2014

calmena
ENERGY SERVICES

FIRST QUARTER 2014 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

CALMENA ENERGY SERVICES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Stated in thousands of Canadian dollars)	Note	March 31, 2014	December 31, 2013
ASSETS			
Cash		$ 4,019	$ 3,661
Trade, accrued and other receivables	7	19,031	19,608
Inventories		791	832
Prepaid expenses and deposits		2,050	1,885
Income taxes receivable		176	829
Current assets		26,067	26,815
Property and equipment	8	100,439	99,282
Intangible assets	9	245	275
Goodwill		6,410	6,206
Total assets		$ 133,161	$ 132,578
LIABILITIES AND EQUITY			
Trade, accrued and other payables		$ 16,083	$ 15,817
Taxes payable		515	490
Borrowings and debt	10	44,047	43,772
Current liabilities		60,645	60,079
Deferred income taxes		580	621
Total liabilities		61,225	60,700
Subsequent events	14		
Equity			
Share capital		412,373	412,373
Employee benefits reserve		8,567	8,528
Foreign currency translation reserve		7,559	4,953
Deficit		(356,563)	(353,976)
Total equity		71,936	71,878
Total liabilities and equity		$ 133,161	$ 132,578

See accompanying notes to the consolidated financial statements

Approved by the Board of Directors:

Signed: "Hank B. Swartout"	Signed: "David J. Rain"
Hank B. Swartout	David J. Rain
Chairman	Director

CALMENA ENERGY SERVICES INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(Stated in thousands of Canadian dollars, except per share amounts)	Note	For the three months ended March 31, 2014	March 31, 2013
REVENUE		$ 18,236	$ 39,510
Operating expenses	4	19,483	37,832
GROSS (LOSS) PROFIT		(1,247)	1,678
Administrative expenses	5	1,305	2,172
Net other items of income and expense	6	(2,234)	221
Finance costs		1,532	967
Loss before income taxes		(1,850)	(1,682)
INCOME TAXES			
Current tax expense		797	769
Deferred tax (recovery)		(60)	(822)
		737	(53)
NET LOSS		$ (2,587)	$ (1,629)
Basic and diluted loss per share	13	$ (0.01)	$ (0.01)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(Stated in thousands of Canadian dollars)	For the three months ended March 31, 2014	March 31, 2013
Net loss	$ (2,587)	$ (1,629)
Other comprehensive income:		
Foreign currency translation adjustment	2,606	3,195
Other comprehensive income	2,606	3,195
Total comprehensive income	$ 19	$ 1,566

See accompanying notes to the consolidated financial statements

CALMENA ENERGY SERVICES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the three months ended March 31, 2014 and 2013
(Unaudited)

(Stated in thousands of Canadian dollars, except number of shares)	Number of shares[1]		Share capital		Employee benefits reserve[2]		Foreign currency translation reserve		Deficit		Total equity
Balance, January 1, 2013	**301,523,164**	**$**	**412,373**	**$**	**8,232**	**$**	**(4,797)**	**$**	**(286,045)**	**$**	**129,763**
Net loss for the period	-		-		-		-		(1,629)		(1,629)
Effect of share-based compensation plan	-		-		266		-		-		266
Foreign currency translation adjustment	-		-		-		3,195		-		3,195
Balance, March 31, 2013	**301,523,164**	**$**	**412,373**	**$**	**8,498**	**$**	**(1,602)**	**$**	**(287,674)**	**$**	**131,595**
Balance, January 1, 2014	**301,523,164**	**$**	**412,373**	**$**	**8,528**	**$**	**4,953**	**$**	**(353,976)**	**$**	**71,878**
Net loss for the period	-		-		-		-		(2,587)		(2,587)
Effect of share-based compensation plan	-		-		39		-		-		39
Foreign currency translation adjustment	-		-		-		2,606		-		2,606
Balance, March 31, 2014	**301,523,164**	**$**	**412,373**	**$**	**8,567**	**$**	**7,559**	**$**	**(356,563)**	**$**	**71,936**

[1] Number of shares represents the total issued and outstanding number of shares for the Company.

[2] Employee benefits reserv e represents the Company's equity reserv e used for the purposes of transactions relating to the Company's share-based compensation plans.

See accompanying notes to the consolidated financial statements

CALMENA ENERGY SERVICES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(Stated in thousands of Canadian dollars)	Note	For the three months ended March 31, 2014	March 31, 2013
OPERATING ACTIVITIES			
Net loss		$ (2,587)	$ (1,629)
Adjustments for:			
Depreciation and amortization		2,011	4,500
Share-based compensation		39	266
Net unrealized foreign exchange (gain)/loss		(653)	247
Net loss (gain) on sale of equipment		(83)	14
Finance costs		1,532	967
Income tax (recov ery) expense		737	(53)
Changes in non-cash working capital		1,130	(836)
Cash flows from operations		2,126	3,476
Cash finance costs paid		(1,107)	(880)
Cash income taxes paid		(119)	(1,125)
Cash flows generated from operating activ ities		900	1,471
FINANCING ACTIVITIES			
Proceeds from borrowings and debt		557	3,000
Repayment of borrowings and debt		(1,063)	(1,814)
Changes in non-cash working capital		-	223
Cash flows (used in) generated from financing activ ities		(506)	1,409
INVESTING ACTIVITIES			
Purchase of property and equipment	8	(379)	(1,639)
Purchase of intangible assets	9	(44)	(127)
Proceeds on disposal of property and equipment		463	37
Changes in non-cash working capital		(200)	(591)
Cash flows (used in) inv esting activ ities		(160)	(2,320)
Effect of exchange rate differences on foreign denominated cash		124	66
Change in cash		358	626
Cash at beginning of period		3,661	2,873
Cash at end of period		$ 4,019	$ 3,499

See accompanying notes to the consolidated financial statements

NOTE 1: DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

DESCRIPTION OF BUSINESS

Calmena Energy Services Inc. (the "Company" or "Calmena") is a Canadian incorporated publicly-traded company with its common shares trading on the Toronto Stock Exchange ("TSX") under the exchange symbol CEZ. The Company's head office is in Calgary, Alberta at 700, 333 – 7th Avenue S.W. Calmena provides a range of well construction services utilized in the exploration and development of oil and gas reserves. The Company has a diverse international customer base operating in Canada, the United States ("US"), Latin America, and the Middle East and North Africa ("MENA").

GOING CONCERN

The Company's consolidated financial statements as at March 31, 2014 and for the three months ended March 31, 2014 and 2013 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of operations. Calmena had a working capital deficiency of $34.6 million at March 31, 2014. For the three months ended March 31, 2014, the Company had a net loss of $2.6 million, positive cash flow from operations of $2.1 million and positive cash flow from operating activities of $0.9 million. As at March 31, 2014, the Company had borrowed $44.0 million under its senior credit facility, related party credit facility and its US dollar term loan facility. The Company's senior credit facility and US dollar term loan contain certain financial covenants which are required to be met at the end of each fiscal quarter.

As a result of past breach of covenants, as at March 31, 2014, the lenders of the senior credit facility and the US dollar term loan had the right to demand full repayment at any time and all borrowings were and continue to be classified as current liabilities. On March 31, 2014, Calmena and the Senior Lender entered into an agreement (the "Extension") pursuant to which the Senior Lender agreed to continue to forbear from demanding payment or enforcing its security under the senior credit facility until the earlier of June 30, 2014 or a default as defined in the Extension. Payments to the Company's other lenders are subordinated and postponed to the senior lender. Under the terms of the Extension, Calmena paid $1 million as a permanent repayment and reduction of the Revolving Extendible Facility. The Company agreed to a further payment of $9 million on or before April 30, 2014, that was subsequently extended to May 9, 2014, (see note 14) or to provide evidence of a pending sale of assets with a purchase price sufficient to make the payment on closing or before May 31, 2014, whichever is earlier. The balance of the debt owing to the senior lender must be paid on or before June 30, 2014, which under certain circumstances may be extended to July 31, 2014.

Calmena is continuing with its previously announced process to identify, examine and consider a range of strategic alternatives available to the Company with a view to enhancing shareholder value. Strategic alternatives may include, but are not limited to, a sale of all or a material portion of the assets of Calmena, either in one transaction or in a series of transactions, the outright sale of the Company, or a merger or other business combination transaction involving Calmena and a third party. This strategic alternative review process was not initiated as a result of receiving any offer and there are no assurances that a transaction will be undertaken. It continues to be Calmena's intention not to disclose developments with respect to the process unless and until the Board of Directors has approved a specific transaction or otherwise determines that disclosure is necessary or appropriate. There can be no assurances that the process will result in Calmena entering into a transaction or, if a transaction is undertaken, as to the terms or timing of such a transaction. The Company has not yet set a definitive schedule to complete the identification, examination and consideration of strategic alternatives.

Whether and when the Company can attain profitability and positive cash flows is uncertain. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern. The Company will need to re-finance or extend the maturity date of its senior credit facility, US dollar term loan and related party facility, sell certain assets, reduce operating expenses and increase revenues to generate positive cash flows in order to reduce debt. Debt reduction and / or an improvement in operating cash flows is necessary for the Company to continue operations. These consolidated financial statements do not include any adjustments that would be required if the going concern assumption was not appropriate.

BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting ("IAS 34")* applying accounting policies consistent with those disclosed in *Note 2* of the December

31, 2013 consolidated financial statements, except for the adoption of the new and revised accounting standards as noted below.

The unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and, therefore, should be read in conjunction with the audited consolidated financial statements of the Company as at and for the year ended December 31, 2013.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in *Note 3* of the December 31, 2013 audited consolidated financial statements.

The unaudited condensed consolidated financial statements were prepared on a going concern basis, on a historical cost basis except for financial instruments measured at fair value.

The unaudited condensed consolidated interim financial statements were approved by the Board of Directors on May 13, 2014.

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The significant accounting policies are the same as those set out in the Company's December 31, 2013 audited consolidated financial statements and have been consistently applied to all the periods presented in these financial statements, other than as follows:

IAS 36, Impairment of Assets - Was amended in May 2013. The amendment reduces the circumstances in which the recoverable amount of cash generating units ("CGU's") is required to be disclosed and clarifies the disclosures required when an impairment loss has been recognized or reversed in a period. These amendments have been adopted by Calmena on January 1, 2014 and the adoption will only affect the Company's disclosures in the notes to the consolidated financial statements in periods when an impairment loss or impairment reversal is recognized.

IAS 32, Financial Instruments: Presentation - Was amended in December 2011 to clarify the criteria required to be met in order to permit the offsetting of financial assets and financial liabilities. The amendments have been adopted by Calmena on January 1, 2014. These amendments did not have a material impact on the consolidated condensed interim financial statements or disclosures.

IFRIC 21, Levies - Interpretation of IAS 37, Provisions, Contingent Liabilities and Assets - Sets out criteria for the recognition of a liability / or a levy by a government, one of which is the requirement for the entity to have a present obligation as a result of a past event. The interpretation clarifies that the obligation that gives rise to the liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The adoption of IFRIC 21 by Calmena did not have a significant impact on the Company's financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements that have been issued but are not yet effective are consistent with those disclosed in *Note 4* of the Company's audited consolidated financial statements for the year ended December 31, 2013.

NOTE 2: SEASONALITY OF OPERATIONS

Oilfield service work in Canada is subject to significant variations in activity levels as a result of seasonal weather patterns affecting the accessibility of work sites. Historically, oilfield service activities are higher in the first and fourth quarters of the year, resulting in higher revenues in those periods.

Seasonality is not a significant factor affecting operations in the US, Latin America, and MENA. This increases the number of potential operating days throughout the year and reduces the seasonal cyclicality in the Company's overall operations.

Due to seasonality, the financial results for the the three months ended March 31, 2014 may not be indicative of the results for the year ending December 31, 2014.

NOTE 3: SEGMENT INFORMATION

Management evaluates the Company's performance on a geographically segmented basis. The composition of geographic segments and segment information reported in the consolidated financial statements is consistent with the internal management reporting provided to the chief executive officer.

The Company has identified the following reportable geographic segments: Canada, US, Latin America and MENA. The services provided to customers through these geographic segments are as follows:

- Canada provides directional services, equipment rentals and frac fluids management;
- US provides directional services;
- Latin America provides contract drilling and directional services; and
- MENA provides contract drilling.

Corporate services provide global direction, planning, marketing and support to the operating segments as well as financing and external company reporting. Costs consist of employee compensation, office costs, professional fees, finance costs and other administration expenses.

In the second and third quarters of 2013, Calmena disposed of its wireline technologies and Canadian contract drilling services lines.

Three months ended March 31, 2014	**Reportable Segments**					
	Canada	**US**	**Latin America**	**MENA**	**Corporate Services**	**Consolidated**
Segment profit (loss)[1]	**$ (192)**	**$ 1,037**	**$ (1,568)**	**$ (514)**	**$ (1,276)**	**$ (2,513)**
Revenue						
Contract drilling	$ -	$ -	$ 2,046	$ 1,728	$ -	$ 3,774
Directional services	7	8,606	1,449	-	-	10,062
Equipment rentals and Frac fluids management	4,400	-	-	-	-	4,400
Segment revenue	**$ 4,407**	**$ 8,606**	**$ 3,495**	**$ 1,728**	**$ -**	**$ 18,236**
Depreciation and amortization	$ 407	$ 677	$ 689	$ 204	$ 34	$ 2,011
Share-based compensation	(13)	3	3	16	30	39
Finance costs	-	73	5	-	1,454	1,532
Income tax expense	-	634	77	-	26	737
Capital expenditures	240	72	67	-	-	379

Three months ended March 31, 2013	**Reportable Segments**					
	Canada	**US**	**Latin America**	**MENA**	**Corporate Services**	**Consolidated**
Segment profit (loss)[1]	**$ 3,477**	**$ (1,026)**	**$ (108)**	**$ (518)**	**$ (2,053)**	**$ (228)**
Revenue						
Contract drilling	$ 7,709	$ -	$ 13,442	$ 1,930	$ -	$ 23,081
Directional services	155	5,892	1,618	-	-	7,665
Wireline technologies	4,917	-	-	-	-	4,917
Equipment rentals and Frac fluids management	3,847	-	-	-	-	3,847
Segment revenue	**$ 16,628**	**$ 5,892**	**$ 15,060**	**$ 1,930**	**$ -**	**$ 39,510**
Depreciation and amortization	$ 1,331	$ 720	$ 2,001	$ 392	$ 56	$ 4,500
Share-based compensation	30	57	19	42	118	266
Finance costs	7	-	(108)	-	1,068	967
Income tax expense (recovery)	4	(833)	744	-	32	(53)
Capital expenditures	334	552	749	-	4	1,639

[1]Segment profit (loss) is defined as net income (loss) from continuing operations plus share-based compensation, other items of income and expense, finance costs and income taxes.

A reconciliation of consolidated segment profit (loss) to loss from continuing operations is presented as follows:

	Three months ended March 31, 2014	Three months ended March 31, 2013
NET LOSS	$ (2,587)	$ (1,629)
Add back (deduct):		
Share-based compensation	39	266
Other items of income and expense	(2,234)	221
Finance costs	1,532	967
Current tax expense	797	769
Deferred tax expense (recov ery)	(60)	(822)
Segment loss	**$ (2,513)**	**$ (228)**

As at March 31, 2014	Reportable Segments					
	Canada	US	Latin America	MENA	Corporate Services	Consolidated
Goodwill	$ 239	$ 6,171	$ -	$ -	$ -	**$ 6,410**
Total assets	12,595	29,615	81,791	7,938	1,222	**133,161**
Total liabilities	1,547	3,908	5,820	3,852	46,098	**61,225**

As at December 31, 2013	Reportable Segments					
	Canada	US	Latin America	MENA	Corporate Services	Consolidated
Goodwill	$ 239	$ 5,967	$ -	$ -	$ -	**$ 6,206**
Total assets	13,049	27,656	81,938	7,958	1,977	**132,578**
Total liabilities	1,507	3,607	6,000	3,717	45,869	**60,700**

Management monitors the results of operating segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on segment profit (loss) which, in certain respects, is measured differently from net income (loss) in the consolidated financial statements. Share-based compensation, other items of income and expense, finance costs and income taxes are managed on a group basis. Subsequent to March 31, 2014, Calmena entered into agreements to sell its operating assets in Canada (See Note 14).

For the quarter ended March 31, 2014, revenue from one customer was greater than 10% of the Company's total revenue. Revenue from this customer relates to the Latin America segment and totalled $2.7 million (March 31, 2013 - $7.1 million).

NOTE 4: OPERATING EXPENSES

Operating expenses comprise the following:

	Three months ended March 31, 2014	Three months ended March 31, 2013
Salaries, bonuses and other employee benefits	$ 8,636	$ 17,003
Other operating expenses	8,866	16,238
Total direct expenses	**17,502**	**33,241**
Share-based compensation	9	147
Depreciation of property and equipment	1,902	4,231
Amortization of intangible assets	70	213
Total operating expenses	**$ 19,483**	**$ 37,832**

For the three months ended March 31, 2014, total operating expenses included employee compensation of $8.6 million (March 31, 2013 – $17.2 million).

NOTE 5: ADMINISTRATIVE EXPENSES

Administrative expenses comprise the following:

	Three months ended March 31, 2014	2013
Salaries, bonuses and other employee benefits	$ 688	$ 1,293
Other administrative expenses	548	704
Total general and administrative expenses	**1,236**	**1,997**
Share-based compensation	30	119
Depreciation of property and equipment	24	32
Amortization of intangible assets	15	24
Total administrative expenses	**$ 1,305**	**$ 2,172**

For the three months ended March 31, 2014, total administrative expenses included employee compensation of $0.7 million (March 31, 2013 – $1.4 million).

NOTE 6: OTHER ITEMS OF INCOME AND EXPENSE

Other items of income and expense comprise the following:

	Three months ended March 31, 2014	2013
Net loss (gain) on sale of equipment	$ (83)	$ 14
Net loss (gain) on foreign exchange	(702)	207
Other income	(1,449)	-
Net other items of income and expense	**$ (2,234)**	**$ 221**

NOTE 7: TRADE, ACCRUED AND OTHER RECEIVABLES

The aging and composition of trade, accrued and other receivables held by the Company at each reporting date are as follows:

	March 31, 2014	December 31, 2013
Not past due, under 30 days	$ 8,113	$ 5,903
Outstanding 31 - 90 days	5,735	6,285
Greater than 90 days	2,063	2,811
Total trade receivables	**15,911**	**14,999**
Less: Allowance for doubtful accounts	(1,262)	(1,146)
Net trade receivables	**14,649**	**13,853**
Accrued revenue	3,597	5,078
Other receivables	785	677
Total trade, accrued and other receivables	**$ 19,031**	**$ 19,608**

The carrying amounts of trade, accrued and other receivables approximate their fair value due to the relatively short periods to maturity. The maximum exposure to credit risk is the carrying amount of these financial assets.

The Company considers its trade receivables less than 30 days to be within normal credit terms and are classified as current and therefore not past due. Those trade receivables outstanding between 31 and 90 days are not considered to be at risk of not being collected as this period reflects the typical payment cycle for the Company's customers. As at March 31, 2014, the Company had trade receivables of $0.8 million (December 31, 2013 - $1.7 million) that were greater than 90 days for which no provision had been established, as the Company deems that these amounts will be collected.

On a quarterly basis, the Company evaluates the collectability of its trade receivables and establishes an allowance for doubtful accounts for those trade receivables it considers at risk of not being collected. In determining the allowance for doubtful accounts, management individually assesses specific customer balances. Following this process, management believes the collectability of the carrying amount of trade receivables is reasonably assured.

Allowance for doubtful accounts

The change in the allowance for doubtful accounts was as follows:

Balance, January 1, 2013	**$**	**(678)**
Impairment of trade receiv ables		(838)
Trade receiv ables written-off as uncollectible		156
Recov ery of prev iously impaired receiv ables		244
Foreign exchange differences		(30)
Balance, December 31, 2013		**(1,146)**
Impairment of trade receiv ables		(77)
Foreign exchange differences		(39)
Balance, March 31, 2014	**$**	**(1,262)**

Changes in the allowance for doubtful accounts are recognized in the condensed consolidated statement of operations within operating expenses. Recoveries of amounts previously impaired or written off are credited against operating expenses in the period of settlement.

NOTE 8: PROPERTY AND EQUIPMENT

	Drilling rigs(i)	Service equipment (i) (ii)	Rental equipment (i)	Transport vehicles	Land, building and office(iii)	Total
Cost						
Balance, January 1, 2013	**$ 146,831**	**$ 58,584**	**$ 9,948**	**$ 1,234**	**$ 3,977**	**$ 220,574**
Additions	888	2,533	-	-	27	3,448
Reclassifications	2,804	(3,244)	-	(5)	-	(445)
Disposals and write-offs	(26,350)	(15,367)	(54)	(83)	(1,318)	(43,172)
Foreign exchange differences	8,911	1,965	-	59	121	11,056
Balance, December 31, 2013	**133,084**	**44,471**	**9,894**	**1,205**	**2,807**	**191,461**
Additions	26	353	-	-	-	379
Reclassifications	-	3	-	-	-	3
Disposals of property and equipment	-	(555)	-	-	(33)	(588)
Foreign exchange differences	4,542	923	-	30	61	5,556
Balance, March 31, 2014	**$ 137,652**	**$ 45,195**	**$ 9,894**	**$ 1,235**	**$ 2,835**	**$ 196,811**
Accumulated depreciation and impairment						
Balance, January 1, 2013	**$ (19,002)**	**$ (18,412)**	**$ (4,897)**	**$ (530)**	**$ (1,546)**	**$ (44,387)**
Depreciation expense	(5,113)	(4,562)	(809)	(141)	(410)	(11,035)
Reclassifications	419	21	-	5	-	445
Disposals of property and equipment	4,952	5,690	40	45	305	11,032
Impairment of property and equipment	(43,329)	(1,894)	-	(169)	(181)	(45,573)
Foreign exchange differences	(2,072)	(508)	-	(25)	(56)	(2,661)
Balance, December 31, 2013	**(64,145)**	**(19,665)**	**(5,666)**	**(815)**	**(1,888)**	**(92,179)**
Depreciation expense	(541)	(1,085)	(201)	(27)	(72)	(1,926)
Reclassifications	-	(1)	-	-	-	(1)
Disposals of property and equipment	-	177	-	-	31	208
Foreign exchange differences	(2,139)	(282)	-	(18)	(35)	(2,474)
Balance, March 31, 2014	**$ (66,825)**	**$ (20,856)**	**$ (5,867)**	**$ (860)**	**$ (1,964)**	**$ (96,372)**
Carrying amount						
As at December 31, 2013	$ 68,939	$ 24,806	$ 4,228	$ 390	$ 919	$ 99,282
As at March 31, 2014	$ 70,827	$ 24,339	$ 4,027	$ 375	$ 871	$ 100,439

Property and equipment are reviewed for indications of impairment at the end of each reporting period. If any such indication exists, the asset is tested for impairment.

Latin America

At September 30 and December 31, 2013, the Company identified indicators of impairment on certain contract drilling assets in Latin America related to contract cancellations, local market conditions and the strategic review process initiated by the Company and announced on January 18, 2013. As a result, the Company assessed the recoverable amount of these contract drilling assets based on an estimated fair value less costs of disposal ("FLCD"). The FLCD was based on estimates of the amounts that could be obtained for the rigs and related equipment in a non-compulsory asset sale, with an arm's length willing third party and considering access to operational infrastructure. As at March 31, 2014, no impairment charge was recognized, as no indications of further impairment were apparent.

MENA

Political unrest in Libya has hindered the country's ability to export oil and has led to a significant decrease in its daily production of oil and gas. As a result, in the fourth quarter of 2013, the Company performed an impairment test on its Libyan assets using the value in use ("VIU") methodology to determine the recoverable amount, and an impairment charge of $13.2 million was recognized and charged against Property and Equipment. At March 31, 2014, no impairment charge was recognized as no indications of further impairment were apparent.

OTHER

In the second quarter of 2013, Calmena disposed of its Canadian wireline technologies division for cash proceeds of $12.1 million and certain Canadian contract drilling assets for total proceeds of $3.4 million. The $3.4 million proceeds were comprised of $1.4 million cash and $2.0 million in settlement of other payables. In the third quarter of 2013, Calmena divested of its remaining Canadian contract drilling assets for cash proceeds of $15.0 million. The cash proceeds from these dispositions were used to reduce borrowings and trade payables. Additionally, throughout the remainder of 2013 Calmena disposed of various other capital assets in Latin America and Canada for proceeds of $1.3 million. The Company recorded a loss on disposal of $0.4 million in the year ended December 31, 2013.

(i) Assets under construction included in the cost of property and equipment are as follows:

	March 31, 2014	December 31, 2013
Drilling rigs	$ 492	$ 516
Service equipment	432	180
Rental equipment	-	-
	$ 924	**$ 696**

(ii) The carrying amount of service equipment including assets under construction comprises the following:

	March 31, 2014	December 31, 2013
Field service equipment	$ 22,080	$ 22,311
Spare parts inventory	1,715	1,935
Shop equipment	544	560
	$ 24,339	**$ 24,806**

(iii) The carrying amount of land, building and office comprises the following:

	March 31, 2014	December 31, 2013
Land	$ 378	$ 366
Buildings	33	34
Leasehold improvements	99	119
Office equipment	361	400
	$ 871	**$ 919**

NOTE 9: INTANGIBLE ASSETS

	Drilling service contracts	Customer relationships	Non-compete agreements	Patents	Computer software	Total
Cost						
Balance, January 1, 2013	$ 10,302	$ 1,296	$ 492	$ 160	$ 1,329	$ 13,579
Additions	-	-	-	-	213	213
Foreign exchange differences	111	97	33	-	30	271
Balance, December 31, 2013	$ 10,413	$ 1,393	$ 525	$ 160	$ 1,572	$ 14,063
Additions	-	-	-	-	44	44
Foreign exchange differences	31	46	15	-	18	110
Balance, March 31, 2014	**$ 10,444**	**$ 1,439**	**$ 540**	**$ 160**	**$ 1,634**	**$ 14,217**
Accumulated amortization and impairment						
Balance, January 1, 2013	$ (9,916)	$ (969)	$ (487)	$ (86)	$ (936)	$ (12,394)
Amortization expense	(64)	(339)	(5)	(32)	(374)	(814)
Impairment(i)	(335)	-	-	-	-	(335)
Foreign exchange differences	(98)	(85)	(33)	-	(29)	(245)
Balance, December 31, 2013	$ (10,413)	$ (1,393)	$ (525)	$ (118)	$ (1,339)	$ (13,788)
Amortization expense	-	-	-	(8)	(77)	(85)
Foreign exchange differences	(31)	(45)	(15)	-	(8)	(99)
Balance, March 31, 2014	**$ (10,444)**	**$ (1,438)**	**$ (540)**	**$ (126)**	**$ (1,424)**	**$ (13,972)**
Carrying amount						
As at December 31, 2013	$ -	$ -	$ -	$ 42	$ 233	$ 275
As at March 31, 2014	$ -	$ -	$ -	$ 35	$ 210	$ 245

NOTE 10: BORROWINGS AND DEBT

The following table discloses the facilities comprising borrowings and debt:

	Interest rate (%)	Borrowing capacity	March 31, 2014	December 31, 2013
Revolving demand operating facility(i)	P+ 4.0%(1)	$ 10,000	$ 5,581	$ 5,344
Revolving extendible facility(i)	P+ 4.0%(1)	22,006	22,006	22,612
Related party credit facility(ii)	15.0%	10,000	8,881	8,588
US Dollar term loan(iii)	L+ 7.0%(2)	7,579	7,579	7,228
Finance lease obligations	5.8% - 10.0%	-	-	-
		49,585	**44,047**	**43,772**
Less: current portion			44,047	43,772
Long term portion			**$ -**	**$ -**

(1) P+ represents the Bank of Canada's prime rate plus an incremental rate specified in the lending agreement. The Bank of Canada's prime rate was 3.0% at March 31, 2014 (March 31, 2013 – 3.0%).

(2) L+ represents the London Interbank Offered Rate ("LIBOR") plus an incremental rate specified in the lending agreement. The LIBOR rate was 0.15% at March 31, 2014(March 31, 2013 – 0.20%).

As at March 31, 2014, all borrowings and debts have been classified as current due to the debt covenant breaches described in Note 1.

i) Senior Credit Facility

The senior credit facility has security over all the assets in Canada, the US and Mexico and equity interests of affiliates elsewhere.

The senior credit facility provides the Company with a revolving demand operating facility with a maximum borrowing capacity of $10.0 million subject to a borrowing restriction based on the carrying amount of the Company's Canadian and US trade receivables less than 90 days old.

As a result of the agreement and the Extension the interest rate charged on the revolving demand facility and the revolving extendible facility has increased to prime plus 4%, from prime plus 2.25% (see note 1 and note 14).

ii) Related Party Credit Facility

The related party credit facility has security over all the assets of the Company and is subordinated and postponed to the senior credit facility and US dollar term loan. The facility has borrowing capacity of $10.0 million; bears interest at 15%, and matured on December 31, 2013. Repayment of the facility is postponed during the term of the Extension. This credit facility is provided by certain members of the Board of Directors.

iii) US Dollar Term Loan

The Company has a $7.6 million US dollar term loan (including accrued interest) which is subordinated and postponed to the senior credit facility. The loan bears interest at LIBOR plus 7.0%.

NOTE 11: COMMITMENTS

Operating lease commitments

The Company is committed to future minimum payments for its operating lease contracts relating to transport vehicles, and office and shop rent. The settlement dates of these obligations range from April 2013 to December 2018.

The following table presents the Company's non-cancellable operating lease payments as at March 31, 2014:

Payments due by fiscal year		
Due during 2014	$	1,177
Due during 2015 through 2018		1,880
Total operating lease commitments	**$**	**3,057**

NOTE 12: RELATED PARTY TRANSACTIONS

Transactions with related parties

In addition to those disclosed in *Note 10 ii)*, the following related party transactions occurred during the three months ended March 31.

The following amounts incurred with related parties are included in operating and administrative expenses:

	Three months ended March 31,			
		2014		**2013**
Legal fees(i)	$	123	$	106
Total related party expenses	**$**	**123**	**$**	**106**

The following amounts owing to related parties are included in trade, accrued and other payables:

	As at March 31,		As at December 31	
		2014		**2013**
Legal fees(i)	$	446	$	491
Total related party payables	**$**	**446**	**$**	**491**

(i)These fees relate to work completed in Corporate Services relating to the Company's debt facilities and banking matters, business and asset acquisitions, the strategic review and general corporate matters by a legal firm in which one of the Company's directors is a partner.

The above related party transactions were completed at exchange values approximating their fair values. These transactions were made in the normal course of business with terms and conditions which, in the opinion of management, are similar to those negotiable with third parties.

NOTE 13: LOSS PER SHARE

Net loss attributable to equity holders of the Company	Three months ended March 31, 2014	2013
Net Loss	$ (2,587)	$ (1,629)
Net Loss for the purpose of diluted loss per share	**$ (2,587)**	**$ (1,629)**

Number of shares	Three months ended March 31, 2014	2013
Weighted average number of common shares outstanding	301,523,164	301,523,164
Effect of dilutive potential common shares	-	-
Diluted weighted average number of common shares outstanding	**301,523,164**	**301,523,164**

Loss per share	Three months ended March 31, 2014	2013
Basic and diluted	$ (0.01)	$ (0.01)

Diluted Loss Per Share

When calculating the effect of dilutive potential common shares relating to share options, the Company uses the treasury stock method, which assumes all outstanding share options are exercised, if dilutive, and the assumed proceeds are used to purchase the Company's common shares at the average market price during the period based on the monetary value of the subscription rights attached to the share options.

For the quarter ended March 31, 2014, 14,662,499 share options (2013 – 24,419,002) and 1,124,938 deferred share units (2012 – 1,124,938) were excluded from the calculation of diluted weighted average number of common shares outstanding as the Company reported a loss which results in all potential common shares being anti-dilutive.

NOTE 14: SUBSEQUENT EVENTS

1) Subsequent to the quarter end, Calmena received agreement from its Senior Lender to extend the deadline for obtaining a firm agreement to sell certain assets from April 30, 2014 to May 9, 2014.

2) On May 8, 2014, Calmena announced that it had entered into an agreement to sell its Equipment Rentals and Frac Fluids Management service lines for cash consideration of $10.0 million. The closing is subject to certain customary closing conditions and is expected to close on or about May 15, 2014. Proceeds from this sale in the amount of $9.0 million will fund a reduction of amounts owing by Calmena under its credit facilities with its senior lender. The remaining $1.0 million will fund general working capital requirements. The Equipment Rentals and Frac Fluids Management division is reported as part of the Canadian operations reportable segment and generated revenue of $4.4 million in the quarter ended March 31, 2014 and $3.8 million in the quarter ended March 31, 2013. The following table presents the Company's net book value as at March 31, 2014, of the assets to be sold:

	March 31, 2014
Service Equipment	$ 8,040
Transport Vehicles	41
Building & Office	398
Inventory	118
	$ 8,597

3) On May 9, 2014, Calmena announced that it had sold its Drilling Technologies research and manufacturing division for cash consideration of US$1.0 million and US$1.2 million to be provided in kind, in the form of services and technology products provided to Calmena over the next four years. The US$1.0 million cash proceeds from this transaction were used to fund a reduction of amounts owing by Calmena under its credit facilities with its senior lender. The Drilling Technologies research and manufacturing division is reported as part of the Canadian operations reportable segment. The following table presents the Company's net book value as at March 31, 2014, of the assets to be sold:

		March 31, 2014
Service Equipment	$	1,487
Building & Office		168
Inventory		456
	$	2,111

CORPORATE INFORMATION

CORPORATE HEAD OFFICE

Calmena Energy Services Inc.
The Dome Tower, Box 71
700, 333 – 7th Avenue S.W.
Calgary, Alberta, Canada T2P 2Z1
Telephone: (403) 225-3879
Facsimile: (403) 366-2066

BOARD OF DIRECTORS

Hank B. Swartout – Chairman

Chris J. Bloomer

John A. Brussa

M. Bruce Chernoff

John R. King

David J. Rain

MANAGEMENT

John R. King
President and Chief Executive Officer

Peter J. Balkwill
Vice President, Finance and Chief Financial Officer

Michael P. Carter
Senior Vice President, Canada

Marwan Bitar
Senior Vice President, Middle East North Africa

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

AUDITORS

Deloitte LLP
Calgary, Alberta

BANKERS

HSBC Bank Canada
Calgary, Alberta

TRANSFER AGENT

Valiant Trust Company
Calgary, Alberta

TORONTO STOCK EXCHANGE

TSX Symbol: CEZ

WEBSITE

www.calmena.com