Xtreme Drilling Corp.

Interim Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	March 31, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	7,679	15,450
Accounts receivable *(Note 4)*	15,616	12,081
Other receivables *(Note 5)*	1,769	1,782
Inventory *(Note 6)*	2,888	1,703
Prepaid expenses and other	1,472	1,140
	29,424	32,156
Assets held for sale *(Note 8)*	12,120	13,172
Tax recoverable	811	789
Property and equipment *(Note 7)*	220,572	205,456
Total Assets	262,927	251,573
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	19,444	12,214
Current tax payable	212	219
Secured borrowings *(Note 4)*	6,666	4,419
Current portion of finance leases *(Note 12)*	149	118
Current portion of long-term debt *(Note 9)*	2,387	1,569
	28,858	18,539
Finance leases *(Note 12)*	454	514
Long-term debt *(Note 9)*	7,936	5,755
Total Liabilities	37,248	24,808
Shareholders' equity		
Share capital *(Note 10)*	298,262	298,262
Contributed surplus	30,365	30,156
Accumulated deficit	(186,365)	(180,439)
Foreign currency translation reserve	83,417	78,786
Total Shareholders' Equity	225,679	226,765
Total Liabilities and Shareholders' Equity	262,927	251,573

Contingencies and commitments *(Note 12)*

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

Xtreme Drilling Corp.

Interim Consolidated Statements of Loss

For the three months ended March 31, 2018 and 2017

(in thousands of Canadian dollars, except share and per share data)

	2018	**2017**
Revenue *(Note 11)*	**21,321**	12,379
Expenses		
Operating expenses	**17,470**	9,812
General and administrative expenses	**2,383**	2,645
Depreciation expense	**5,225**	9,085
Impairment of assets held for sale	**1,423**	—
Stock-based compensation	**209**	232
Foreign exchange (gain) loss	**(170)**	110
Loss on disposal of equipment	**—**	2,682
Other income	**(6)**	(22)
Interest expense	**381**	—
Loss	**(5,594)**	(12,165)
Tax expense		
Current expense	**332**	3
Total tax expense	**332**	3
Net loss	**(5,926)**	(12,168)
Net loss per common share		
– basic	**(0.08)**	(0.14)
– diluted	**(0.08)**	(0.14)
Weighted average number of common shares *(Note 9)*		
– basic	**74,982,894**	85,091,367
– diluted	**74,982,894**	85,091,367

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

Xtreme Drilling Corp.
Interim Consolidated Statements of Comprehensive Loss
For the three months ended March 31, 2018 and 2017
(in thousands of Canadian dollars)

	2018	2017
Net loss	(5,926)	(12,168)
Other comprehensive gain (loss)		
Items that may be subsequently reclassified to profit or loss:		
Unrealized gain (loss) on translating financial statements of foreign operations	4,631	(3,349)
Comprehensive loss	(1,295)	(15,517)

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

Xtreme Drilling Corp.

Interim Consolidated Statements of Changes in Equity

For the three months ended March 31, 2018 and 2017

(in thousands of Canadian dollars)

	Share capital	Contributed surplus	Accumulated deficit	Foreign currency translation reserve	Total Shareholders' Equity
Balance at January 1, 2017	**339,448**	**13,387**	**(101,670)**	**94,306**	**345,471**
Net loss	—	—	(12,168)	—	(12,168)
Other comprehensive loss:					
Currency translation differences	—	—	—	(3,349)	(3,349)
Total comprehensive loss	—	—	(12,168)	(3,349)	(15,517)
Employee share option scheme:					
Value of employee services	—	232	—	—	232
Total transactions with owners	—	232	—	—	232
Balance at March 31, 2017	**339,448**	**13,619**	**(113,838)**	**90,957**	**330,186**
Balance at January 1, 2018	**298,262**	**30,156**	**(180,439)**	**78,786**	**226,765**
Net loss	**—**	**—**	**(5,926)**	**—**	**(5,926)**
Other comprehensive gain:					
Currency translation differences	**—**	**—**	**—**	**4,631**	**4,631**
Total comprehensive loss	—	—	**(5,926)**	**4,631**	**(1,295)**
Employee share option scheme:					
Value of employee services	**—**	**209**	**—**	**—**	**209**
Total transactions with owners	**—**	**209**	—	—	**209**
Balance at March 31, 2018	**298,262**	**30,365**	**(186,365)**	**83,417**	**225,679**

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

Xtreme Drilling Corp.

Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2018 and 2017
(in thousands of Canadian dollars)

	2018	2017
Cash flow provided by:		
Operating activities		
Net loss	(5,926)	(12,168)
Items not affecting cash:		
Depreciation expense	5,225	9,085
Impairment of assets held for sale	1,423	—
Stock-based compensation	209	232
Loss on disposal of equipment	—	2,682
Provision for doubtful accounts	—	199
Interest expense	344	—
Interest paid	(358)	—
Amortization of debt issuance costs	37	—
Unrealized foreign exchange (gain) loss	(106)	68
Current tax expense	332	3
Taxes paid	(346)	—
Operating cash flows from continuing operations	834	101
Operating cash flows from discontinued operations	—	(446)
Changes in items of non-cash working capital *(See Note 14)*	(1,845)	(4,922)
Net cash used in operating activities	(1,011)	(5,267)
Financing activities		
Drawdowns of secured borrowings, net	2,053	—
Proceeds from long-term debt	3,868	—
Repayment of long-term debt	(693)	—
Debt issuance cost	(103)	—
Payments of financing lease	(55)	—
Net cash generated from financing activities	5,070	—
Investing activities		
Proceeds from sale of equipment, net	—	12
Capital expenditures	(16,075)	(18,718)
Changes in items of non-cash working capital related to investing items	4,071	(566)
Net cash used in investing activities	(12,004)	(19,272)
Effect of exchange rate changes on cash and cash equivalents	174	(1,151)
Decrease in cash and cash equivalents	(7,771)	(25,690)
Cash and cash equivalents - beginning of period	15,450	115,240
Cash and cash equivalents - end of period	7,679	89,550

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

Note 1. Structure of the Corporation

Organization

Xtreme Drilling Corp. (“Xtreme” or the "Company"), is a publicly traded company incorporated on May 24, 2005, under the Business Corporations Act of Alberta. The Company’s registered office is located at 4300 Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta T2P 5C5 and the Company also maintains a headquarters in Houston, Texas.

Operations

Xtreme designs, assembles, and operates a fleet of onshore high specification drilling rigs featuring leading-edge proprietary technology including modular transportation systems and continuous integration of in-house advances in methodologies. Xtreme operates the drilling services (“XDR”) service line under contracts with oil and natural gas exploration and production companies and integrated oilfield service providers in the United States of America (“United States” or “US”). The Company is listed on the Toronto Stock Exchange under the symbol “XDC”.

Note 2. Basis of Preparation

The interim consolidated financial statements are prepared according to International Accounting Standard ("IAS") 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. They do not include all the disclosures required in annual consolidated financial statements and should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2017, prepared in accordance with IFRS.

Note 3. Summary of Significant Accounting Policies

The interim consolidated financial statements are prepared following the same accounting policies used in the Company’s most recent annual financial statements, except for income taxes, which are accounted for as disclosed below.

Certain amounts in the prior year have been reclassified to conform to the current year’s presentation.

Use of Estimates and Judgment

The timely preparation of financial statements requires that management make estimates and assumptions and use judgment. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgment used in the preparation of the financial statements are consistent with those described in Note 4 to the Company’s consolidated financial statements for the year ended December 31, 2017, except for income tax.

Income tax

Income tax expense for the interim period is based on an estimated average effective income tax rate.

Revenue

The Company adopted IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") on January 1, 2018, using the full retrospective transition method.

The comparative figures in the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2017 were not required to be restated as a result of the adoption of IFRS 15.

The Company enters into contracts to provide drilling services to customers. These contracts contain both lease and non-lease revenue components, representing drilling rig rental income and drilling services revenue, respectively. Drilling rig rental income is accounted for under IAS 17 *Leases.* Revenue from drilling services is accounted for under IFRS 15.

Determining whether the services provided are considered distinct performance obligations can require significant judgment. Revenue is allocated to the respective performance obligations based on relative transaction prices, and is recognized as services are delivered to the customer. Revenue is measured as the amount of consideration expected to be received in exchange for the services delivered.

Contract modifications are accounted for prospectively or as a cumulative catch-up adjustment depending on the nature of the change. Revenue from drilling services is recognized as services are delivered to the customer.

Financial Instruments

The Company adopted IFRS 9, *Financial Instruments* ("IFRS 9"), on January 1, 2018.

IFRS 9 replaces the provisions of IAS 39, *"Financial Instruments: Recognition and Measurement",* that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 resulted in no impact on the amounts recognized in the financial statements.

Classification

From January 1, 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. At March 31, 2018, the Company's only financial assets are trade receivables and contract assets relating to unbilled work in progress.

Measurement

Trade receivables represent assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest. As such, the Company's trade receivables continue to be classified and measured at amortized cost. Interest income associated with trade receivables is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains (losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Impairment

From January 1, 2018, the Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income (“FVTOCI”). The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company.

Accounting standards and amendments issued but not yet adopted

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. These standards have not been adopted which may impact the Company in the future:

IFRS 16, *Leases* (“IFRS 16”), has been issued as a new standard on leases and will supersede IAS 17, *Leases*. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. This standard provides a single recognition and measurement model to be applied to leases, with required recognition of assets and liabilities for most leases. This standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Seasonality of Operations

Areas of the US where Xtreme has drilling operations are infrequently subject to weather constraints like hurricanes in the southern states, but may experience operational constraints such as blizzards and other extreme winter conditions in the Rocky Mountain region in addition to operational restrictions for a variety of other reasons. Some areas are subject to environmental orders which include specific well leases and can prevent drilling activity during certain periods when authorities prioritize wildlife or habitat protection. These restrictions may also affect activity levels and operating results.

(in thousands of Canadian dollars)

Note 4. Accounts Receivable

Accounts receivable	March 31, 2018	December 31, 2017
Less than 90 days	15,484	11,657
Greater than 90 days and less than 180 days	132	414
Greater than 180 days	—	10
	15,616	12,081
Provision for doubtful accounts	—	—
Total accounts receivable	15,616	12,081

Secured borrowings

On August 3, 2017, the Company signed a commitment with a financial institution that provides a working capital line of credit for up to $10,000 USD ($12,545 CAD) for a period of 18 months. The line is secured by the respective accounts receivables, inventory, and property and equipment, except for one rig which is used in the collateralized debt (see Note 9). Interest on the advances are at Prime (4.8 percent at March 31, 2018) plus 1.5 percent and amounts outstanding are subject to a monthly management fee of 0.5 percent. The Company paid origination fees of $19 for the line of credit, which is being amortized over the term of the borrowings. As of March 31, 2018, $6,666 has been drawn on this commitment ($4,419 at December 31, 2017). The Company recognized interest expense of $123 for the three months ending March 31, 2018, under this arrangement.

Note 5. Other receivables

Other receivables	March 31, 2018	December 31, 2017
Restricted cash	1,318	1,318
Value added tax receivable	271	293
Goods and services tax receivable	180	171
Total other receivables	1,769	1,782

At March 31, 2017, the Company had $1,318 in restricted cash held with a financial institution as security for two outstanding letters of credit related to the importation of the coil servicing units in Saudi Arabia ($1,318 at December 31, 2017). The restrictions are in the process of being removed as the Company has met its obligations under the terms of the XSR sale agreement with Schlumberger.

Note 6. Inventory

Inventory	March 31, 2018	December 31, 2017
Opening balance	1,703	2,810
Purchases	1,719	2,280
Consumption	(581)	(1,202)
Sale of assets	—	—
Unrealized gain (loss) on foreign currency translation	47	(185)
Closing balance	2,888	1,703

(in thousands of Canadian dollars)

Note 7. Property and Equipment

	Drilling and servicing equipment	Land, property and leasehold Improvements	Capital work in progress	Total
At January 1, 2017				
Cost	479,088	6,308	5,736	491,132
Accumulated depreciation	(199,085)	(1,002)	—	(200,087)
Accumulated impairment	(50,389)	—	—	(50,389)
Net book value	229,614	5,306	5,736	240,656
Year Ended December 31, 2017				
Opening net book value	229,614	5,306	5,736	240,656
Additions	641	—	75,647	76,288
Sale of assets and disposal of equipment	(24,194)	—	—	(24,194)
Transfer of assets held for sale	(25,163)	—	—	(25,163)
Transfers	14,617	241	(14,858)	—
Depreciation expense	(26,168)	(1,320)	—	(27,488)
Impairment expense	(23,983)	—	—	(23,983)
Unrealized loss on foreign currency translations	(9,912)	(371)	(377)	(10,660)
Closing net book value	135,452	3,856	66,148	205,456
At December 31, 2017				
Cost	236,263	4,819	66,148	307,230
Accumulated depreciation	(87,920)	(963)	—	(88,883)
Accumulated impairment	(12,891)	—	—	(12,891)
Net book value	135,452	3,856	66,148	205,456
Period Ended March 31, 2018				
Opening net book value	**135,452**	**3,856**	**66,148**	**205,456**
Additions	**775**	**—**	**15,300**	**16,075**
Transfers	**56,354**	**—**	**(56,354)**	**—**
Depreciation expense	**(5,155)**	**(70)**	**—**	**(5,225)**
Unrealized gain on foreign currency translations	**3,016**	**102**	**1,148**	**4,266**
Closing net book value	**190,442**	**3,888**	**26,242**	**220,572**
At March 31, 2018				
Cost	**295,812**	**4,951**	**26,242**	**327,005**
Accumulated depreciation	**(92,121)**	**(1,063)**	**—**	**(93,184)**
Accumulated impairment	**(13,249)**	**—**	**—**	**(13,249)**
Net book value	**190,442**	**3,888**	**26,242**	**220,572**

Included in drilling and servicing equipment is $609, net of accumulated depreciation, associated with two finance leases (see Note 12).

Impairment of long-lived assets

Year ended 2017

(in thousands of Canadian dollars)

In June 2017, the Company reclassified $25,163 of drilling and service equipment to assets held for sale on the accompanying interim consolidated statements of financial position (see Note 8). The plan to dispose of the assets was an indicator of impairment under IFRS and, as such, an impairment test was completed prior to transfer of the assets, resulting in an impairment loss of $23,983. Factors considered with respect to the estimated recoverable amount included the ability to actively market the rigs, which entailed an analysis of the Company's market strategy, the age of the rigs and related significant components as well as size and capacity of the rigs and ancillary equipment. Changes in drilling technology were also considered, as drilling requirements have changed to high efficiency, high-capacity units capable of drilling deeper and longer depths. The above adversely impacted the estimated recoverable amounts of the drilling and service equipment and related components.

The recoverable amount of the drilling and service equipment transferred to assets held for sale was determined using fair value less cost of disposal (" FVLCD"). FVLCD was an estimate by management established with reference to comparable transactions in the market. For purposes of the analysis, costs of disposal were taken into consideration, including cost of commissions, advertising and promotion, sale management and showing, and moving, storage and upkeep. The fair value of the assets held for sale was categorized as Level 3 fair value based on the unobservable inputs used.

For the three months ended March 31, 2018

For the three months ended March 31, 2018, management did not identify any indicators of impairment, and as such, did not perform impairment testing at March 31, 2018.

Note 8. Assets Held for Sale

Assets held for sale	**March 31, 2018**	**December 31, 2017**
Opening net book value	**13,172**	—
Transfers from property and equipment and inventory	**—**	27,163
Assets sold	**—**	(7,191)
Impairment	**(1,423)**	(6,212)
Unrealized gain (loss) on foreign currency translation	**371**	(588)
Ending net book value	**12,120**	**13,172**

During the second quarter of 2017, the Company began evaluating strategic alternatives with respect to the XDR 200 and XDR 300 series rigs. As part of the evaluation, the Company considered current opportunities in Canada, the US and internationally. It was determined that in order to maximize value related to these assets, it would be in the best interest of the Company and its shareholders to actively market these rigs for sale. At June 30, 2017, the Company transferred the eight rigs, including related ancillary equipment and inventory, from property and equipment and inventory to assets held for sale.

During the third quarter of 2017, the Company reclassified an additional $3,744 of specific components of drilling and servicing equipment from property and equipment to assets held for sale and recorded an additional impairment loss of $4,212 due to current market conditions related to the XDR 300 series rigs. The recoverable amount of the assets was determined in reference of FVLCD, based on comparable market transactions. A one percent change in the estimated FVLCD would impact the assets held for sale by approximately $105.

On September 30, 2017, the Company sold the XDR 200 series rigs for $9,118, resulting in a gain of $1,677, net of expenses.

(in thousands of Canadian dollars, except where otherwise stated)

The Company continues to actively market the remaining XDR 300 series rigs. In connection with the ongoing negotiations and review of estimated net realizable values, management recorded an impairment charge of $1,423 during the three months ended March 31, 2018. The recoverable amount of the drilling and service equipment transferred to assets held for sale was determined using fair value less cost of disposal (" FVLCD"). FVLCD was an estimate by management established with reference to comparable transactions in the market. For purposes of the analysis, costs of disposal were taken into consideration, including cost of commissions, advertising and promotion, sale management and showing, and moving, storage and upkeep. The fair value of the assets held for sale was categorized as Level 3 fair value based on the unobservable inputs used.

Note 9. Debt

Long-term debt	March 31, 2018	December 31, 2017
Opening balance	7,324	—
New debt	3,868	7,641
Repayment of debt	(693)	—
Debt issuance costs	(103)	(218)
Amortization of debt issuance cost	33	14
Unrealized gain (loss) on foreign currency translation	22	(113)
Closing balance	10,451	7,324
Current portion	2,387	1,569
Non-current portion	8,064	5,755
Closing balance	10,451	7,324

Collateralized debt

In 2017, the Company entered into an agreement with a commercial lender to provide a $6,000 USD ($7,527 CAD) loan secured by one of the upgraded rigs. In March 2018, the Company amended the agreement "Amendment 1" to increase the amount of the loan by $3,000 USD ($3,868 CAD). The loan is payable in monthly installments of $228 USD ($295 CAD at March 31, 2018) over 42 months, with a balloon payment due at the end of the term. The borrowing has an implied interest rate of approximately 11.7 percent. In connection with the amendment, the Company incurred $103 of debt origination costs, which are amortized over the term of the debt using the effective interest rate method. The Company recognized interest expense of $249 for the period ended March 31, 2018, resulting in an effective annual interest rate on borrowings of approximately 13.0 percent. There are no debt covenants related to this debt agreement.

Following are the scheduled principal and interest payments for the next 4 years:

	Total	1 year	1-3 years
Principal payment schedule	10,894	2,387	8,507
Interest payment schedule	2,628	1,147	1,481

Note 10. Share Capital

Share capital

Xtreme is authorized to issue an unlimited number of common voting and preferred shares without nominal or par value. Xtreme has no preferred shares outstanding.

(in thousands of Canadian dollars)

In June 2017, the Company completed its substantial issuer bid to purchase up to an aggregate $25,000 in Xtreme shares through a Dutch auction tender process. The Company took up and paid for 10,416,666 shares at a price of $2.40 per share for an aggregate cost of $25,000 excluding fees and expenses related to the offer. Share capital has been reduced by $41,558, which represents the carrying value of the repurchased shares. The difference between the purchase price paid and the carrying value of $16,558 has been recorded in contributed surplus. The repurchased shares have been canceled.

Following is a summary of issued and outstanding common shares.

	March 31, 2018		December 31, 2017	
	Number	Amount	Number	Amount
Balance, beginning of period	**74,982,894**	**298,262**	85,091,367	339,448
Employee options exercised	—	—	100,000	112
Restricted stock units vested	—	—	208,193	—
Transferred from share option reserve	—	—	—	505
Purchase of common shares	—	—	(10,416,666)	(41,803)
	—	—	(10,108,473)	(41,186)
Balance, end of period	**74,982,894**	**298,262**	74,982,894	298,262

Earnings per share

Common shares potentially issuable in exchange for options, purchase warrants and performance warrants are not included in the computation of diluted earnings per share when to do so would be anti-dilutive. Diluted weighted average common shares outstanding is calculated using the treasury stock method, which assumes any proceeds obtained on the exercise of options is used to purchase common shares at the average price for the period. Stock options and restricted stock units were considered anti-dilutive for the three months ended March 31, 2018 and 2017. When the Company incurs a net loss, the effect of the Company's outstanding options and restricted stock units are not included in the calculation of diluted earnings (loss) per share as the effect would be anti-dilutive.

	Three months ended	
	March 31, 2018	March 31, 2017
Weighted average common shares outstanding - basic	**74,982,894**	85,091,367
Effect of options	—	—
Weighted average common shares outstanding – diluted	**74,982,894**	85,091,367

Note 11. Segment Reporting

The Company determines its operating segments based on internal information regularly reviewed by the chief operating decision maker to allocate resources and assess performance. For the three months ended March 31, 2017, the Company was engaged in two geographic areas - Canada and the US - with one operating segment, which is drilling services. The Company ceased operations in Canada during the third quarter of 2017. For the three months ended March 31, 2018, the Company was engaged in one geographic area - the US - with one operating segment, which is drilling services.

(in thousands of Canadian dollars)

Revenue and assets by geographic area for operations

Three Months Ended March 31, 2018	United States	Canada	Other international	Total
Revenue	21,321	—	—	21,321
Total assets	247,288	1,646	13,993	262,927

Three Months Ended March 31, 2017	United States	Canada	Other international	Total
Revenue	11,464	915	—	12,379
Total assets	238,755	25,286	84,042	348,083

Disaggregated revenue

The following tables includes a reconciliation of disaggregated revenue by the term of the contract. Long term contracts extend beyond 12 months, while short-term and well-to-well contract are less than 12 months. Mobilization revenue represents revenue resulting from the mobilization of rigs to location.

	For the three months ended	
	March 31, 2018	March 31, 2017
Long-term contracts	2,361	—
Short-term/well-to-well contracts	18,201	12,379
Mobilization	759	—
Total revenue	21,321	12,379

Customer concentration

For the three months ended March 31, 2018, three customers accounted for revenue of $17,154, or 80 percent. Customer A accounted for $6,810, or 32 percent, Customer B accounted for $5,836, or 27 percent, and Customer C accounted for $4,508, or 21 percent.

For the three months ended March 31, 2017, four customers accounted for revenue of $11,219, or 90 percent. Customer A accounted for $4,071, or 33 percent, Customer B accounted for $3,647, or 28 percent, Customer C accounted for $2,178, or 15 percent, and Customer D accounted for $1,323, or 14 percent.

Note 12. Contingencies and Commitments

Contingencies

The Company is involved in claims and actions arising in the course of the Company's operations and is subject to various legal actions and exposures, including tax positions taken by the Company. Although the outcome of these claims cannot be predicted with certainty, the Company does not expect these matters to have a material adverse effect on the Company's financial position, cash flows or results of operations. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on the Company's consolidated net earnings or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognized if the Company determines that the loss is probable and the amount can be reasonably estimated. The Company believes it has made adequate provision for such legal claims. While fully supportable in the Company's view, some of these positions, including uncertain tax positions, if challenged may not be fully sustained on review.

(in thousands of Canadian dollars, except where otherwise stated)

Leases

The Company is committed to operating leases for office and field facilities and finance leases for right-to-use assets. The table below details approximate annual base rental and finance lease payments. Lease terms also require Xtreme to remit a proportionate share of realty taxes, operating costs and utilities.

In December 2017, the Company entered into two leases for 48-months. These leases are classified as finance leases. The leases have stated interest rates of 5.55 percent and 5.71 percent and include bargain purchase options of $74 and $65 at the end of the lease periods in December 2021. The Company has recognized interest expense of $9 for the period ended March 31, 2018.

	March 31, 2018	December 31, 2017
Less than 1 year	956	1,053
Between 1 and 5 years	2,562	2,754
	3,518	3,807

Included in the interim consolidated statement of loss is rent expense for operations of $242 for three months ended March 31, 2018 ($292 - three months ended March 31, 2017).

Purchase commitments

The Company has commitments for planned rig modifications and upgrades, maintenance, drill pipe, and spare equipment totaling $4,097 at March 31, 2018, (December 31, 2017 – $10,597), which are not reflected in these interim consolidated financial statements. The Company expects to pay such items within the next twelve months.

Note 13. Financial Instruments and Fair Value

Measurement categories

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the consolidated statement of loss or consolidated statement of comprehensive income. Those categories are: loans and receivables and for liabilities, amortized cost.

Fair values

The Company’s financial instruments include cash and cash equivalents, trade and other receivables, trade payables and other current liabilities, secured borrowings, finance leases and long-term debt instruments. At March 31, 2018, the Company classified these financial instruments as Level 1 of the fair value hierarchy. Cash and cash equivalents are carried at fair value. The carrying amounts of trade and other receivables, trade payables, other current liabilities and secured borrowings approximate their fair values due to their short-term nature.

The following table summarizes the carrying values of assets and liabilities for each of these categories at March 31, 2018, and December 31, 2017.

(in thousands of Canadian dollars)

	March 31, 2018	December 31, 2017
Assets		
Loans and receivables		
Cash and cash equivalents	7,679	15,450
Trade receivables	15,616	12,081
Other receivables	1,769	1,782
Liabilities		
Accounts payable and accrued liabilities	19,444	12,214
Secured borrowings	6,666	4,419
Finance leases	603	632
Debt	10,323	7,324

Note 14. Supplemental Disclosure of Cash Flow Information

The following table summarizes the changes in items of non-cash working capital disclosed in the interim consolidated statements of cash flows.

	March 31, 2018	March 31, 2017
Accounts receivable and other receivables	(3,522)	(2,420)
Prepaid expenses and other	(331)	55
Inventory	(1,185)	(35)
Accounts payable and accrued liabilities	7,304	(3,335)
	2,266	(5,735)
Non-cash items impacting working capital	(38)	247
	2,228	(5,488)
Relating to:		
Operating activities	(1,844)	(4,922)
Investing activities	4,072	(566)
	2,228	(5,488)

Note 15. Subsequent Events

In April 2018, the Company entered into an agreement with a commercial lender to provide a loan in the amount of $4,000 USD. The loan, secured by one of the upgraded rigs, was funded on April 27, 2018 and has an effective interest rate of approximately 13 percent.