CONSOLIDATED FINANCIAL STATEMENTS

CERF INCORPORATED

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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To the Shareholders of CERF Incorporated

We have audited the accompanying consolidated financial statements of CERF Incorporated, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, the consolidated statements of (loss) income and comprehensive (loss) income, changes in shareholder's equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of CERF Incorporated as at December 31, 2015 and December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

April 28, 2016
Calgary, Canada

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CERF INCORPORATED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

IN THOUSANDS OF CANADIAN DOLLARS

	December 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash	3,327	1,603
Restricted cash (note 3(a))	—	2,000
Accounts receivable (note 22(b))	5,626	15,992
Inventory (note 4)	1,594	1,974
Income taxes recoverable	1,187	171
Prepaid expenses and deposits	945	1,084
	12,679	22,824
Non-current assets:		
Property and equipment (note 5)	77,315	83,190
Intangibles and goodwill (note 7)	9,854	38,307
	87,169	121,497
Total assets	99,848	144,321
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	2,164	7,289
Dividends payable	728	2,173
Contingent consideration (note 3(a))	—	2,000
Current portion of long-term debt (note 8)	1,000	1,000
Current portion of finance leases (note 9)	273	302
	4,165	12,764
Non-current liabilities:		
Long-term debt (note 8)	30,500	29,500
Obligation under finance leases (note 9)	3,577	3,851
Deferred income taxes (note 10)	339	1,561
	34,416	34,912
Total liabilities	38,581	47,676
Shareholders' equity		
Share capital (note 11)	102,610	102,350
Share purchase loans receivable (note 13)	(22)	(93)
Contributed surplus	1,024	873
Deficit	(42,345)	(6,485)
	61,267	96,645
Total liabilities and shareholders' equity	99,848	144,321

Approved on behalf of the Board of Directors:

(Signed) *"Artie Kos"*
Artie Kos – Executive Chairman

(Signed) *"Brad Munro"*
Brad Munro – Director

See accompanying notes to the Consolidated Financial Statements

CERF INCORPORATED

CONSOLIDATED STATEMENTS OF (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME

IN THOUSANDS OF CANADIAN DOLLARS

	Year ended December 31	
	2015	**2014**
Revenues (note 15)	46,467	57,967
Direct expenses		
Direct operating costs	27,241	27,872
Cost of sales of equipment, fuel and parts	2,182	4,944
Depreciation of equipment	10,796	7,756
	40,219	40,572
Gross margin	6,248	17,395
Operating expenses		
General and administrative (note 16)	7,415	6,731
Depreciation of other property and equipment	270	159
Amortization of intangible assets (note 7)	1,924	1,230
Impairment of goodwill & intangibles (note 6)	26,529	—
Business acquisition expenses	62	437
	36,200	8,557
Other expenses		
Finance costs (note 17)	1,881	1,875
(Loss) income before income taxes	**(31,833)**	**6,963**
Income taxes (note 10)		
Current (recovery) expense	(559)	665
Deferred (recovery) expense	(1,222)	1,225
	(1,781)	**1,890**
Net (loss) income and comprehensive (loss) income for the year	**(30,052)**	**5,073**
Net (loss)income per share (note 14)		
Basic	($0.83)	$ 0.22
Diluted	($0.83)	$ 0.22
Weighted average number of shares outstanding		
Basic	36,315,147	23,504,728
Diluted	36,315,147	23,544,346

See accompanying notes to the Consolidated Financial Statements

CERF INCORPORATED

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

IN THOUSANDS OF CANADIAN DOLLARS

	Share capital	Warrants	Share purchase loans	Contributed surplus	Deficit	Total
Balance – December 31, 2013	32,894	835	(148)	744	(5,234)	29,091
Stock based compensation	—	—	—	107	—	107
Share purchase loan (note 13)	—	—	55	—	—	55
Shares issued on asset acquisition (note 3(a))	3,082	—	—	—	—	3,082
Shares issued on business acquisition (note 3(b))	51,032	—	—	—	—	51,032
Share issue costs net of deferred tax benefit of $46	(136)	—	—	—	—	(136)
Warrants and options exercised	15,381	(835)	—	22	—	14,568
Dividends reinvested	97	—	—	—	—	97
Comprehensive income	—	—	—	—	5,073	5,073
Dividends declared	—	—	—	—	(6,324)	(6,324)
Balance – December 31, 2014	102,350	—	(93)	873	(6,485)	96,645
Stock based compensation	—	—	—	151	—	151
Share purchase loan (note 13)	—	—	34	—	—	34
Share purchase loan cancellation	(37)	—	37	—	—	—
Dividends reinvested (note 11)	297	—	—	—	—	297
Comprehensive (loss) income	—	—	—	—	(30,052)	(30,052)
Dividends declared (note 14)	—	—	—	—	(5,808)	(5,808)
Balance – December 31, 2015	102,610	—	(22)	1,024	(42,345)	61,267

See accompanying notes to the Consolidated Financial Statements

CERF INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
IN THOUSANDS OF CANADIAN DOLLARS

	Year ended December 31	
	2015	**2014**
Cash provided by (used in):		
Operating		
Net (loss) income	(30,052)	5,073
Depreciation of property and equipment (note 5)	11,439	8,103
Gain on disposal of property and equipment (note 5)	(373)	(188)
Amortization of intangible assets (note 7)	1,924	1,230
Impairment of goodwill (note 6)	26,529	—
Stock based compensation	151	107
Deferred income taxes (note 10)	(1,222)	1,225
Cash flow from operating activities before changes in non-cash working capital	8,396	15,550
Changes in non-cash working capital (note 18)	4,704	(2,445)
Cash flow provided by operating activities	13,100	13,105
Investing		
Change in non-cash working capital related to investing activities (note 18)	40	(143)
Purchase of property and equipment (note 5)	(6,884)	(16,057)
Proceeds from sale of property and equipment (note 5)	1,693	2,112
Long term receivable	—	222
Business acquisition (note 3)	—	(21,501)
Cash flow used in investing activities	(5,151)	(35,367)
Financing		
Proceeds from exercise of warrants and options	—	14,568
Share issue costs	—	(182)
Share purchase loan payments received	34	55
Dividends paid, net of reinvestment	(6,956)	(5,018)
Proceeds from long-term debt (note 8)	2,000	36,600
Repayment of long-term debt (note 8)	(1,000)	(22,403)
Repayment of obligations under finance leases	(303)	(312)
Cash flow (used in) provided by finance activities	(6,225)	23,308
Net change in cash in the year	1,724	1,046
Cash, beginning of year	1,603	557
Cash, end of year	3,327	1,603

See accompanying notes to the Consolidated Financial Statements

CORPORATE INFORMATION:

CERF Incorporated ("CERF" or the "Company") was formed under the laws of Alberta as a corporation on August 10, 2011. Prior to October 1, 2011, operations were carried on as Canadian Equipment Rental Fund Limited Partnership (the "Partnership"), which had been formed under the laws of Alberta as a limited partnership on January 21, 2005.

The Company is engaged in equipment rentals, equipment sales and service, and waste management services. CERF Incorporated is listed on the TSX Venture Exchange under the symbol CFL.

1. BASIS OF PREPARATION:

a) Statement of compliance

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These consolidated financial statements were authorized for issue by the Company's Board of Directors on April 28, 2016.

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All currency amounts have been rounded to the nearest thousand dollars, unless otherwise indicated.

The Company's consolidated financial statements are prepared under the historical cost convention, with the exception of items that IFRS requires to be measured at fair value.

b) Basis of presentation

In the presentation of financial statements, Management is required to identify where events or conditions indicate that significant doubt may exist about the Company's ability to continue as a going concern.

After assessing internal budgets, plans and forecasts for the coming year, Management has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. See Note 22(c) for significant judgments involved in reaching this conclusion.

c) Critical accounting estimates and judgments

The following judgments and estimates are those deemed by management to be material to the Company's consolidated financial statements.

Critical Accounting Estimates

Amounts recorded for depreciation and amortization are based on the estimated useful lives and residual values of the underlying assets. Useful lives and residual values are based on Management's best estimate using knowledge of past transactions and as such are subject to measurement uncertainty. The

estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear and legal or other limitations to use. It is possible that changes in these factors may cause changes in the estimated useful lives and residual values of the Company's property, plant and equipment and intangible assets in the future.

Compensation costs accrued for long-term share-based compensation plans are subject to their fair value estimation by using pricing models such as Black-Scholes model, which is based on significant assumptions such as volatility, dividend yield and expected term.

Inventory is to be carried at the lower of cost and net realizable value. Management's best estimate of fair value less costs of disposal is the selling price prevailing in the market.

When determining the fair value of assets acquired and liabilities assumed in business combinations, the Company uses various valuation techniques including income based approaches, which involves estimating the future net cash flows and applying the appropriate discount rate to those future cash flows to determine the fair value of the identifiable intangible assets acquired.

The Company tests annually, or when facts and circumstances indicate, whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units are determined using the greater of fair value and value-in use. Fair value and value in use calculations require the use of estimates, assumptions, and judgments. Value-in-use calculations require Management to use assumptions regarding projected future sales, earnings, and capital investment, consistent with strategic plans presented to the Board. Discount rates are consistent with external industry information reflecting the risk associated with specific cash flows. Fair value requires Management to make judgments of fair value using such estimates of market rental rates for equipment, discount rates, capitalization rates, and terminal capitalization rates.

Tax interpretations, regulations, and legislation, in the various jurisdictions in which the Company operate are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred taxes are assessment by Management at the end of the reporting period to determine the likelihood that they may be realized from future taxable earnings.

Significant Management Judgments

The Company's assets are segregated into cash-generating-units based on their ability to generate largely independent cashflows and used for impairment testing. The determination of the Company's cash-generating-units is subject to Management's judgment.

Recoverability of assets

The Company assesses impairment on its non-financial assets when it has determined that a potential indicator of impairment exists. The assessment of the existence of impairment indicators is based on various internal and external factors and involves management's judgement. Goodwill is tested annually for impairment or when an indicator is present. Impairment exists when the carrying value of a non-

financial asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The required valuation methodology and underlying financial information that is used to determine value in use requires significant estimates to be made by management. The key estimates the Company normally applies in determining the recoverable amount of an individual asset, CGU or group of CGUs include expected levels of activity within the oil and gas industry, future sustaining capital costs, discount rates, tax rates, and operating margins. Assumptions that are valid at the time of preparing the cash flow models may change significantly when new information becomes available. Changes to these estimates may affect the recoverable amounts of an individual asset, CGU or group of CGUs which may then require a material adjustment to their related carrying value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a) Basis of consolidation:

These financial statements include the accounts of CERF Incorporated and its wholly owned subsidiaries. Subsidiaries are those entities controlled by CERF. Control exists when CERF has power over an investee, exposure or rights to variable returns from its involvement with its investees and the ability to use its power to affect its return from the investee. Subsidiaries are fully consolidated from the date on which control is transferred to CERF. They are deconsolidated from the date that control ceases. The following entities have been included in these consolidated financial statements:

CERF Incorporated	Parent
4-Way Equipment Rentals Corp.	100% owned
MCL Waste Systems & Environmental Inc.	100% owned
TRAC Energy Services Ltd.	100% owned
Winalta Inc.	100% owned

Inter-entity balances and transactions and any unrealized gains or losses arising from inter-entity transactions are eliminated in the preparation of these consolidated financial statements.

b) Business combinations:

The acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets obtained, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquired business. The acquired business' identifiable net assets, including intangible assets, liabilities and contingent liabilities, are recognized at their fair values at the acquisition date.

To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets, goodwill is recognized. To the extent the fair value of consideration paid is less than the fair value of net identifiable tangible assets and intangible assets, the excess is recognized in the statement of income.

Transaction costs, other than those associated with the issuance of debt or equity securities, incurred in connection with a business combination, such as legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred.

c) Inventories:

Inventories of equipment and accessories held for resale are stated at the lower of cost and net realizable value on a specific unit basis. Inventories of replacement parts and supplies are stated at the lower of cost and replacement cost on a first in first out basis. Inventory write-downs are included in cost of sales or maintenance expense depending on the nature of the inventory.

d) Property and equipment:

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized in the statement of income.

The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation is provided for at the following rates and methods:

Oilfield accommodation equipment	10 years straight line
Industrial and other oilfield equipment	5% to 30% declining balance
Automotive and other equipment	20% to 30% declining balance
Furniture and office equipment	20% to 100% declining balance

Leasehold improvements and buildings under finance lease are amortized over the term of the lease.

e) Goodwill and intangible assets:

Goodwill is not amortized and is reviewed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may be impaired. Goodwill is allocated to the acquired business or CGU to which it relates.

Finite life intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss, and are amortized on a straight line basis over their estimated useful lives.

Indefinite life intangible assets are carried at cost less any accumulated impairment loss.

Amortization is calculated based on the cost of the asset, less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets (other than goodwill and indefinite life intangible assets) from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

Long term contracts	12 to 60 months
Customer relationships	60 months
Non-competition agreements	48 months from the date the agreement becomes effective
Brand names and other	90 days to 60 months

f) Impairment of non-financial assets

The carrying value of long-term assets, excluding goodwill, is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or CGU may not be recoverable. If indicators of impairment exist, the recoverable amount of the asset or CGU is estimated. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or CGU is the greater of its fair value less costs of disposal and its value in use ("VIU"). Fair value is determined to be the amount for which the asset could be sold for in an arm's length transaction. The Company bases its impairment calculation on maintaining EBITDA. The VIU calculation is based on a discounted cash flow model. The cash flows are derived from the Company's forecast and do not include restructuring activities that the Company is not yet commited to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Reversals of impairments are recognized when the indicators that an impairment loss recognized in prior periods may no longer exist, or may have decreased. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. In this event, the carrying amount of the asset or CGU is increased to its revised recoverable amount with an impairment reversal recognized in net earnings. The recoverable amount is limited to the original carrying amount less depreciation and amortization as if no impairment had been recognized for the asset or CGU for prior periods. An impairment loss in respect of goodwill is not reversed.

g) Lease payments:

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

If a lease agreement transfers substantially all of the risks and rewards of ownership of the asset, the lease is recorded as a finance lease and the related asset is capitalized. At the inception of the lease the asset is recorded at the lower of the present value of the minimum lease payments or fair value. The asset is depreciated over the shorter period of its estimated useful life and the lease term. The corresponding lease obligation is recorded as a liability net of finance charges. Minimum lease payments made under finance leases are apportioned between finance expense and reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

h) Revenue recognition:

Revenue from rentals is recognized as the rental service is rendered, based upon agreed daily, weekly or monthly rates, and collectability is reasonably assured. Revenue from the sale of equipment, parts or fuel is recognized when the goods are delivered to the customer with no right of return and recovery of the consideration is probable. Revenue from waste management is recognized as the service is provided for waste management services billed on a piecework basis.

i) Equity settled transactions:

The Company has a share-based compensation plan that allows employees, officers and directors, who have been granted options, to purchase common shares at a set price over a specified time period. Option exercise prices approximate the market price of the shares on the date the options are granted. Options granted under the plan vest over three years and expire five years after the grant date.

Share based compensation expense is determined based on the estimated fair value of the options on the date they are granted. The fair value of the options granted is estimated using the Black-Scholes option pricing model. Factors used in this model include expected volatility, expected forfeiture rates, expected dividends and risk-free interest rates.

The compensation expense is recognized in earnings over the vesting period, with a corresponding increase in contributed surplus.

Consideration paid on the exercise of the options is recorded as an increase in shareholders' equity together with corresponding amounts previously recognized in contributed surplus. Forfeitures are accounted for as they occur, which may result in a reduction of compensation expense in the period of the forfeiture.

j) Finance costs:

Finance costs comprise interest expense on borrowings and are recognized in earnings when incurred. Borrowing costs that are not directly attributable to the acquisition of a qualifying asset are recognized in profit or loss.

k) Income taxes:

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

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that will not affect accounting nor taxable profit or loss.

- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be in effect when the temporary differences reverse, based on laws that have been enacted or substantially enacted at the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available in sufficient amount to offset the tax losses, credits and temporary differences.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

l) Net income and comprehensive income per share:

Basic net income per share is determined by dividing the net income by the weighted average number of shares outstanding during the year. Diluted net income per share reflects the potential dilution that would occur if stock options and warrants were exercised. The treasury stock method is used to determine the dilutive effect of stock options and warrants. Under the treasury stock method only "in-the-money" options and warrants impact the dilution calculation.

m) Foreign currency translation:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency at the year end are translated into Canadian dollars at the yearend rate of exchange. Foreign currency gains and losses resulting from fluctuations in exchange rates between the transaction dates and reporting dates are included in income in the period in which they occur. The Canadian dollar is the Company's functional currency.

n) Financial Instruments:

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. The Company initially recognizes loans and receivables on the date that they originate. The loans and receivables are derecognized when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to the initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Assets in this category include accounts receivable, and cash.

Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they originate. All other financial liabilities are recognized initially on the trade date at which the Company

becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Interest, losses and gains relating to the financial liability are recognized in profit or loss.

The Company has the following non-derivative financial liabilities: bank indebtedness, accounts payable and accrued liabilities, contingent consideration, dividends payable, revolving and non-revolving term loans, demand loans, and finance lease obligations.

Financial derivatives not using hedge accounting

The Company holds derivative financial instruments at times to hedge its interest rate exposure. Financial derivatives not using hedge accounting are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are recognized at fair value and changes therein are accounted for in profit or loss.

o) Segment reporting:

The Company's operating segments are organized based on the operating structure of the Company's business and are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The president has authority for resource allocation and assessment of the Company's performance and is therefore the CODM.

p) New accounting standards not yet adopted:

At the date of these financial statements, the following accounting standards and interpretations were issued but not effective until a future date:

- *Financial Instruments (IFRS 9)* - The Company intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.
- *Revenue from Contracts with Customers (IFRS 15)* – The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.
- *Business combination accounting for interests in a joint operation (Amendments to IFRS 11)* – The Company intends to adopt the amendments to IFRS 11 in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the standard has not yet been determined.
- *Leases (IFRS 16)* – The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

3. BUSINESS ACQUISITIONS:

a) Empire Tool Inc.

On May 28, 2014, the Company completed the acquisition of substantially all, of the assets used in the business of Empire Tool Inc. ("Empire"). Empire's business involved the rental of heavy weight drill pipe to the oil and natural gas industry in Western Canada.

The Company paid a purchase price of $9,182, consisting of $4,100 in cash and 1,000,688 CERF shares valued at $3,082, and contingent consideration of $2,000 as consideration for the assets acquired. The contingent consideration of $2,000 payable to the former owners of Empire Tool Inc. was contingent on achieving certain revenues related to the assets and customer relationships acquired in the 12 month period following the acquisition date. On July 1, 2015 the contingent consideration of $2,000 was released to the former owners.

The acquisition date fair values have been accounted for as follows:

Fair value of acquired net assets:	
Property and equipment	5,140
Intangible assets	2,020
Goodwill	2,022
	9,182
Financed as follows:	
Cash	4,100
Shares issued out of treasury	3,082
Contingent consideration	2,000
	9,182

Intangible assets acquired consist of customer relationships and non-compete agreements. The intangible assets are being amortized over the expected economic life of the assets or the remaining term of the contracts in accordance with CERF's amortization policy. Goodwill is the difference between the purchase price and the identified tangible and intangible assets acquired. Management attributes goodwill to the reputation that Empire established in the course of its history which could not be identified with other tangible or intangible assets.

b) Winalta Inc.

On August 27, 2014, pursuant to a plan of arrangement ("the Arrangement"), CERF acquired all of the issued and outstanding common shares of Winalta Inc. ("Winalta"). The former shareholders of Winalta received 0.3352 of a CERF common share for each Winalta common share held. Under the Arrangement, CERF issued 14,456,717 CERF common shares and assumed $19,519 of Winalta net debt, inclusive of transaction costs. Concurrent with the Arrangement, CERF entered into new syndicated credit facilities in the amount of $65,000.

The purchase price of $70,551, being comprised of $51,032 based on the 14,456,717 CERF common shares issued and a closing price of $3.53 on the closing date, plus debt assumed of $19,519, was allocated to the assets acquired based on their estimated fair values as follows:

Fair value of acquired net assets:	
Working capital, including cash of $4,073	8,454
Property and equipment	35,585
Deferred tax assets	1,733
Intangible assets	3,300
Goodwill	21,479
	70,551
Financed as follows:	
Shares issued out of treasury	51,032
Debt assumed	19,519
	70,551

Intangible assets acquired consisted of customer relationships and contracts. The intangible assets are amortized over the expected economic life of the assets or the remaining term of the contracts in accordance with CERF's amortization policy. Goodwill is the difference between the purchase price and the identified tangible and intangible assets acquired. Management attributed goodwill to the reputation that Winalta has established in the course of its history which could not be identified with other tangible or intangible assets.

4. INVENTORY:

	December 31, 2015	December 31, 2014
Equipment and accessories held for resale	595	542
Parts and supplies	999	1,432
	1,594	1,974

5. PROPERTY AND EQUIPMENT:

Cost	Buildings	Rental equipment	Automotive & other equipment	Office furniture & equipment	Leasehold improvements	Total
At December 31, 2013	4,801	37,269	12,604	754	250	55,678
Additions	—	14,521	1,166	330	40	16,057
Business acquisition	—	40,456	134	135	—	40,725
Disposals	—	(4,999)	(729)	—	—	(5,728)
At December 31, 2014	4,801	87,247	13,175	1,219	290	106,732
Additions	—	4,135	1,892	796	61	6,884
Disposals	—	(2,770)	(1,209)	(8)	(18)	(4,005)
At December 31, 2015	4,801	88,612	13,858	2,007	333	109,611

Accumulated depreciation	Buildings	Rental equipment	Automotive and other equipment	Office furniture & equipment	Leasehold improvements	Total
At December 31, 2013	1,211	11,456	5,652	342	127	18,788
Depreciation	275	6,033	1,620	152	23	8,103
Elimination on disposal	—	(2,837)	(512)	—	—	(3,349)
At December 31, 2014	1,486	14,652	6,760	494	150	23,542
Depreciation	274	9,056	1,801	271	37	11,439
Elimination on disposal	—	(1,744)	(926)	(3)	(12)	(2,685)
At December 31, 2015	1,760	21,964	7,635	762	175	32,296

Net Book Value	Buildings	Rental equipment	Automotive & other equipment	Office furniture & equipment	Leasehold improvements	Total
At December 31, 2014	3,315	72,595	6,415	725	140	83,190
At December 31, 2015	3,041	66,648	6,223	1,245	158	77,315

Depreciation of assets subject to finance lease obligations for the year ended December 31, 2015 was $340 (2014 - $358).

During the year ended December 31, 2015, the Company sold assets with a net book value of $1,320 for proceeds of $1,693, resulting in a gain of $373 (2014, gain of $188) which has been netted against depreciation of equipment in comprehensive income.

6. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS:

The Company reviews the carrying value of its long-lived assets and cash generating units ("CGU") at each reporting date to determine whether there is any indication of value impairment. During 2015, significant decreases in industry activity resulting from the decline in oil and natural gas prices and the resulting impact on current and foreseeable future business indicated possible impairment.

At December 31, 2015, the Company performed an impairment test for goodwill, as triggers of impairment existed in the Oilfield Rentals segment due to the continued reduction of capital budgets set by oil and gas producers. The Company determined the recoverable amount on the basis of value in use ("VIU"). The VIU was determined by discounting the future cash flows to be generated from the operations of each cash generating unit to which goodwill has been allocated, using a 5-year model, a post-tax discount rate of 15.0% and a terminal value growth of 2.0%. Budgeted EBITDA margins for the Oilfield Rentals CGUs were forecasted using historical margins and taking into consideration known or pending factors. EBITDA is a non-GAAP measure which is defined as earnings before interest, taxes, depreciation and amortization.

Revenue, EBITDA and cash flow projection assumptions were based on a combination of past results and expectations of future growth. Cash flow projections for 2016 and 2017 assume that revenues continue to remain weak reflecting the downturn in the Alberta economy. Cash flow projections for 2018-2020 assume a gradual recovery to historical activity levels.

Impairment losses are allocated first to reduce the carrying cost of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in that CGU.

As a result of the impairment tests performed during the year, it was determined that the carrying value of the CGUs exceeded their estimated recoverable amount. Accordingly, the Company has recorded goodwill impairment of $24,045 for the year ended December 31, 2015. The Company has also recognized an intangible asset impairment charge of $2,484 in its Oilfield Rentals CGU.

The estimated value in use for the CGUs that were tested at December 31, 2015 is particularly sensitive to the estimates of post tax discount rate and the estimate of the terminal growth rate. For the Oilfield Rentals CGUs, an increase in the post tax discount rate of 1% combined with a decrease in the terminal value from 2% to 1% would have an incremental goodwill and intangible asset impairment of $4,593 and $2,081 respectively.

The Company reviewed the carrying value of the Waste Management CGU goodwill and intangibles and completed impairment tests as at December 31, 2015. The results of the tests indicated no impairment was necessary.

7. GOODWILL AND INTANGIBLES

Cost	Goodwill	Long term Contracts	Customer Relation-ships	Non-compete agreement	Brand names & other	Total
At December 31, 2013	**7,803**	**998**	**1,636**	**197**	**82**	**10,716**
Business acquisitions	23,501	—	4,720	600	—	28,821
Amortization	—	(425)	(712)	(55)	(38)	(1,230)
At December 31, 2014	**31,304**	**573**	**5,644**	**742**	**44**	**38,307**
Amortization	—	(423)	(1,378)	(95)	(28)	(1,924)
Impairment	(24,045)	—	(1,845)	(639)	—	(26,529)
At December 31, 2015	**7,259**	**150**	**2,421**	**8**	**16**	**9,854**

For the purposes of impairment testing, goodwill and intangible assets are allocated to the Company's cash generating units.

The aggregate carrying amount of goodwill allocated to each unit is as follows.

	December 31, 2015	December 31, 2014
Oilfield Rentals – surface rental	—	8,462
Oilfield Rentals – accommodation rental	5,746	21,329
Industrial rentals	—	—
Waste management	1,513	1,513
	7,259	31,304

8. CREDIT FACILITIES:

	Effective interest rate	Final maturity	Facility maximum	Outstanding as at December 31, 2015	Outstanding as at December 31, 2014
Revolving operating facility	3.35%	2018	55,000	27,500	25,500
Revolving capital expenditure facility	3.37%	2018	10,000	4,000	5,000
				31,500	30,500
Current portion				(1,000)	(1,000)
Long term debt				30,500	29,500

On August 27, 2014, the Company entered into a syndicated credit facility with its banker acting as the lead syndication agent. The credit facilities have been provided on a committed basis for a period of three years from August 27, 2014 and consist of:

a) A revolving operating facility with a maximum availability of up to $55,000 not to exceed 75% of accounts receivable, plus 50% of inventories held for resale, plus 60% of the net book value of rental equipment, less priority payables. No payments of principal are required under the operating facility as long as the loan does not exceed the margined assets. Based on the December 31, 2015 margined assets, $44,021 of the facility was available to draw under the revolving operating facility.

b) A revolving Capex Facility with a maximum availability of up to $10,000. This facility may be used to finance 75% of the cost of non-rental equipment. Each draw against the Capex facility is repayable in 60 equal monthly payments of principal plus interest. However, no principal payments are required during the fiscal year in which a term accommodation is advanced.

The credit facilities are secured by a General Security Agreement creating a first charge security interest over all of the Company's, including its subsidiaries, present and after acquired real property.

On December 29, 2015, the Syndicated Credit Facility was amended to reflect extension of the maturity date of the agreement from August 27, 2017 to August 27, 2018, and amendment of the financial covenants as follows:

First Amendment	Dec 31 2015	Mar 31 2016	June 30 2016	Sept 30 2016	Dec 31 2016	Thereafter
Debt/EBITDA*	4.0:1	4.0:1	4.0:1	4.0:1	3.5:1	3.0:1
Interest Coverage Ratio**	3.25:1	3.25:1	3.25:1	3.25:1	3.25:1	3.5:1

Interest payable on all loans drawn under the credit facilities will range from bank prime rate plus 75 bps to bank prime rate plus 350 bps depending on the Company's Debt to EBITDA ratio. The Credit facilities may also be financed through Bankers' Acceptances at the Company's option with stamping fees of between 175 bps to 450 bps depending on the Company's Debt to EBITDA ratio. As at December 31, 2015, the Company was in compliance of its covenants as follows:

	Requirement	**Actual at December 31, 2015**
Debt to EBITDA*	Maximum of 4.00 times EBITDA	3.15 times EBITDA
Interest Coverage Ratio**	Minimum of 3.25 times adjusted cash flow	4.10 times adjusted cash flow

* EBITDA is a defined bank term and includes EBITDA of the trailing twelve months plus the pre-acquisition EBITDA of business acquisitions in the trailing twelve month period.
****** Interest Coverage ratio is calculated as finance costs for the trailing twelve months divided into the trailing twelve month adjusted cash flow which is defined as EBITDA less taxes paid and dividends paid on a proforma twelve month basis.

See Note 24 for subsequent amendments to the credit facility in 2016.

9. OBLIGATION UNDER FINANCE LEASES:

The Company has entered into a long term financing lease for operating premises and finance leases for operating equipment and is obliged to make the following minimum lease payments:

	Premises	**Equipment**	**Total**
2016	588	91	679
2017	588	1	589
2018	588	—	588
2019	588	—	588
2020	588	—	588
Thereafter	3,572	—	3,572
	6,512	92	6,604
Portion imputed as interest	(2,753)	(1)	(2,754)
	3,759	91	3,850
Portion due within one year	(184)	(89)	(273)
Obligation under finance leases – long-term portion	3,575	2	3,577

10. INCOME TAXES:

The major components of income tax expense are as follows:

	December 31, 2015	December 31, 2014
Current income tax	(559)	665
Deferred tax	(1, 222)	1,225
Provision for income taxes	(1,781)	1,890

The following summarizes income taxes recognized in equity:

	December 31, 2015	December 31, 2014
Share issue costs	—	46

Deferred tax assets and liabilities are attributable to the following temporary differences:

	Excess book value	Intangibles	Deductible leases	Tax loss carry forwards	Share issue costs	Net deferred tax asset (liability)
As at December 31, 2013	(4,219)	—	1,105	709	290	(2,115)
Recognized in equity	—	—	—	—	46	46
Recognized on business combination	1,440	—	11	282	—	1,733
Recognized in profit or loss	(630)	—	(78)	(407)	(110)	(1,225)
As at December 31, 2014	(3,409)	—	1,038	584	226	(1,561)
Recognized in profit or loss	1,197	90	1	(5)	(61)	1,222
As at December 31, 2015	(2,212)	90	1,039	579	165	(339)

Reconciliation of effective tax rate:

	December 31, 2015	December 31, 2014
Net Income (Loss) before income tax	(31,833)	6,963
Statutory Tax rate	27%	25%
Expected tax	(8,595)	1,741
Non-deductible expenses	6,621	135
Change in income tax rate	193	—
Other	—	14
Tax expense	(1,781)	1,890

As at December 31, 2015 the Company had non-capital loss carry forwards of approximately $2,142 (2014 - $2,330) which may be available to reduce future taxable income. These losses begin to expire in 2031. The future benefit of the loss carry forwards has been recognized in deferred taxes.

11. SHARE CAPITAL:

Authorized:
The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. There are no preferred shares issued and outstanding.

Common shares issued and fully paid:	Number of shares	$
Balance, December 31, 2013	**16,059,356**	**32,894**
Issuance of common shares on exercise of employee options	141,800	429
Issuance of common shares on exercise of agent options	247,506	668
Issuance of common shares on exercise of warrants	4,276,167	13,471
Reclassification of warrants exercised	—	813
Issuance of common shares under dividend reinvestment program	31,683	97
Issued as consideration in a business acquisitions (Note 4)	15,457,405	54,114
Share issue costs, net of deferred tax benefit of $46	—	(136)
Balance, December 31, 2014	**36,213,917**	**102,350**
Issuance of common shares under dividend reinvestment program	182,360	297
Shares cancelled on forfeiture of share purchase loan	(15,817)	(37)
Balance, December 31, 2015	**36,380,460**	**102,610**

12. STOCK OPTIONS:

Employee stock options

Changes in outstanding and exercisable employee options are as follows:

	Number of options	Vested	Exercise price	Remaining contractual life in years	Weighted average exercise price
Options as at December 31, 2013	**1,039,300**	**370,000**	—	**4.40**	**2.92**
Options exercised	(141,800)	(141,800)	2.96	—	—
Options expired	(63,000)	(23,000)	2.95	—	—
Options vested	—	216,100	2.82	—	—
Options granted	1,053,000	—	3.17	4.80	3.17
Options as at December 31, 2014	**1,887,500**	**421,300**	—	**4.18**	**3.05**
Options expired	(583,000)	(207,494)	2.74	—	—
Options vested	—	492,075	3.04	—	—
Options granted	636,000	—	1.10	4.81	1.10
Options as at December 31, 2015	**1,940,500**	**705,881**	—	**3.66**	**2.50**

The Company estimated the fair value of the 636,000 employee stock options issued using the Black-Scholes method of valuation, assuming a vesting period of up to three years and an expiration date five years from the date of issue. The Black-Scholes estimate of fair value used the following assumptions:

Expected annual dividend	$0.20
Expected volatility	42.0%
Risk-free interest rate	0.52%
Expected life of options	3 years

During the year ended December 31, 2015, $151 of stock based compensation related to these stock options was recorded in general and administrative expenses (2014 - $107).

13. SHARE PURCHASE LOANS RECEIVABLE:

In 2007, the Partnership provided loans to certain employees to allow them to purchase partnership units, which were converted to shares in 2011. The loans are secured by 9,183 common shares, bear interest at the Canada Revenue Agency prescribed rate adjusted annually and are repayable annually over a 10 year term.

Subsequent to the year ended December 31, 2015, the 9,183 common shares were returned to the Company for cancellation and settlement of the remaining loan receivable.

14. PER SHARE AMOUNTS:

Net income per share has been calculated based on the weighted average number of shares outstanding during the years ended December 31, 2015 and 2014. The basic weighted average number of shares outstanding for the years then ended was 36,315,147 and 23,504,728 respectively.

The diluted weighted average number of shares was 36,315,147 for 2015 and 23,544,346 for 2014. The diluted weighted average reflects the dilutive effect of “in-the-money” options outstanding. As at December 31, 2015 no vested options or warrants were “in-the-money”.

During the years ended December 31, 2015 and 2014 the Company declared dividends of $5.8 million and $6.3 million, respectively.

On February 2, 2016, the Company’s Board of Directors suspended the Company’s quarterly dividends until further notice.

15. REVENUE:

Revenue is comprised of the following:

	December 31, 2015	**December 31, 2014**
Industrial equipment rental and other services	12,529	16,823
Sales of equipment, fuel, and parts	2,935	5,512
Total revenues – industrial rentals segment	**15,464**	**22,335**
Oilfield equipment rental and other services	15,015	17,721
Sales of equipment, fuel, and parts	2,422	3,819
Total revenues – oilfield rentals segment	**17,437**	**21,540**
Total revenues - waste management segment	**13,566**	**14,092**
	46,467	**57,967**

16. GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses are comprised of the following:

	December 31, 2015	**December 31, 2014**
Administrative salaries and office costs	5,912	4,824
Professional and consulting fees	785	652
Advertising, promotion, and investor relations	592	611
Computer and technology related expenses	441	344
Bad debt expenses (note 22 (b))	(315)	300
	7,415	6,731

17. FINANCE COSTS:

Finance costs are comprised of the following:

	December 31, 2015	**December 31, 2014**
Bank charges and interest	145	205
Interest on long term debt	1,172	923
Interest on finance leases	435	469
Loan syndication and amendment fees	146	304
Interest on long term receivable	(17)	(26)
	1,881	1,875

18. CHANGES IN NON-CASH WORKING CAPITAL:

Changes in non-cash working capital related to operating activities

	December 31, 2015	December 31, 2014
Accounts receivable	10,366	(2,464)
Inventory	380	41
Prepaid expenses	139	(139)
Accounts payable and accrued liabilities	(5,125)	704
Income taxes payable	(1,016)	(730)
	4,744	(2,588)
Less: change in accounts payable related to investing activities	(40)	143
Change in non-cash working capital	4,704	(2,445)
Supplementary information:		
Interest paid	1,881	1,875
Taxes paid (recovered)	457	1,395

19. RELATED PARTY TRANSACTIONS:

a) Key management personnel compensation

In addition to their salaries and professional fees charged, the Company also provides non-cash benefits to executive officers. The Company has no retirement or post-employment benefits available to its directors and executive officers.

The remuneration of key management personnel and directors during the year ended December 31 was:

	2015	2014
Short term employment salary and benefits	2,420	1,261
Contract payments	126	241
	2,546	1,502

b) Other:

During the year ended December 31, 2015, the Company paid rent for occupied premises of $113 (2014 -$108) to a company owned by a director of the Company.

During the year ended December 31, 2015, the Company paid $84 (2014 - $84) in wages to close family members of directors and executive officers.

During the year ended December 31, 2015, the Company paid $13 (2014 - $nil) to the Executive Chairman of the Company representing fees for the performance of the duties of the Executive Chairman of the Company.

During the year ended December 31, 2015, the Company paid $13 (2014 - $nil) to two corporations controlled by the Executive Chairman of the Company for business development and marketing expenses.

These related party transactions are in the normal course of business and have been recorded at the exchange amount. At December 31, 2015 no balances due to or from related parties was unpaid.

20. OPERATING SEGMENTS:

The Company structures its operations in three operating and reportable segments: (i) industrial rentals, service and sales; (ii) oilfield rentals, services and sales; and (iii) waste management, based on the way that management organizes the Company's businesses for making operating decisions and assessing performance.

The industrial rentals segment includes the operations of 4-Way Equipment Rentals Corp. The oilfield rentals segment includes the aggregate operations of TRAC Energy Services Ltd and Winalta Inc. The waste management segment includes the operations of MCL Waste Systems & Environmental Inc.

Information regarding results of the segments is included below. Performance is measured based on segment profit as included in internal management reports. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Segment profit is calculated as revenue less cash operating expenses, cash administrative expenses, and depreciation expense.

The following is a summary of the Company's results by segment for the twelve months ended December 31, 2015 and 2014:

	Twelve months ended December 31, 2015				
	Industrial Rentals	Oilfield Rentals	Waste Management	Corporate	Total
Total segment revenue	15,464	17,437	13,566	—	46,467
Segment profit (loss)	1,808	(115)	1,045	(4,237)	(1,499)
Depreciation of property and equipment	3,574	6,091	1,374	26	11,065
Amortization of intangible assets	—	1,427	497	—	1,924
Impairment of goodwill & intangibles	—	26,529	—	—	26,529
Finance costs	1,042	400	441	(2)	1,881
Income taxes (recovery)	40	(1,717)	(96)	(8)	(1,781)
Additions to property and equipment	3,178	2,293	1,341	72	6,884

	Twelve months ended December 31, 2014				
	Industrial Rentals	**Oilfield Rentals**	**Waste Management**	**Corporate**	**Total**
Total segment revenue	22,335	21,540	14,092	—	57,967
Segment profit (loss)	4,822	6,731	1,407	(2,892)	10,068
Depreciation of property and equipment	3,669	2,863	1,370	13	7,915
Amortization of intangible assets	—	746	484	—	1,230
Impairment of goodwill & intangibles	—	—	—	—	—
Finance costs	906	463	202	304	1,875
Income taxes (recovery)	809	942	(13)	152	1,890
Additions to property and equipment	8,067	7,153	819	18	16,057

Goodwill	**Industrial Rentals**	**Oilfield Rentals**	**Waste Management**	**Corporate**	**Total**
As at December 31, 2015	—	5,746	1,513	—	7,259
At December 31, 2014	—	29,791	1,513	—	31,304

Total assets and liabilities of the reportable segments are as follows:

As at December 31, 2015	**Industrial Rentals**	**Oilfield Rentals**	**Waste Management**	**Corporate**	**Total**
Total assets	23,748	66,026	10,079	(5)	99,848
Total liabilities	5,508	(103)	639	32,537	38,581

As at December 31, 2014	**Industrial Rentals**	**Oilfield Rentals**	**Waste Management**	**Corporate**	**Total**
Total assets	26,111	106,028	10,951	(919)	144,321
Total liabilities	6,413	7,616	865	32,782	47,676

A reconciliation of segment profit to income before taxes is as follows:

	Year ended December 31, 2015	**Year ended December 31, 2014**
Segment profit (loss)	(1,499)	10,068
Deduct:		
Finance costs	1,881	1,875
Amortization of intangibles	1,924	1,230
Impairment of goodwill	26,529	—
Income (loss) before taxes	(31,833)	6,963

21. CAPITAL MANAGEMENT:

The Company's objective when managing capital is to prudently exercise financial discipline, and to deliver positive returns and when possible, dividend payments to its shareholders. The Company's capital management strategy remained unchanged during the year ended December 31, 2015.

The Company monitors capital based on the ratio of debt to Adjusted EBITDA (Adjusted EBITDA is a non-GAAP measure and defined as net income before interest, taxes, depreciation, amortization, gain or loss on disposal of property and equipment and non-cash share based compensation plus non-recurring charges such as acquisition expenses). This ratio is calculated as debt, defined as total liabilities excluding trade payables and other accrued current liabilities incurred in the ordinary course of business, and future income taxes divided by Adjusted EBITDA. The Company's strategy is to maintain the Debt to Adjusted EBITDA and interest coverage ratios within the parameters as set out in the Company's current Syndicated Credit Facility (note 8).

The Company considers its capital structure to include shareholders' equity, credit facilities, and working capital. In order to maintain or adjust its capital structure, the Company may from time to time, issue shares and adjust its capital spending or dividend policy to manage the level of its short-term borrowings, or may revise the terms of its credit facilities to support future growth initiatives.

22. FINANCIAL INSTRUMENTS:

a) Fair value:

The fair value of the Company's financial instruments consisting of cash, accounts receivable, accounts payable and accrued liabilities, dividends payable, obligation under finance leases and long term debt approximate their carrying value as at December 31, 2015 and 2014, due to their short-term maturities or floating interest rates.

b) Credit risk:

Credit risk is the risk of financial loss resulting from a customer or counter party to a financial instrument failing to meet its obligation to the Company.

The Company is exposed to credit risk with respect to accounts receivable as it has a concentration of customers involved in the construction and oil and gas industries. The Company's accounts receivable represent balances owing by a number of unrelated companies and no single customer has an accounts receivable balance in excess of 10% of the yearend receivable balance. Management believes that the Company's credit risk with respect to accounts receivable is limited due to the Company's large customer base and management's conservative credit policy. Historically credit losses have not been material.

The allowance for doubtful accounts in respect of trade receivables is used to record impairment losses unless the Company is satisfied that a recovery of the amount owing is extremely remote, at which point the amounts are considered irrecoverable and are written off against the trade receivables directly.

Aging of accounts receivable is as follows:

	December 31, 2015	December 31, 2014
Trade receivables, gross:		
Outstanding 1 - 30 days	3,003	9,006
Outstanding 30 – 60 days	1,295	4,652
Outstanding over 60 days	1,609	2,459
	5,907	16,117
Allowance for doubtful accounts	(339)	(624)
Trade receivables, net	5,568	15,493
Sales tax and other receivables	58	499
Accounts receivable	5,626	15,992

The movement in the allowance for doubtful accounts in respect of trade receivables during the years ended December 31, 2015 and 2014 was as follows:

	2015	2014
Balance as at January 1	624	333
Increase (decrease) in allowance of trade receivables	(315)	300
Bad debt recoveries, net of trade receivables written off	30	(9)
Balance as at December 31	339	624

Based on historical default rates, the Company believes that no additional impairment allowance is necessary in respect of trade receivables.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

At December 31, 2015, the Company had working capital of $8,514, had undrawn lines of credit and believes that future cash flows from operations will be sufficient to meet its obligations as they arise.

The following table shows the undiscounted contractual maturities of the Company's financial liabilities and financial lease obligation as at December 31, 2015:

	1 Year	2-3 years	4-5 years	Thereafter	Total	Carrying value
Accounts payable and accrued liabilities	2,164	—	—	—	2,164	2,164
Dividends payable	728	—	—	—	728	728
Long-term debt	1,000	30,500	—	—	31,500	31,500
Finance leases	679	1,177	1,176	3,572	6,604	3,850
Total	4,571	31,677	1,176	3,572	40,996	38,242

The Company anticipates that its existing capital resources including its Credit Facility and cash flows from operations will be adequate to satisfy its liquidity requirements through fiscal 2016. This expectation could be adversely affected by a material negative change or a longer than anticipated continued downturn in the oilfield service industry, which in turn could lead to the Company breaching the covenants in its Credit Facility. If the covenants were not met, this could limit the Company's access to the Credit Facility. If available liquidity is not sufficient to meet CERF's operating and debt servicing obligations as they come due, management's plans include further expenditure reductions, pursuing alternative financing arrangements, asset dispositions, or pursuing other corporate strategic alternatives.

d) Market risk

Interest rate risk:

Interest rate risk is the risk that the fair value of a financial instrument or its cash flows will fluctuate as a result of changes in interest rates.

Occasionally the Company utilizes interest rate swap agreements to manage its exposure to interest rate increases. At December 31, 2015, there were no interest rate swaps agreements in place.

At December 31, 2015, a 1% change in interest rates on the floating rate debt would result in an increase or decrease in annual net income before income taxes of $315.

Currency risk:

Currency risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Company purchases equipment, parts and supplies from foreign suppliers that are denominated in United States dollars. At December 31, 2015 accounts payable and accrued liabilities did not include any material amounts denominated in foreign currencies. Management does not believe that its foreign currency risk would result in a material loss due to the short term nature of the foreign currency denominated payables and does not employ derivative instruments to manage foreign currency risk.

23. LEASE COMMITMENTS:

Minimum rental commitments for operating leases for premises and equipment over the next five years are as follows:

2016	1,394
2017	1,198
2018	751
2019	586
2020	22

24. SUBSEQUENT EVENTS:

On February 2, 2016, the Company acquired all outstanding common and preferred shares of Zedcor Oilfield Rentals Ltd., a private oilfield equipment rental company with operations in Western Canada for approximately $21 million. The purchase price consisted of the issuance by the Company of 3,049,968 common shares and 4,400,000 preferred shares both at a deemed price of $0.70 per share, the payout of

approximately $10,800 in debt and the assumption of a $5,000 subordinated vendor take back note. The accounting for the purchase price adjustment has not been completed at the time of the release of these financial statements.

On February 2, 2016, the Company's Board of Directors suspended the Company's quarterly dividends until further notice.

On February 2, 2016, the Company's Syndicated Bank Credit Facility was amended under the Second Amending Agreement whereby consent was provided to proceed with the acquisition of Zedcor Oilfield Rentals Ltd., and to amend the financial covenant in respect of the Debt to EBITDA ratio as follows.

Second Amending Agreement	Dec 31 2015	Mar 31 2016	June 30 2016	Sept 30 2016	Dec 31 2016	Thereafter
Debt/EBITDA	4.00:1	4.25:1	4.00:1	4.00:1	3.50:1	3.00:1
Interest Coverage Ratio*	3.25:1	3.25:1	3.25:1	3.25:1	3.25:1	3.50:1

On February 5, 2016, the Company granted 1,985,000 stock options at an exercise price of $0.50 to directors, officers, employees and consultants of the Company.

On March 9, 2016, the Company cancelled 745,000 stock options. The cancelled options were granted from February 11, 2013 to October 20, 2014 and were exercisable at prices ranging from $2.71 to $3.17.

On April 28, 2016, the Company's Syndicated Bank Credit Facility was amended under the Third Amending Agreement to amend the financial covenant in respect of the Debt to EBITDA and Interest Coverage ratios as follows.

Third Amending Agreement	Mar 31 2016	June 30 2016	Sept 30 2016	Dec 31 2016	Mar 31 2017	Thereafter
Debt/EBITDA	5.75:1	5.50:1	5.50:1	4.00:1	3.50:1	3.00:1
Interest Coverage	3.25:1	3.25:1	2.75:1	2.75:1	3.50:1	3.50:1

The Third Amending Agreement includes a $10.0 million reduction in the authorized amount of the total facility from $65.0 million to $55.0 million. The resulting authorized amount is now comprised of a $48.5 million revolving Operating Facility and a $6.5 million revolving Capex Facility.