



AVEDA TRANSPORTATION AND ENERGY SERVICES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three and six months ended June 30, 2015 and 2014
(Unaudited)

AVEDA TRANSPORTATION AND ENERGY SERVICES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited)

(In thousands of Canadian dollars)

	Note	June 30, 2015	December 31, 2014
ASSETS			
Current assets:			
Cash		\$ 1,733	\$ 916
Cash in escrow	9	1,561	-
Trade and other receivables		34,241	32,310
Prepaid expenses		3,982	1,649
		41,517	34,875
Non-current assets:			
Equipment and leaseholds		122,484	97,819
Intangible assets		4,124	4,689
Goodwill		10,797	10,231
Total assets		\$ 178,922	\$ 147,614
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade and other payables		\$ 14,106	\$ 16,042
Earn out payable		-	1,500
Current tax payable		225	564
		14,331	18,106
Non-current liabilities:			
Loans and borrowings	7	37,906	50,054
Note payable	9	33,723	-
Deferred tax liabilities		12,738	7,544
		84,367	57,598
Shareholders' equity:			
Share capital	8	91,474	95,525
Contributed surplus		13,799	11,227
Accumulated other comprehensive income		8,806	3,764
Deficit		(33,855)	(38,606)
		80,224	71,910
Total liabilities and shareholders' equity		\$ 178,922	\$ 147,614

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

Approved by the Board of Directors

"David Werklund"
 Director

"Paul Shelley"
 Director

AVEDA TRANSPORTATION AND ENERGY SERVICES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(Dollar amounts are in Canadian dollars, all amounts, except per share amounts, are in thousands unless otherwise specified)

	Note	Three Months Ended June 30,		Six Months Ended June 30,	
		2015	2014	2015	2014
Revenue		\$ 23,021	\$ 32,055	\$ 59,657	\$ 67,510
Expenses:					
Direct operating		25,510	25,999	58,058	53,913
Selling and administrative		4,470	5,398	8,937	9,414
Results from operating activities		(6,959)	658	(7,338)	4,183
Foreign exchange (gain) loss		14	(2)	(20)	(448)
Gain on disposal of equipment		(25)	-	(41)	-
Finance costs		2,144	468	2,865	951
Bargain purchase gain, net of costs	9	(11,141)	-	(11,141)	-
Income (loss) before income taxes		2,049	192	999	3,680
Income taxes:					
Current tax expense		104	126	234	299
Deferred tax expense (recovery)		(3,945)	400	(3,986)	1,171
		(3,841)	526	(3,752)	1,470
Net income (loss)		5,890	(334)	4,751	2,210
Other comprehensive income (loss):					
Foreign currency translation differences		(815)	(2,130)	5,042	(1,752)
Comprehensive income (loss)		\$ 5,075	\$ (2,464)	\$ 9,793	\$ 458
Earnings (loss) per share					
Basic	5	\$ 0.31	\$ (0.02)	\$ 0.25	\$ 0.12
Diluted	5	\$ 0.31	\$ (0.02)	\$ 0.25	\$ 0.12
Weighted average number of common shares outstanding:					
Basic	5	19,079	19,901	19,347	18,538
Diluted	5	19,140	19,901	19,347	18,886

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

AVEDA TRANSPORTATION AND ENERGY SERVICES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

(In thousands of Canadian dollars)

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance, January 1, 2015	\$ 95,525	\$ 11,227	\$ 3,764	\$ (38,606)	\$ 71,910
Net income	-	-	-	4,751	4,751
Foreign currency translation differences	-	-	5,042	-	5,042
Shares repurchased (Note 8)	(4,051)	2,245	-	-	(1,806)
Stock-based compensation expense	-	327	-	-	327
Balance, June 30, 2015	\$ 91,474	\$ 13,799	\$ 8,806	\$ (33,855)	\$ 80,224

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance, January 1, 2014	\$ 66,137	\$ 10,393	\$ 310	\$ (41,074)	\$ 35,766
Net Income	-	-	-	2,210	2,210
Foreign currency translation differences	-	-	(1,752)	-	(1,752)
Common shares issued	30,912	-	-	-	30,912
Equity financing fees	(1,593)	-	-	-	(1,593)
Share purchase loan	6	-	-	-	6
Stock option exercise	26	(26)	-	-	-
Stock-based compensation expense	-	532	-	-	532
Balance, June 30, 2014	\$ 95,488	\$ 10,899	\$ (1,442)	\$ (38,864)	\$ 66,081

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

AVEDA TRANSPORTATION AND ENERGY SERVICES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands of Canadian dollars)

	Note	Six Months Ended June 30,	
		2015	2014
Cash provided by (used in)			
Operating activities:			
Net income		\$ 4,751	\$ 2,210
Adjustments for:			
Depreciation of equipment and leaseholds		8,410	5,881
Amortization of intangible assets		810	389
Finance costs		2,865	951
Foreign exchange gain		(20)	(448)
Gain on disposal of equipment		(41)	-
Stock-based compensation expense		327	532
Bargain purchase gain net of intangible write-off		(13,785)	-
Income tax expense		(3,752)	1,470
		(435)	10,985
Changes in non-cash balances relating to operations	6	15,445	2,847
Change in earn out payable		(1,500)	-
Income tax paid		(610)	(398)
Realized foreign exchange loss		(165)	18
Finance costs paid		(2,682)	(892)
Net cash provided by operating activities		10,053	12,560
Investing activities:			
Purchase of equipment and leaseholds		(507)	(3,535)
Proceeds from disposal of equipment and leaseholds		361	-
Business combination	9	(18,480)	(30,699)
Proceeds from sale of assets	9	25,598	-
Purchase of intangible assets		(59)	(42)
Net cash provided by (used in) investing activities		6,913	(34,276)
Financing activities:			
Proceeds on issuance of common shares, net of issue costs		-	21,484
Repurchase of common shares, net of share repurchase costs	8	(1,806)	-
Proceeds from share purchase loan		-	6
Loans and borrowings, net		(14,372)	24,019
Net cash provided by (used in) financing activities		(16,178)	45,509
Effect of foreign exchange rate changes on cash balances		29	93
Change in cash		817	23,886
Cash, beginning of period		916	1,852
Cash, end of period		\$ 1,733	\$ 25,738

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

Aveda Transportation and Energy Services Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Dollar amounts are Canadian dollars, all amounts, except per share amounts, are in thousands unless otherwise specified)

Three and six months ended June 30, 2015 and 2014 (unaudited)

1. Reporting Entity

Aveda Transportation and Energy Services Inc. (the "Company") was incorporated pursuant to the laws of the Province of Alberta and is a publicly-traded company listed on the TSX Venture Exchange ("TSXV") under the symbol "AVE". The Company's registered office is Suite 1600, 333 – 7th Avenue S.W., Calgary, Alberta, T2P 3C4. The Company's primary business activity is the provision of specialized equipment and services for the transportation of equipment required for the exploration, development and production of petroleum resources. The Company operates in Western Canada and the United States.

2. Basis of Preparation

a) Statement of Compliance

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

These Interim Financial Statements were authorized for issue by the Board of Directors on August 13, 2015.

b) Seasonality

There are factors causing quarterly variances that may not be reflective of the Company's future performance. The Company's earnings generally follow the seasonal activity pattern of western Canada's and North Dakota's oil and gas industry because of the significance of its operations in Canada and North Dakota. The oil and gas industry in these regions are typically more active during the winter months as the movement of heavy equipment over frozen ground is generally easier. Rain through the spring, summer and fall reduces activity levels because of the weather's effect on ground conditions and consequently its load bearing capacity. The Company's operations in other parts of United States are generally less affected by weather and are less seasonal by nature. As a result of these seasonal variations, quarterly operating results should not be relied upon as any indication of results for any future period.

c) Basis of Measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis.

d) Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in Canadian dollars. The Company's United States ("U.S.") subsidiaries have a functional currency of U.S. dollars, and the parent company and the Company's Canadian subsidiary have a functional currency of Canadian dollars. As the Company has operations in the U.S., the consolidated financial results may vary between periods due to the effect of foreign exchange fluctuations in translating the revenues and expenses of its operations in the U.S. to Canadian dollars. All financial information presented in Canadian dollars has been rounded to the nearest thousand except for per share amounts.

Aveda Transportation and Energy Services Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Dollar amounts are Canadian dollars, all amounts, except per share amounts, are in thousands unless otherwise specified)

Three and six months ended June 30, 2015 and 2014 (unaudited)

The amounts included in accumulated other comprehensive income relate to foreign exchange translation gains and losses on entities whose functional currency is other than the Canadian dollar. Amounts included in accumulated other comprehensive income will be recycled into net income upon the disposition or partial disposition of the foreign operation.

3. Significant Accounting Policies

These Interim Financial Statements follow the same accounting policies and methods of computation as the most recent annual consolidated financial statements of the Company for the year ended December 31, 2014.

4. Segment Information

The Company has two operating segments. These two operating segments have been differentiated by the geography in which the business operates in. The following table provides financial results by segment:

	Three months ended June 30, 2015			
	United States	Canada	Corporate	Total
Revenue	21,204	1,817	-	23,021
Net income (loss)	7,656	(1,568)	(198)	5,890
Depreciation and amortization	3,506	1,134	-	4,640
Capital expenditures	225	30	-	255
Total assets	152,240	26,618	64	178,922
Adjusted EBITDA ¹ (loss)	(2,128)	15	(64)	(2,177)

	Three months ended June 30, 2014			
	United States	Canada	Corporate	Total
Revenue	26,068	5,987	-	32,055
Net income (loss)	650	(547)	(437)	(334)
Depreciation and amortization	2,236	1,240	-	3,476
Capital expenditures	759	343	-	1,102
Total assets	115,770	32,256	51	148,077
Adjusted EBITDA ¹	7,512	3,678	(205)	10,985

Aveda Transportation and Energy Services Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Dollar amounts are Canadian dollars, all amounts, except per share amounts, are in thousands unless otherwise specified)

Three and six months ended June 30, 2015 and 2014 (unaudited)

	Six months ended June 30, 2015			
	United States	Canada	Corporate	Total
Revenue	53,214	6,443	-	59,657
Net income (loss)	7,394	(2,206)	(437)	4,751
Depreciation and amortization	6,860	2,360	-	9,220
Capital expenditures	406	101	-	507
Total assets	152,240	26,618	64	178,922
Adjusted EBITDA ¹	1,386	933	(110)	2,209

	Six months ended June 30, 2014			
	United States	Canada	Corporate	Total
Revenue	51,101	16,409	-	67,510
Net income (loss)	1,752	1,410	(952)	2,210
Depreciation and amortization	3,889	2,381	-	6,270
Capital expenditures	3,023	512	-	3,535
Total assets	115,770	32,256	51	148,077
Adjusted EBITDA ¹	7,512	3,678	(205)	10,985

(1) Adjusted EBITDA is earnings before interest, taxes, depreciation and amortization, excluding foreign exchange gains or losses, write downs of intangible assets, goodwill impairment, financing costs, gains or losses on disposal of assets, stock based compensation, fees and expenses on settlement of debt and losses on extinguishment of debt, acquisition earn out adjustments, and gain or loss on business combination.

5. Earnings (Loss) Per Share

a) Basic Earnings (Loss) Per Share

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Basic				
Net income (loss)	\$ 5,890	\$ (334)	\$ 4,751	\$ 2,210
Weighted average number of common shares outstanding	19,079	19,901	19,347	18,538
Basic earnings (loss) per share	\$ 0.31	\$ (0.02)	\$ 0.25	\$ 0.12

Aveda Transportation and Energy Services Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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Three and six months ended June 30, 2015 and 2014 (unaudited)

The weighted average number of common shares outstanding is calculated as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Issued common shares at January 1	19,923	11,945	19,923	11,945
Effect of shares issued	-	7,956	-	6,593
Effect of shares repurchased	(844)	-	(576)	-
Weighted average number of common shares at June 30	19,079	19,901	19,347	18,538

As at June 30, 2015, there were 19,079 common shares outstanding.

b) Diluted Earnings Per Share

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Diluted				
Net income	\$ 5,890	\$ (334)	\$ 4,751	\$ 2,210
Weighted average number of common shares outstanding	19,079	19,901	19,347	18,538
Dilutive effect of options	61	-	-	348
Diluted weighted average number of common shares outstanding	19,140	19,901	19,347	18,886
Diluted earnings per share	\$ 0.31	\$ (0.02)	\$ 0.25	\$ 0.12

As at June 30, 2015, 1,311 options (June 30, 2014 – 263) were excluded from the diluted weighted number of common shares calculation, as their effect was anti-dilutive.

6. Changes in Non-Cash Balances Relating to Operations

	Six months ended June 30,	
	2015	2014
Trade and other receivables	\$ 26,155	\$ 1,176
Prepaid expenses	(2,208)	(1,439)
Trade and other payables	(8,502)	3,110
	\$ 15,445	\$ 2,847

7. Loans and Borrowings

As at June 30, 2015, the Company had utilized \$38,788 of its revolving credit facility resulting in Undrawn Availability (as defined in the facility agreement) on this facility of \$49,702 (December 31, 2014 - \$54,411).

Aveda Transportation and Energy Services Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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8. Shares Repurchase

On December 23, 2014, the Company announced its intention to make a normal course issuer bid through the facilities of the TSX Ventures Exchange. The bid will permit the Company to purchase for cancellation up to 996 of its common shares, representing approximately 5% of the issued and outstanding common shares. Purchases pursuant to the normal course issuer bid will terminate on December 23, 2015. The Company will pay market price at the time of acquisition of any common shares purchased under the normal course issuer bid. Consideration paid for common shares purchased and any related costs, net of any tax effects, will be recognized as a deduction from equity. As at June 30, 2015 and as at the date of this report, 844 common shares have been purchased under the normal course issuer bid.

9. Acquisition of Hodges Trucking Company, L.L.C.

On June 15, 2015, the Company completed the acquisition (the "Acquisition") of Hodges Trucking Company, L.L.C. ("Hodges"), from Seventy Seven Energy Inc. The purchase price was US \$42,000. US \$15,000 of the purchase price is financed through the Company's existing senior credit facility and US \$27,000 is financed by a seller take-back note (the "Note"). The Note is a 5 year term debt note with no requirement for principal amortization. The Note bears interest at 9% per annum which interest shall be paid quarterly. The Note is secured by a 2nd lien on the Company's fixed assets and accounts receivable.

Subsequent to the closing of the Acquisition, the Company sold approximately three hundred fifty pieces of Hodges' non-oilfield equipment for approximately US\$22.0 million. The Company received US\$20.8 million of the sale price in cash and US\$1.25 million is currently in escrow to be released over the next twelve months subject to meeting certain milestones.

The purchase equation is as follows:

Consideration transferred	
Cash	\$ 18,480
Note	33,264
Total consideration	51,744
Identifiable assets (liabilities) acquired	
Working capital acquired	\$ 20,144
Equipment	53,917
Intangible assets	919
Deferred tax liabilities	(8,532)
Bargain purchase gain ¹	(14,704)
Total net identifiable assets	\$ 51,744

(1) The Company incurred \$2,644 of costs related to the Acquisition and fully amortized the intangible assets acquired in connection with the Acquisition for a total net gain on acquisition of \$11,141.

Aveda Transportation and Energy Services Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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Three and six months ended June 30, 2015 and 2014 (unaudited)

Subsequent to the Acquisition, the Company substantially restructured Hodges. Management believes that consolidated revenue and income if the Acquisition had occurred on January 1, 2015 would not be meaningful therefore proforma consolidated revenue and income have not been provided. Revenue and earnings from the date of acquisition to June 30, 2015 are not material.

The purchase price equation is preliminary, as the Company is working to quantify the opening fair values and is finalizing the acquired working capital. Therefore the fair values of the assets acquired and intangible assets arising from the Acquisition and related income taxes are preliminary as of the authorization of these financial statements.