounts receivable at October 31, 2015 is due from four customers (April 30 2015 – 27% from two customers). The Company considers customers to be significant when revenues from the account reach 10% of the company's revenue. The Company has 3 significant customers for the quarter ended October 31, 2015 that accounted for approximately 53% of the company's revenue for the year (April 30, 2015 – 3 significant customers; 40% of revenue).

- Liquidity risk

  Liquidity risk is the potential inability to meet financial obligations as they come due. The Company manages this risk by maintaining detailed cash flow forecasts. The management of consolidated liquidity requires a constant monitoring of expected cash inflows and outflows which is achieved through a detailed forecast of the Company's consolidated liquidity position, to ensure adequacy and efficient use of cash resources. Liquidity adequacy is assessed in view of historical volatility and seasonal needs and the maturity profile of indebtedness. The Company also constantly monitors any financing opportunities to optimize its capital structure and maintain appropriate financial flexibility. The Company has a working capital surplus of $2,863,811 at July 31, 2015 (April 30, 2015 – $3,423,633).

  The Company's current credit facility contains financial covenants that are based on fixed charge coverage and senior leverage ratios. As at October 31, 2015, the Company was on side with its covenants.

  The following table summarizes the contractual maturities and financial liabilities for continuing operations for the year ended April 30 under loan facilities as they existed as at October 31, 2015.

(Expressed in Canadian Dollars)

(Unaudited)

- Interest rate risk

	2016	2017	2018	2019
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	2,148,718	-	-	-
Finance lease obligations	824,842	787,456	269,532	90,868
Long-term debt	277,077	9,367,998	76,047	28,744
	3,250,637	10,155,454	345,579	119,612

The Company has floating rate debt, which is subject to interest rate cash flow risk. The required cash flow to service the debt will fluctuate as a result of the changes in market rates.

As at October 31, 2015, other variable unchanged, an increase or decrease of 1% in the prime interest rate would impact the Company's net income by approximately $92,434.

20. Comparative figures

Certain comparative figures have been reclassified from financial statements previously presented to conform to the presentation of the current year consolidated financial statements.