TRINIDAD
DRILLING

LEVERAGING INNOVATION

2018 Third Quarter Report

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Management's Discussion and Analysis

The following management's discussion and analysis (MD&A) of the financial condition and results of operations is intended to help the reader understand the current and prospective financial position and operating results of Trinidad Drilling Ltd. ("Trinidad" or the "Company"). The MD&A discusses the operating and financial results for the three and nine months ended September 30, 2018, is dated November 9, 2018, and takes into consideration information available up to that date. The MD&A is based on the unaudited interim consolidated financial statements of Trinidad for the three and nine months ended September 30, 2018. The MD&A should be read in conjunction with the audited annual consolidated financial statements and related notes for the year ended December 31, 2017, prepared in accordance with International Financial Reporting Standards (IFRS), and the unaudited consolidated interim financial statements for the three and nine months ended September 30, 2018, prepared in accordance with IFRS applicable to preparation of interim financial statements, including International Accounting Standard (IAS) 34 - Interim Financial Reporting.

Additional information is available on Trinidad's website (**www.trinidaddrilling.com**) and all previous public filings, including the most recently filed Annual Report and Annual Information Form, are available through SEDAR (**www.sedar.com**).

All amounts are denominated in Canadian dollars (CDN$) unless otherwise identified. All amounts are stated in thousands unless otherwise identified.

Financial Highlights

($ thousands except share and per share data)	Three months ended September 30, 2018	2017	% Change	Nine months ended September 30, 2018	2017	% Change
Revenue	**174,792**	129,810	34.7	**457,617**	363,713	25.8
Revenue, net of third party costs (1)	**156,622**	121,887	28.5	**420,084**	341,663	23.0
Operating income (1)	**58,378**	37,061	57.5	**151,121**	109,425	38.1
Operating income percentage (1)	**33.4%**	28.6%	16.8	**33.0%**	30.1%	9.6
Operating income - net percentage (1)	**37.1%**	30.4%	22.0	**35.8%**	31.9%	12.2
Adjusted EBITDA (1)	**45,590**	27,458	66.0	**116,427**	93,370	24.7
Per share (diluted) (2)	**0.17**	0.10	70.0	**0.43**	0.35	22.9
Funds flow (1)	**35,400**	7,956	344.9	**88,313**	18,710	372.0
Per share (basic / diluted) (2)	**0.13**	0.03	333.3	**0.32**	0.07	357.1
Net (loss) (3)	**(485,754)**	(44,408)	(993.8)	**(520,098)**	(61,927)	(739.9)
Per share (diluted) (2)(3)	**(1.77)**	(0.16)	(1,006.3)	**(1.90)**	(0.23)	(726.1)
Capital expenditures	**30,831**	52,570	(41.4)	**53,987**	111,128	(51.4)
Shares outstanding - diluted (weighted average) (2)	**273,462,160**	271,005,687	0.9	**273,485,309**	263,847,819	3.7

As at ($ thousands)				September 30, 2018	December 31, 2017	% Change
Total assets				**1,368,958**	1,902,546	(28.0)
Total long-term liabilities				**508,654**	533,046	(4.6)

(1) Readers are cautioned that Revenue, net of third party costs, Operating income, Operating income percentage, Operating income - net percentage, Adjusted EBITDA, Funds flow, and the related per share information do not have standardized meanings prescribed by IFRS – see Non-GAAP Measures Definitions and Additional GAAP Measures Definitions (beginning on page 29).

(2) Basic shares include the weighted average number of shares outstanding over the period. Diluted shares include the weighted average number of shares outstanding over the period and the dilutive impact, if any, of the number of shares issuable pursuant to the Incentive Option Plan.

(3) Net (loss) is net (loss) attributable to shareholders of Trinidad. Net (loss) per share is calculated as net (loss) attributable to shareholders of Trinidad divided by the weighted average number of common shares outstanding, both adjusted for dilutive factors.

Operating Highlights

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Change	**2018**	2017	% Change
Operating days [1]						
United States and International	**3,854**	3,212	20.0	**10,965**	8,634	27.0
Canada	**2,616**	2,520	3.8	**6,858**	6,507	5.4
Revenue - rate per operating day [1]						
United States and International (US$)	**20,309**	18,515	9.7	**19,438**	18,233	6.6
United States and International (CDN$)	**26,608**	23,820	11.7	**25,010**	24,012	4.2
Canada (CDN$)	**20,464**	17,961	13.9	**21,104**	20,500	2.9
Operating expense - rate per operating day [1]						
United States and International (US$)	**12,621**	13,098	(3.6)	**12,422**	12,822	(3.1)
United States and International (CDN$)	**16,536**	16,879	(2.0)	**15,979**	16,906	(5.5)
Canada (CDN$)	**13,280**	12,173	9.1	**13,784**	13,101	5.2
Utilization rate - operating day [1]						
United States and International	**65%**	52%	25.0	**62%**	47%	31.9
Canada	**42%**	39%	7.7	**37%**	34%	8.8
Number of drilling rigs at period end [2]						
United States and International	**66**	69	(4.3)	**66**	69	(4.3)
Canada	**68**	70	(2.9)	**68**	70	(2.9)
TDI Joint Venture Operations [3]						
Operating days [1]	**179**	317	(43.5)	**439**	1,010	(56.5)
Revenue - rate per operating day (US$) [1]	**54,474**	50,595	7.7	**56,809**	70,440	(19.4)
Revenue - rate per operating day (CDN$) [1]	**71,282**	65,089	9.5	**73,163**	93,198	(21.5)
Operating expense - rate per operating day (US$) [1]	**38,544**	31,308	23.1	**45,458**	28,473	59.7
Operating expense - rate per operating day (CDN$) [1]	**50,509**	40,253	25.5	**58,444**	37,527	55.7
Utilization rate - operating day [1]	**65%**	43%	51.2	**31%**	46%	(32.6)
Number of drilling rigs at period end [2][3]	**5**	8	(37.5)	**5**	8	(37.5)

(1) See Non-GAAP Measures Definitions and Additional GAAP Measures Definitions section of this MD&A for further details (beginning on page 29).
(2) Refer to the Results from Operations section for details on the changes to the rig count.
(3) Trinidad is party to a joint venture with a wholly-owned subsidiary of Halliburton. These rigs are owned by the joint venture.

Forward-Looking Statements

The MD&A contains certain forward-looking statements relating to Trinidad's plans, strategies, objectives, expectations and intentions. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "confident", "might" and similar expressions are intended to identify forward-looking information or statements. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this MD&A. The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated and described in the forward-looking statements. In particular, but without limiting the foregoing, this MD&A may contain forward-looking information and statements pertaining to

- the assumption that Trinidad's customers will honour their long-term contracts, and Trinidad's ability to sign future long-term contracts;
- future liquidity levels;
- fluctuations in the demand for Trinidad's services;
- the ability for Trinidad to attract and retain qualified personnel, in particular field staff to crew the Company's rigs;
- Trinidad's ability to increase dayrates;
- the existence of competitors, technological changes and developments in the oilfield services industry;
- the existence of operating risks inherent in the oilfield services industry;
- assumptions respecting internal capital expenditure programs and expenditures by oil and gas exploration and production companies;
- assumptions regarding commodity prices, in particular oil and natural gas;
- assumptions respecting supply and demand for commodities, in particular oil and natural gas;
- assumptions regarding future expected cash flows and potential distributions from joint venture partners including Trinidad Drilling International (TDI);
- assumptions regarding foreign currency exchange rates and interest rates;
- assumptions around future G&A cost levels;
- assumptions regarding Trinidad's ability to get shareholder and regulatory approvals for the Precision Drilling Corporation (Precision) combination and around the timing of closing the transaction;
- assumptions regarding the future benefits and efficiency gains expected from the combination with Precision;
- the existence of regulatory and legislative uncertainties;
- the possibility of changes in tax laws; and general economic conditions including the capital and credit markets;
- assumptions made about our future banking covenants and liquidity; and
- assumptions made about future performance and operations of joint ventures and partnership arrangements.

Trinidad cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. Additional information on these and other factors that could affect Trinidad's business, operations or financial results are described in reports filed with securities regulatory authorities, accessible through the SEDAR website (**www.sedar.com**) including but not limited to Trinidad's annual MD&A, financial statements, Annual Information Form and Management Information Circular. The forward-looking information and statements contained in this MD&A speak only as of the date of this MD&A and Trinidad assumes no obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws.

Non-GAAP Measures and Additional GAAP Measures

This MD&A contains references to certain financial measures and associated per share data that do not have any standardized meaning prescribed by IFRS, and may not be comparable to similar measures presented by other companies. These financial measures are computed on a consistent basis for each reporting period and include Operating income, Operating income percentage, Operating income - net percentage, Adjusted EBITDA, Adjusted EBITDA from investments in joint ventures, Funds flow, working capital, Senior Debt to Bank EBITDA, Total Debt to Bank EBITDA, Bank EBITDA to Cash Interest Expense, operating revenue or revenue, net of third party costs, drilling days, operating days, utilization rate - drilling day, utilization rate - operating day, Revenue - rate per operating day or dayrate, Operating expense - rate per operating day or operating expense per day, Adjusted EBITDA margin percentage, Free Cash Flow, G&A as a % of revenue, Net Debt to Adjusted EBITDA, and Return on Capital Employed or ROCE. Refer to the Non-GAAP Measures Definitions and Additional GAAP Measures Definitions sections of this MD&A (beginning on page 29) for details with respect to definitions of these measures.

Responsibility of Management and the Board of Directors

Management is responsible for the information disclosed in this MD&A and the accompanying condensed interim consolidated financial statements, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, Trinidad's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Company, and has reviewed and approved this MD&A and the accompanying unaudited condensed consolidated interim financial statements.

Profile

Trinidad is an industry-leading contract driller, providing safe, reliable, expertly-designed equipment operated by well-trained and experienced personnel. Trinidad's drilling fleet is one of the most adaptable, technologically advanced and competitive in the industry. Trinidad provides contract drilling and related services in the US, Canada, the Middle East and Mexico.

Trinidad is headquartered in Calgary, Alberta, Canada. The Company's common shares are listed on the Toronto Stock Exchange under the trading symbol TDG. For more information, please visit **www.trinidaddrilling.com.**

Overview

In the three and nine months ended September 30, 2018, industry conditions significantly improved compared to the prior year, driving higher operating days, higher dayrates and stronger operating income[1] from the same periods last year. For the three and nine months ended September 30, 2018, activity increased by 9.9% and 13.1%, respectively, and operating income increased by 57.5% and 38.1%, respectively, compared to 2017.

Improving dayrates in both Canada and the US in 2018, combined with the Company's ongoing focus on operational efficiency, also resulted in higher adjusted EBITDA[1] in the current year. Adjusted EBITDA was up 66.0% in the quarter and 24.7% year to date, compared to the same periods last year. Lastly, higher adjusted EBITDA and lower interest paid resulted in higher funds flow[1] in the current year, up more than 300% in both the quarter and year to date, compared to the same periods in 2017.

On October 5, 2018, Trinidad agreed to a strategic combination with Precision Drilling Corporation (Precision), creating an industry-leading contract driller. Under the terms of the combination, Precision is offering 0.445 of a Precision share for each of the issued and outstanding common shares of Trinidad. The transaction is expected to close before the end of 2018, subject to shareholder and regulatory approvals.

The value of Trinidad's assets is well supported by their current and future cash flow generating capacity. However, under IFRS and as a result of the proposed combination with Precision, Trinidad was required to value its net assets based on Precision's closing share price immediately before the proposed Arrangement. As a result, an impairment of $565.6 million was recorded in the current quarter, negatively impacting net loss. While this adjustment was necessary under IFRS accounting standards, it is a non-cash adjustment that calculates value based on share trading prices at a point in time, when share prices throughout the industry have dropped significantly and does not take into account the future cash flow generating capacity of the newly-combined entity.

"The combination of Trinidad and Precision will create a unique, high performance North American driller and provide shareholders with an opportunity to realize significant long-term value creation," said Brent Conway, Trinidad's President and Chief Executive Officer. "Trinidad and Precision have followed similar strategies, with both companies focusing on operating high-quality equipment with well-trained crews, while also embracing the benefits of new technology. We believe that our clear strategic fit will drive ongoing operational excellence for our customers, strong combined free cash flow and provide long-term value for shareholders," added Conway.

(1) See Non-GAAP Measures Definitions and Additional GAAP Measures Definitions section of this MD&A for further details (beginning on page 29).

Industry Statistics

WTI crude oil prices averaged US$69.37 per barrel during the third quarter and US$66.73 per barrel year to date in 2018, up 44.1% and 35.2%, respectively, from the same periods last year. When compared to the second quarter of 2018, WTI crude oil prices in the current quarter increased slightly. In contrast, in the third quarter of 2018 Western Canadian Select (WCS) crude oil prices increased 15.2% from the same quarter last year but decreased 15.6% from the second quarter of 2018. Ongoing pipeline and transportation constraints in the Canadian market have led to a widened differential between WTI and WCS pricing. Henry Hub natural gas averaged US$2.93 per million British thermal unit (mmBtu) in the third quarter and US$2.97 per mmBtu year to date in 2018, in line with previous periods in 2017. In the third quarter, Henry Hub natural gas prices increased 2.8% over the the second quarter of 2018.

In the US, the industry active rig count has continued to grow through the first nine months of 2018, reflecting the stronger year-over-year crude oil prices. The active rig count in the US averaged 1,032 active rigs in the third quarter and 1,001 rigs year to date in 2018, up 11.4% and 17.2%, respectively, from the same periods last year. Increasing activity in the US was largely driven by growth in the Permian and other basins and regions in the US, over the second quarter of 2018. In Canada, industry utilization averaged 31.0% in the third quarter of 2018, slightly higher than the same period of 2017. Industry utilization in Canada was higher compared to the second quarter of 2018, due to typical seasonality.

	2018			Full Year	2017				Full Year	2016
	Q3	Q2	Q1	2017	Q4	Q3	Q2	Q1	2016	Q4
Commodity Prices										
AECO natural gas price										
(CDN$ per gigajoule)	**1.32**	1.18	2.07	2.19	1.77	1.51	2.76	2.69	2.16	3.10
Henry Hub natural gas price										
(US$ per million British thermal unit)	**2.93**	2.85	3.12	2.98	2.91	2.95	3.07	3.00	2.52	3.04
Western Canada Select crude oil price										
(CDN$ per barrel)	**54.38**	64.40	46.97	49.54	49.26	47.20	51.32	50.35	38.96	45.62
WTI crude oil price (US$ per barrel)	**69.37**	67.98	62.85	50.85	55.43	48.13	48.15	51.84	43.56	49.35
Canadian / US dollar exchange rate	**1.31**	1.29	1.27	1.30	1.27	1.25	1.34	1.32	1.32	1.33
US Activity										
Average industry active land rig count (1)	**1,032**	1,021	951	856	901	926	895	742	509	589
Average Trinidad active land rig count (2)	**40**	39	38	31	33	35	32	24	18	22
Canadian Activity										
Average industry utilization (3)	**31%**	17%	41%	28%	28%	28%	18%	40%	17%	25%
Average Trinidad utilization (4)	**40%**	21%	43%	32%	36%	37%	19%	41%	22%	31%

(1) Baker Hughes North America Rotary Rig Count.
(2) Includes US and international rigs.
(3) Canadian Association of Oilwell Drilling Contractors (CAODC) utilization.
(4) Based on drilling days (spud to rig release dates).

Third Quarter and Year-To-Date 2018 Highlights

- Trinidad's activity continued to reflect stronger market conditions into the third quarter of 2018, increasing operating days and dayrates in each of Trinidad's US and Canadian drilling divisions in the current year. Subsequent to quarter end, Trinidad entered into an agreement to combine entities with Precision, which resulted in an impairment in the current period.
- For the three and nine months ended September 30, 2018, Trinidad's US and international operations recorded higher activity at higher average dayrates resulting in increased revenue generation in 2018. Operating revenues increased 34.5% and 32.5% for the three and nine months ended September 30, 2018 respectively, while operating income increased 76.0% and 66.0%, respectively, for the corresponding periods. Higher dayrates combined with lower operating expense per day in the current year, resulted in increased operating income - net percentage of 38.1% in the third quarter of 2018 compared to 29.1% in the third quarter of 2017, and 36.3% for the nine months ended September 30, 2018 compared to 29.0% for the same period of 2017.
- For the three and nine months ended September 30, 2018, Trinidad's Canadian operations realized increased operating income due to higher contracted dayrates and higher activity in 2018. For the three months ended September 30, 2018, dayrates increased by 13.9% and operating income increased by 28.5%. On a year-to-date basis, Trinidad was negatively impacted by lower early termination and standby revenue in the current period. Adjusted for early termination and standby revenue, dayrates increased by 12.9%, and operating income increased by 39.6%, on a year-to-date basis.
- Trinidad's joint venture operations recorded lower revenue and lower operating income compared to the prior year. Although a rig in Bahrain commenced activity in the second quarter of 2018 and Trinidad began mobilizing rigs to Kuwait, lower operating days in Saudi Arabia and Mexico, combined with lower early termination and standby in 2018, negatively impacted 2018 results.
- For the three and nine months ended September 30, 2018, Trinidad recorded adjusted EBITDA of $45.6 million and $116.4 million, respectively, an increase of 66.0% and 24.7%, compared to the respective prior year periods. Increased activity and improving market dayrates recorded in each of Trinidad's US and Canadian drilling divisions in the current year resulted in higher operating income compared to 2017. Additionally, Trinidad recorded lower G&A expenses in 2018 as a result of lower salary and rent expenses in 2018. This was slightly offset by lower early termination and standby revenue in 2018 on a year-to-date basis, combined with a lower contribution from the Company's TDI joint venture operations in 2018.
- Effective October 5, 2018, Trinidad's Board agreed to a strategic combination with Precision. Under the terms of the combination, Precision is offering 0.445 of a Precision Share for each of the issued and outstanding common shares of Trinidad. Under IFRS, Trinidad is required to report net assets based on observable inputs. Although Trinidad's overall cash flows are expected to be positively impacted by the combination of the two entities, under IFRS, Trinidad is required to record an impairment to reflect the implied conversion price on the date of the agreement. As such, Trinidad's net assets were adjusted as at September 30, 2018, causing an impairment to be recorded in the current period.
- For the three and nine months ended September 30, 2018, net loss increased by 993.8% and 739.9%, respectively, due to an impairment recorded on Trinidad's net assets in the quarter; offset by increased activity and higher operating income in 2018.
- For the three and nine months ended September 30, 2018, funds flow increased compared to 2017 due to increased activity in the current year resulting in higher operating income, combined with lower interest paid in 2018 on the refinanced Senior Notes.
- Trinidad's total long-term debt balance decreased by $15.6 million in the nine months ended September 30, 2018. The reduction in long-term debt was mainly due to a reduction of the outstanding credit facility balance of $31.0 million, offset slightly by an increase in the Senior Notes which was due entirely to foreign currency fluctuations in the period.
- In the first nine months of 2018, the Company, excluding Trinidad's portion of the joint venture, spent $54.0 million on capital expenditures, compared to $111.1 million in 2017. Capital spend in the current period mainly related to upgrades and enhancements on rigs within Trinidad's US drilling division as well as maintenance across Trinidad's entire rig fleet. The Company continues to realize cost savings in 2018 related to an ongoing focus on supply chain management.

Results from Operations

United States and International Operations

($ thousands except percentage and operating data)	Three months ended September 30, 2018	2017	% Change	Nine months ended September 30, 2018	2017	% Change
Operating revenue (1)	**102,944**	76,512	34.5	**274,647**	207,316	32.5
Other revenue	**42**	9	366.7	**194**	36	438.9
	102,986	76,521	34.6	**274,841**	207,352	32.5
Operating costs (1)	**63,724**	54,219	17.5	**175,205**	147,321	18.9
Operating income (2)	**39,262**	22,302	76.0	**99,636**	60,031	66.0
Operating income - net percentage (2)	**38.1%**	29.1%		**36.3%**	29.0%	
Operating days (2)	**3,854**	3,212	20.0	**10,965**	8,634	27.0
Drilling days (2)	**3,512**	2,807	25.1	**9,970**	7,593	31.3
Revenue - rate per operating day (US$) (2)	**20,309**	18,515	9.7	**19,438**	18,233	6.6
Revenue - rate per operating day (CDN$) (2)	**26,608**	23,820	11.7	**25,010**	24,012	4.2
Operating expense - rate per operating day (US$) (2)	**12,621**	13,098	(3.6)	**12,422**	12,822	(3.1)
Operating expense - rate per operating day (CDN$) (2)	**16,536**	16,879	(2.0)	**15,979**	16,906	(5.5)
Utilization rate - operating day (2)	**65%**	52%	25.0	**62%**	47%	31.9
Utilization rate - drilling day (2)	**59%**	45%	31.1	**56%**	41%	36.6
Number of drilling rigs at period end	**66**	69	(4.3)	**66**	69	(4.3)

(1) Operating revenue and operating costs for the three months ended September 30, 2018 and 2017 exclude third party recovery and third party costs of $12.9 million and $3.6 million, respectively. Operating revenue and operating costs for the nine months ended September 30, 2018 and 2017 exclude third party recovery and third party costs of $23.1 million and $9.4 million, respectively.

(2) See Non-GAAP Measures Definitions and Additional GAAP Measures Definitions section (beginning on page 29) of this MD&A for further details.

Improved market conditions in 2018 led to stronger demand and increased profitability in the US and international operations in the current year. For each of the three and nine months ended September 30, 2018, Trinidad recorded increased activity of 20.0% and 27.0%, respectively, compared to the prior year resulting from improved commodity prices and growing customer demand. As well, improved dayrates and lower per-day operating expenses resulted in higher operating income - net percentage in 2018 compared to the prior year periods.

In the three and nine months ended September 30, 2018, Trinidad recorded average dayrates of US$20,309 per day and US$19,438 per day, respectively, an increase of US$1,794 per day and US$1,205 per day, respectively, from the comparable periods of 2017. Dayrates increased in the current year due to improving contract pricing as a result of strengthening market conditions. On a quarterly and year-to-date basis, there was no material impact related to early termination and standby revenue on reporting statistics.

In the three and nine months ended September 30, 2018, operating expense per day was US$12,621 per day and US$12,422 per day, respectively, a decrease of 3.6% and 3.1%, respectively, compared to the prior year periods. Continuing cost control measures and lower rig reactivation costs in the current year have allowed Trinidad to record lower per-day metrics and improve profitability.

Increased activity levels recorded at higher dayrates and lower per-day operating expenses have improved Trinidad's operating income and operating income - net percentage in 2018 compared to the prior year. Trinidad recorded operating income - net percentage of 38.1% in the third quarter of 2018, compared to 29.1% in the same period of 2017, and 36.3% in the first nine months of 2018, compared to 29.0% in the comparable period of 2017.

Trinidad's US and international rig count totaled 66 rigs at September 30, 2018 compared to 69 at September 30, 2017. Two rigs in the first quarter of 2018 were transferred from the Canadian operations to meet strong demand in the Permian basin, offset by five low-specification rigs being redeployed to inventory in the current year.

Third Quarter of 2018 versus Second Quarter of 2018

Strong market conditions continued to improve activity and dayrates in the US and international operations in the third quarter when compared to the second quarter of 2018. Trinidad's operating revenue and operating income increased by $11.9 million and $8.7 million, respectively, in the third quarter compared to the second quarter of 2018.

Operating income increased as a result of higher activity levels and dayrates in the third quarter, compared to the second quarter of 2018. Trinidad recorded 182 more operating days and a US$1,012 per day increase in dayrates in the third quarter of 2018 compared to the second quarter of 2018.

Operating costs on a per day basis were lower in the third quarter as a result of lower transportation costs due to less rig movement in the period, partly offset by a wage increase in the current period which was mostly passed through to customers.

Operating income - net percentage in the current quarter was 4.5 percentage points higher than the second quarter of 2018, consistent with higher dayrates and lower per day operating costs in the current period.

Canadian Operations

	Three months ended September 30,			Nine months ended September 30,		
($ thousands except percentage and operating data)	**2018**	2017	% Change	**2018**	2017	% Change
Operating revenue (1)	**53,543**	45,253	18.3	**144,721**	133,387	8.5
Other revenue	**93**	113	(17.7)	**522**	924	(43.5)
	53,636	45,366	18.2	**145,243**	134,311	8.1
Operating costs (1)	**34,745**	30,670	13.3	**94,523**	85,247	10.9
Operating income (2)	**18,891**	14,696	28.5	**50,720**	49,064	3.4
Operating income - net percentage (2)	**35.2%**	32.4%		**34.9%**	36.5%	
Operating days (2)	**2,616**	2,520	3.8	**6,858**	6,507	5.4
Drilling days (2)	**2,434**	2,350	3.6	**6,344**	6,036	5.1
Revenue - rate per operating day (CDN$) (2)	**20,464**	17,961	13.9	**21,104**	20,500	2.9
Operating expense - rate per operating day (CDN$) (2)	**13,280**	12,173	9.1	**13,784**	13,101	5.2
Utilization rate - operating day (2)	**42%**	39%	7.7	**37%**	34%	8.8
Utilization rate - drilling day (2)	**40%**	37%	8.1	**34%**	31%	9.7
CAODC industry average (3)	**31%**	28%	10.7	**29%**	29%	—
Number of drilling rigs at period end	**68**	70	(2.9)	**68**	70	(2.9)

(1) Operating revenue and operating costs for the three months ended September 30, 2018 and 2017 exclude third party recovery and third party costs of $5.0 million and $4.2 million, respectively. Operating revenue and operating costs for the nine months ended September 30, 2018 and 2017 exclude third party recovery and third party costs of $13.7 million and $12.3 million, respectively.

(2) See Non-GAAP Measures Definitions and Additional GAAP Measures Definitions section (beginning on page 29) of this MD&A for further details.

(3) Canadian Association of Oilwell Drilling Contractors (CAODC) industry average is based on drilling days divided by total days available.

Improving industry conditions in the current year resulted in higher dayrates and higher activity in 2018 compared to the prior year. For the three and nine months ended September 30, 2018, Trinidad recorded dayrates of $20,464 per day and $21,104 per day, respectively, an increase of 13.9% and 2.9%, respectively, from 2017 periods. Lower shortfall revenue recorded on a year-to-date basis negatively impacted Trinidad's profitability and dayrates for the nine months ended September 30, 2018 when compared to the prior year. Adjusted for shortfall revenue, Trinidad recorded improved profitability and higher operating statistics year over year.

Improved industry conditions led to higher activity in 2018 compared to the prior year. For the three months ended September 30, 2018, activity increased by 3.8% compared to the prior year, with 2,616 operating days recorded, compared to 2,520 in the third quarter of 2017. For the nine months ended September 30, 2018, activity increased by 5.4% compared to the same period 2017, with 6,858 operating days in 2018, compared to 6,507 operating days in the prior year. In each of the three and nine months ended September 30, 2018, Trinidad outperformed the industry recording higher average utilization than the industry average.

In the third quarter and year-to-date 2018, contracted dayrates increased due to improved market conditions, offset by the impact of lower early termination and standby revenue recorded in 2018. For the three and nine months ended September 30, 2018, Trinidad recorded early termination and standby revenue of $2.5 million and $7.4 million, respectively, compared to $4.6 million and $18.1 million, respectively, in 2017. Excluding early termination and standby revenue, in the third quarter of 2018 Trinidad recorded dayrates of $19,512 per day, compared to $16,141 per day in the third quarter of 2017. On a year to date basis, Trinidad recorded normalized dayrates of $20,017 per day, compared to $17,724 per day in the prior year to date period.

For the three months ended September 30, 2018, operating income - net percentage was 35.2% compared to 32.4% in 2017. Higher dayrates, due to a change in rig mix and improved market conditions, were the main drivers for the increase; partially offset by higher operating costs on a per-day basis due to higher repair and maintenance costs and increased labor costs. For the nine months ended September 30, 2018, operating income - net percentage decreased mainly due to lower early termination and standby revenue recorded in 2018. Adjusted for early termination and standby revenue in each of the three and nine month periods, Trinidad recorded operating income - net percentage of 32.1% in the quarter, compared to 24.9% in the prior year, and 31.5% on a year to date basis in 2018, compared to 26.9% in the comparable nine months of 2017.

Trinidad's Canadian rig count totaled 68 rigs at September 30, 2018, compared to 70 rigs at September 30, 2017. The Company transferred two rigs to its US drilling division in the first quarter of 2018 to meet strong US customer demand.

Third Quarter of 2018 versus Second Quarter of 2018

The Canadian drilling industry is typically impacted by spring break-up in the second quarter of each year as weather conditions and road bans restrict the movement of the rigs. As a result of this seasonality, the third quarter reflects considerably higher activity levels. In the third quarter of 2018, operating revenue and operating income increased by $21.7 million and $8.7 million, respectively, compared to the second quarter of 2018. Operating days increased by 1,249 days in the third quarter of 2018 compared to the second quarter of 2018.

Along with the increase in activity, rig mix changed in the third quarter as more doubles returned to work following the end of spring break up, leading to a decrease in dayrate from $23,295 per day in the second quarter to $20,464 per day in the third quarter. Similarly, with more doubles working, operating costs on a per-day basis also decreased to $13,280 per day from $15,964 per day in the second quarter. This led to an increase in operating income - net percentage of 35.2% in the third quarter of 2018 compared to 31.8% in the second quarter of 2018.

Joint Venture Operations

Trinidad Drilling International (TDI):

Amounts below are presented at 100% of the value included in the statement of operations and comprehensive (loss) for Trinidad Drilling International (TDI); Trinidad owns 60% of the shares of TDI and each of the parties has equal voting rights. Trinidad considers the investment to be a financial asset at fair value through profit or loss and recognizes changes in fair value of the investment in the statement of operations and comprehensive (loss) as a loss (gain) from investments in joint ventures.

	Three months ended September 30,			Nine months ended September 30,		
($ thousands except percentage and operating data)	**2018**	2017	% Change	**2018**	2017	% Change
Operating revenue	**11,301**	20,616	(45.2)	**30,857**	94,113	(67.2)
Other revenue	**49**	62	(21.0)	**73**	62	17.7
	11,350	20,678	(45.1)	**30,930**	94,175	(67.2)
Operating costs	**8,536**	12,760	(33.1)	**25,351**	37,877	(33.1)
Operating income [(1)]	**2,814**	7,918	(64.5)	**5,579**	56,298	(90.1)
Operating income - net percentage [(1)]	**24.8%**	38.3%		**18.0%**	59.8%	
Operating days [(1)]	**179**	317	(43.5)	**439**	1,010	(56.5)
Revenue - rate per operating day (US$) [(1)]	**54,474**	50,595	7.7	**56,809**	70,440	(19.4)
Revenue - rate per operating day (CDN$) [(1)]	**71,282**	65,089	9.5	**73,163**	93,198	(21.5)
Operating expense - rate per operating day (US$) [(1)]	**38,544**	31,308	23.1	**45,458**	28,473	59.7
Operating expense - rate per operating day (CDN$) [(1)]	**50,509**	40,253	25.5	**58,444**	37,527	55.7
Utilization rate - operating day [(1)]	**65%**	43%	51.2	**31%**	46%	(32.6)
Number of drilling rigs at period end	**5**	8	(37.5)	**5**	8	(37.5)

(1) See Non-GAAP Measures Definitions and Additional GAAP Measures Definitions section of this MD&A (beginning on page 29) for further details.

Lower activity levels and less early termination and standby revenue recorded in 2018 negatively impacted the TDI joint venture in the current year, when compared to 2017. These reductions were offset partially by revenue generated by one additional rig drilling in Bahrain beginning in the second quarter of 2018 and additional mobilization revenue. Mobilization revenue was earned on two rigs currently undergoing upgrades and moving from Mexico to begin operations in Kuwait in 2019. These rigs have been removed from the utilization calculation while in transit.

During the three months ended September 30, 2018, TDI recorded lower operating days than the comparative period in 2017 largely due to lower activity in Saudi Arabia in 2018. During the second quarter of 2018, Trinidad entered into an agreement to sell three of the rigs located in Saudi Arabia. As such, these rigs had no activity in the third quarter of 2018, compared to all three rigs active in 2017. Lower activity in Saudi Arabia was partly offset by the Bahrain division which had one rig active in the third quarter of 2018 while the Mexican division remained consistent year over year. On a year-to-date basis, TDI recorded lower activity mainly due to less activity in each of Saudi Arabia and Mexico, slightly offset by the addition of Bahrain.

For the three and nine months ended September 30, 2018, operating revenue decreased by 45.2% and 67.2%, respectively, compared to the same periods in 2017 due to lower activity and less early termination and standby revenue. In the first nine months of 2017, TDI received US$26.1 million in early termination and standby revenue related to the termination of two rigs in its Mexican operations, compared to US$0.2 million received for the comparable period of 2018.

For the three months ended September 30, 2018, dayrates increased by US$3,879 per day compared to third quarter of 2017, as a result of mobilization revenue related to the Kuwait project. Adjusted for Kuwait mobilization and early termination and standby revenue, TDI recorded dayrates of US$39,908 per day in the third quarter of 2018 compared to US$43,366 per day in 2017, a decrease of US$3,548 per day, mainly due to lower contracted rates in the current period.

For the nine months ended September 30, 2018, dayrates were lower in the current period by US$13,631 per day due to lower early termination and standby revenue recorded in 2018 compared to the prior year, offset slightly by mobilization revenue recorded in 2018 related to the Kuwait project. Normalizing for Kuwait mobilization and early termination and standby revenue, TDI recorded dayrates of US$44,400 per day for the first nine months of 2018, compared to US$44,557 per day in the comparable period of 2017, mainly due to changes in contracted dayrates in the current year.

Operating income and operating income - net percentage decreased in the three and nine months ended September 30, 2018, compared to the same period in 2017, mainly due to lower activity and lower early termination and standby revenue in 2018. As well, TDI recorded higher operating expenses in the current year due to one-time shut down costs related to TDI's Saudi Arabian division and start-up costs related to Bahrain.

Trinidad's joint venture rig count totaled five rigs at September 30, 2018, compared to eight rigs at September 30, 2017. The Company sold three of the rigs included in Saudi Arabia in the first half of 2018.

Third Quarter of 2018 versus Second Quarter of 2018

In the third quarter of 2018, operating revenue and operating income decreased by $0.4 million and $0.3 million, respectively, compared to the second quarter of 2018. Operating revenue and operating income were relatively flat period over period as operations in Mexico and Bahrain remained consistent.

General and Administrative

	Three months ended September 30,			Nine months ended September 30,		
($ thousands except percentage)	**2018**	2017	% Change	**2018**	2017	% Change
General and administrative [(1)]	**13,662**	12,834	6.5	**34,364**	44,429	(22.7)
% of revenue	**7.8%**	9.9%		**7.5%**	12.2%	
Share-based payment expense	**2,336**	1,023	128.3	**7,165**	2,544	181.6
Third party recoverable costs	**225**	63	257.1	**765**	330	131.8
Total general and administrative	**16,223**	13,920	16.5	**42,294**	47,303	(10.6)
% of revenue	**9.3%**	10.7%		**9.2%**	13.0%	

(1) General and administrative expenses excluding share-based payment expense and third party recoverable costs.

In early 2018, Trinidad undertook a review of its expenses to ensure the cost structure was aligned with the market. Following this review, Trinidad reduced headcount, rolled back salaries and implemented tighter expense management strategies, which has helped to reduce salary and office costs in 2018 compared to the prior year.

In the first quarter of 2018, Trinidad also announced the commencement of a formal strategic review in an effort to enhance shareholder value. While this strategic review was formally closed on August 1, 2018, an unsolicited bid by a competitor, and further negotiations towards a friendly takeover, led to the continuation of the review process. For the three and nine months ended September 30, 2018, Trinidad incurred strategic review and restructuring costs of approximately $2.1 million and $4.7 million, respectively.

In the second quarter of 2018, Trinidad relocated the corporate office in order to take advantage of a lower lease expense. As a result, Trinidad recorded a non-cash lease incentive credit adjustment related to the old premises that reduced G&A by $2.8 million in the second quarter of 2018.

For the three months ended September 30, 2018, Trinidad recorded higher general and administrative (G&A) costs compared to the same period in 2017 mainly due to higher professional fees related to the on-going strategic review process, offset partially by lower salary and rent expenses in 2018. Normalized for strategic review and restructuring costs, Tinidad recorded G&A costs of $11.6 million, a decrease of $1.2 million from the prior year.

For the nine months ended September 30, 2018, Trinidad recorded lower G&A costs compared to the same period in 2017 mainly due to lower salaries and rent expense, as well as lower severance and bad debt expenses recorded in 2018. In the nine months ended September 30, 2017, Trinidad recorded severance and bad debt expenses of approximately $9.2 million, whereas Trinidad has not recorded comparable expenses in the current year. These decreases were partially offset by higher professional fees in 2018 due to the strategic review process as noted above.

For the three and nine months ended September 30, 2018, G&A as a percentage of revenue, excluding share-based payment expense and third party recoverable costs, normalized for strategic review and restructuring costs and the leasehold incentive liability adjustment in the second quarter of 2018, was 6.6% and 7.1%, respectively. G&A as a percentage of revenue has decreased compared to the prior year comparatives due to lower on-going costs, as discussed above, and higher revenue generation in the current year.

For the three months ended September 30, 2018, share-based payment expense increased when compared to the same period in 2017 mainly due to the valuation of certain performance metrics on the performance share units. For the nine months ended September 30, 2018, share-based payment expense increased year over year mainly due to fluctuations in Trinidad's share price. In 2017, Trinidad's share price was decreasing, reducing the liability and the share-based payment expense. In 2018, on a year-to-date basis Trinidad's share price has increased, causing a share-based payment expense as these units increased in value.

Third party recoverable costs relate to costs incurred by Trinidad on behalf of the TDI joint venture. As these costs are fully recoverable, Trinidad records a related revenue entry for this same amount.

Depreciation, Amortization and Sale of Assets

	Three months ended September 30,			Nine months ended September 30,		
($ thousands)	**2018**	2017	% Change	**2018**	2017	% Change
Depreciation	**53,441**	52,571	1.7	**165,157**	142,248	16.1
Amortization	**2,490**	746	233.8	**6,963**	1,501	363.9
(Gain) on sale of assets	**(10)**	(309)	(96.8)	**(697)**	(1,948)	(64.2)

For the three and nine months ended September 30, 2018, depreciation expense was $53.4 million and $165.2 million, respectively, an increase of 1.7% and 16.1%, respectively, compared to the prior year. For the three months ended September 30, 2018, depreciation expense has increased as a result of capital asset additions due to rig upgrades and capital maintenance projects. On a year-to-date basis, depreciation expense has increased mainly due to a change in the useful life estimates effective July 1, 2017.

In the third quarter of 2017, Trinidad reviewed the useful life estimates for all rigs and related equipment and adjusted to more accurately reflect the future economic benefits related to these assets. The useful life estimates were adjusted within Trinidad's current depreciation policy. These adjustments were applied prospectively and, as such, have caused an increase to depreciation expense on a year-to-date basis in 2018.

Amortization expense relates to the Company's intangible assets. For the three and nine months ended September 30, 2018, amortization expense was $2.5 million and $7.0 million, respectively, an increase of 233.8% and 363.9%, respectively, compared to the prior year. The increase primarily relates to technology and software assets acquired through the RigMinder acquisition in August of 2017.

For the three and nine months ended September 30, 2018 and 2017, the gains recorded related to the sale of assets were due to the disposition of underutilized non-core assets. These assets were disposed of to improve efficiencies and increase cash flows.

Foreign Exchange

	Three months ended September 30,			Nine months ended September 30,		
($ thousands except percentage)	**2018**	2017	% Change	**2018**	2017	% Change
Foreign exchange loss (gain)	**1,165**	3,452	(66.3)	**(3,362)**	10,062	(133.4)
% of revenue	**0.7%**	2.7%		**(0.7)%**	2.8%	

For the three and nine months ended September 30, 2018, Trinidad recorded a foreign exchange loss of $1.2 million and a gain of $3.4 million, respectively, compared to a loss of $3.5 million and $10.1 million, respectively, recorded in 2017. The majority of the foreign exchange gains and losses are the result of the fluctuation in foreign currencies during the period on Trinidad's outstanding inter-company balances.

The Company utilizes a net investment hedge on a portion of its foreign subsidiaries against its US dollar denominated Senior Notes. This hedge allows the Company to better reflect foreign exchange impacts related to operations as a portion of the translation adjustment is included in the cumulative translation account in other comprehensive (loss).

Impairment

	Three months ended September 30,			Nine months ended September 30,		
($ thousands except percentage)	**2018**	2017	% Change	**2018**	2017	% Change
Impairment of property and equipment	**484,386**	—	100.0	**484,386**	—	100.0
Impairment of goodwill and intangible assets	**81,228**	—	100.0	**81,228**	—	100.0
% of revenue	**323.6%**	—%		**123.6%**	—%	

On October 5, 2018, Trinidad entered into an agreement with Precision Drilling whereby Precision would acquire the Company for consideration of 0.445 of a Precision Share for each of the issued and outstanding common shares of Trinidad. Under IFRS, Trinidad is required to report net assets based on observable inputs. Although Trinidad's overall cash flows are expected to be positively impacted by the combination of the two entities, under IFRS, Trinidad is required to assess the recoverable amount of net assets at a point in time. Based on Precision's current share price, and the implied conversion rate, effective September 30, 2018, the Company determined that there were indications of impairment present. The recoverable amount of the net assets of Trinidad was determined to be the estimated fair value of the share consideration.

As at September 30, 2018, Trinidad assessed property and equipment to have a fair value of $794.0 million, which resulted in an impairment of $484.4 million. As at September 30, 2018, Trinidad assessed goodwill and intangibles to have a fair value of $9.3 million, which resulted in an impairment of $81.2 million.

For the three and nine months ended September 30, 2017, Trinidad did not identify any further impairment indicators on wholly consolidated companies that would indicate an impairment test was required. As such, no impairment loss was recorded on either property and equipment or intangible assets and goodwill in 2017.

Finance and Transaction Costs

	Three months ended September 30,			Nine months ended September 30,		
($ thousands except percentage)	**2018**	2017	% Change	**2018**	2017	% Change
Interest on long-term debt	**8,581**	8,383	2.4	**26,335**	28,896	(8.9)
Accretion of 2019 Senior Notes	**—**	—	—	**—**	53	(100.0)
Amortization of deferred financing costs	**550**	635	(13.4)	**1,645**	1,734	(5.1)
Finance costs related to long-term debt	**9,131**	9,018	1.3	**27,980**	30,683	(8.8)
Transaction costs	**—**	691	(100.0)	**—**	2,053	(100.0)
Finance and transaction costs	**9,131**	9,709	(6.0)	**27,980**	32,736	(14.5)
% of revenue	**5.2%**	7.5%		**6.1%**	9.0%	

For the three and nine months ended September 30, 2018, finance and transaction costs were $9.1 million and $28.0 million, respectively, a decrease of 6.0% and 14.5%, respectively, when compared to the same periods in 2017. For both the three and nine months ended September 30, 2018, finance and transaction costs were principally lower due to no transaction costs incurred during the current year, compared to costs recorded in 2017 related to the RigMinder acquisition and debt refinancing costs. On a year-to-date basis, finance and transaction costs also decreased primarily due to a reduction in interest on long-term debt on the Senior Notes outstanding in the current year.

In the first quarter of 2017, Trinidad redeemed its outstanding US$450 million of 7.875% senior unsecured notes due in 2019 (2019 Senior Notes) and issued US$350 million of 6.625% senior unsecured notes due in 2025 (2025 Senior Notes). The reduction in the total principal amount outstanding and the reduction in the interest rate resulted in a decrease in interest on long-term debt for the nine months ended September 30, 2018 when compared to the same period in 2017.

Trinidad recorded transaction costs of $2.1 million during the nine months ended September 30, 2017 related to the early redemption of the 2019 Senior Notes in the first quarter of 2017 and the RigMinder acquisition which closed in August of 2017.

Refer to the Liquidity and Capital Resources section for further details on the debt refinancing agreement and amendments made to the credit facility.

Income Taxes

($ thousands except percentage)	Three months ended September 30, 2018	2017	% Change	Nine months ended September 30, 2018	2017	% Change
Current	**(390)**	173	(325.4)	**27**	227	(88.1)
Deferred	**(128,163)**	(16,220)	690.2	**(147,868)**	(43,917)	236.7
	(128,553)	(16,047)	701.1	**(147,841)**	(43,690)	238.4
% of revenue	**(73.5)%**	(12.4)%		**(32.3)%**	(12.0)%	

For the three and nine months ended September 30, 2018, current tax expense decreased by 325.4% and 88.1%, respectively, compared to the same periods in the prior year. Current tax expense decreased due to a refund that was booked in the quarter along with higher state taxes associated with increased activity in the US drilling division.

For the three and nine months ended September 30, 2018, the deferred tax recovery increased by 690.2% and 236.7%, respectively, compared to the same periods in the prior year. The increase to the tax recovery is largely a result of the impairment recorded due to the assessed recoverable value of Trinidad's assets as a result of the proposed combination with Precision.

Net (Loss) and Funds Flow

($ thousands except per share data)	Three months ended September 30, 2018	2017	% Change	Nine months ended September 30, 2018	2017	% Change
Net (loss) (1)	**(485,754)**	(44,408)	(993.8)	**(520,098)**	(61,927)	(739.9)
Per share (diluted) (1)	**(1.77)**	(0.16)	(1,006.3)	**(1.90)**	(0.23)	(726.1)
Funds flow (2)	**35,400**	7,956	344.9	**88,313**	18,710	372.0
Per share (diluted)	**0.13**	0.03	333.3	**0.32**	0.07	357.1

(1) Net (loss) is net (loss) attributable to shareholders of Trinidad. Net (loss) per share is calculated as net (loss) attributable to shareholders of Trinidad divided by the weighted average number of common shares outstanding, both adjusted for dilutive factors.
(2) See Non-GAAP Measures Definitions and Additional GAAP Measures Definitions section of this MD&A (beginning on page 29) for further details.

For the three and nine months ended September 30, 2018, net loss was $485.8 million and $520.1 million, respectively, compared to a net loss of $44.4 million and $61.9 million, respectively, in the prior year. Net loss increased in 2018 due to an impairment recorded on Trinidad's net assets. On October 5, 2018, Trinidad entered into an agreement with Precision Drilling whereby Precision would acquire the Company for consideration of 0.445 of a Precision Share for each of the issued and outstanding common shares of Trinidad. Under IFRS, Trinidad is required to report net assets based on observable inputs. Although Trinidad's overall cash flows are expected to be positively impacted by the combination of the two entities, under IFRS, Trinidad is required to assess the recoverable amount of net assets at a point in time. Based on Precision's current share price, and the implied conversion rate, effective September 30, 2018, the Company determined that there were indications of impairment present, resulting in an impairment recorded of $565.6 million.

For the three and nine months ended September 30, 2018, funds flow increased compared to the same periods of the prior year due to increased activity across each of Trinidad's drilling divisions in 2018 and lower interest in the current year due to the refinanced Senior Notes. The Senior Notes were redeemed and re-issued in the first quarter of 2017 at a lower principal balance and lower interest rate, reducing interest expense in 2018.

Further details on changes discussed above are outlined in previous sections of the MD&A.

Financial Highlights – Quarterly Analysis

($ millions except per share data and operating data)	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4
Revenue	**174.8**	129.6	153.2	137.9	129.8	101.2	132.7	93.0
Operating income (1)	**58.4**	41.2	51.6	47.9	37.1	23.7	48.6	28.2
Operating income percentage (1)	**33.4%**	31.8%	33.6%	34.7%	28.6%	23.5%	36.6%	30.3%
Operating income - net percentage (1)	**37.1%**	33.1%	36.6%	37.3%	30.4%	24.9%	38.8%	32.3%
Net (loss) (2)	**(485.6)**	(12.0)	(22.4)	(17.7)	(44.7)	(6.0)	(12.1)	(12.1)
Adjustments for:								
Depreciation and amortization	**55.9**	58.0	58.2	56.2	53.3	45.9	44.6	43.7
Foreign exchange	**1.2**	(3.6)	(1.0)	(0.9)	3.5	1.4	5.3	(0.7)
Loss (gain) on sale of assets	**—**	1.0	(1.7)	(0.2)	(0.3)	(1.7)	0.1	(0.7)
Impairment of property and equipment	**484.4**	—	—	3.0	—	—	—	—
Impairment of goodwill and intangibles	**81.2**	—	—	—	—	—	—	—
Loss (gain) from investments in joint ventures	**26.8**	(7.4)	(0.2)	2.0	17.2	(28.3)	(8.5)	(19.7)
Finance and transaction costs	**9.1**	9.3	9.5	9.4	9.7	8.9	14.1	16.0
Fair value adjustment	**(2.3)**	(5.4)	3.6	(1.5)	0.5	3.1	—	(3.5)
Income taxes	**(128.6)**	(9.5)	(9.8)	(15.2)	(16.0)	(14.8)	(12.8)	(9.9)
Other expense	**2.5**	2.3	2.8	(1.0)	1.3	2.5	(0.8)	4.6
Income taxes paid	**(0.2)**	(0.3)	(0.1)	(0.1)	(0.5)	(0.7)	(0.3)	(0.1)
Income taxes recovered	**0.1**	0.3	0.2	0.2	1.0	0.8	—	0.7
Interest paid	**(9.1)**	(1.9)	(16.9)	(1.5)	(17.0)	(0.6)	(29.4)	(0.7)
Funds flow (1)	**35.4**	30.8	22.2	32.7	8.0	10.5	0.2	17.6
Per share (diluted) (3)	**0.13**	0.11	0.08	0.12	0.03	0.04	0.00	0.08
Adjusted EBITDA (1)	**45.6**	33.0	37.9	36.1	27.5	14.7	51.3	23.8
Per share (diluted) (3)	**0.17**	0.12	0.14	0.13	0.10	0.05	0.21	0.11
Net (loss) attributable to Trinidad (4)	**(485.8)**	(11.9)	(22.5)	(17.7)	(44.4)	(5.6)	(11.9)	(11.8)
Per share (diluted) (3)(4)	**(1.77)**	(0.05)	(0.08)	(0.06)	(0.16)	(0.02)	(0.05)	(0.05)

(1) See Non-GAAP Measures Definitions and Additional GAAP Measures Definitions section of this MD&A (beginning on page 29) for further details.
(2) Net (loss) used in the consolidated statement of cash flows is total net (loss) before adjustments for non-controlling interests amounts.
(3) Diluted shares include the weighted average number of shares outstanding over the period and the dilutive impact, if any, of the number of shares issuable pursuant to the Incentive Option Plan.
(4) Net (loss) is net (loss) attributable to shareholders of Trinidad. Net (loss) per share is calculated as net (loss) attributable to shareholders of Trinidad divided by the weighted average number of common shares outstanding, both are adjusted for dilutive factors.

Operating Highlights – Quarterly Analysis

	2018			2017				2016
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Operating days (1)								
United States and International	**3,854**	3,672	3,439	3,290	3,212	2,957	2,465	1,761
Canada	**2,616**	1,367	2,874	2,497	2,520	1,099	2,888	2,067
Revenue - rate per operating day (1)								
United States and International (US$)	**20,309**	19,297	18,613	19,170	18,515	18,249	17,847	19,191
United States and International (CDN$)	**26,608**	24,791	23,454	24,048	23,820	24,589	23,570	25,472
Canada (CDN$)	**20,464**	23,295	20,644	19,478	17,961	19,842	22,965	20,118
Operating expense - rate per operating day (1)								
United States and International (US$)	**12,621**	12,825	11,769	11,724	13,098	13,348	11,833	13,946
United States and International (CDN$)	**16,536**	16,478	14,822	14,708	16,879	17,991	15,640	18,518
Canada (CDN$)	**13,280**	15,964	13,206	12,743	12,173	16,285	12,699	12,706
Utilization rate - operating day (1)								
United States and International	**65%**	63%	57%	52%	52%	48%	41%	29%
Canada	**42%**	22%	47%	39%	39%	21%	45%	31%
Number of drilling rigs at period end (2)								
United States and International	**66**	66	66	69	69	69	68	67
Canada	**68**	68	68	70	70	70	71	72
TDI Joint Venture Operations (3)								
Operating days (1)	**179**	175	85	268	317	339	354	284
Revenue - rate per operating day (US$) (1)	**54,474**	51,701	72,297	48,923	50,595	50,744	107,057	65,529
Revenue - rate per operating day (CDN$) (1)	**71,282**	66,419	91,076	61,208	65,089	68,352	142,143	86,951
Operating expense - rate per operating day (US$) (1)	**38,544**	37,910	75,626	31,400	31,308	28,781	25,642	28,894
Operating expense - rate per operating day (CDN$) (1)	**50,509**	48,699	95,300	39,413	40,253	38,795	33,874	38,318
Utilization rate - operating day (1)	**65%**	39%	12%	36%	43%	47%	49%	39%
Number of drilling rigs at period end (2) (3)	**5**	6	8	8	8	8	8	8

(1) See Non-GAAP Measures Definitions and Additional GAAP Measures Definitions section of this MD&A (beginning on page 29) for further details.
(2) Refer to the Results from Operations section for details on changes to the rig count.
(3) Trinidad is party to a joint venture with a wholly-owned subsidiary of Halliburton (TDI). These rigs are owned by the joint venture.

An assessment or comparison of Trinidad's quarterly results, at any given time, requires consideration of crude oil and natural gas commodity prices, geographic location and seasonality. Commodity prices ultimately drive the level of exploration and development activities carried out by the Company's customers and the associated demand for the oilfield services provided by Trinidad.

2016 Analysis

In the second half of 2016, improving commodity prices drove increased activity levels; however, ongoing competition caused downward pressure on dayrates and negatively impacted profitability. In the fourth quarter of 2016, Trinidad continued to record improved activity in each of the US and Canadian drilling divisions compared to prior periods in 2016. Profitability was negatively impacted in the fourth quarter of 2016 due to lower early termination and standby revenue, as well as continued competition affecting dayrates. In addition, Adjusted EBITDA from Trinidad's TDI joint venture increased in 2016, positively impacting results.

2017 Analysis

In the twelve months ended December 31, 2017, Trinidad's US and international and Canadian operations continued to record improved activity levels associated with stabilized commodity prices and increased customer demand. Higher activity levels were partially offset by lower average dayrates. The first half of 2017 saw reduced dayrates due to changes in rig mix and increased competition as activity began to strengthen. Trinidad was impacted by increased operating costs associated with seasonal repairs and maintenance in Canada, one-time costs related to rig re-activations in the US, and higher G&A costs earlier in 2017. Into the second half of 2017, rig activity increased following the upgrade and reactivation efforts, leading to a strengthening in dayrates and a decrease in operating cost levels. The fourth quarter of 2017 in particular saw a strengthening of dayrates in the North American markets due to the upgraded fleet and improved market conditions. While the North American divisions saw increased activity and dayrates, Trinidad's TDI joint venture had a decrease in activity and dayrate in the fourth quarter of 2017. In addition, during 2017, Trinidad spent $163.1 million on capital expenditures focused primarily on upgrades to meet increasing customer demand for high performance rigs and $31.4 million on the acquisition of RigMinder.

2018 Analysis

In the nine months ended September 30, 2018, Trinidad's domestic operations continued to record improved activity and strengthening dayrates as commodity prices stabilized. Activity and dayrates in Trinidad's US drilling division have increased year over year, resulting in higher revenue and operating income. Canadian operations recorded consistent activity and moderately higher dayrates despite somewhat challenging market conditions, and continued to outperform CAODC levels throughout 2018. Trinidad's TDI Joint Venture continues to realign with global demand, with rigs operating in Mexico and Bahrain throughout 2018, which offset lower activity levels in Saudi Arabia and lower early termination revenue recorded in 2018 compared to amounts recorded in the prior year. Trinidad continues to distribute its fleet to fully capitalize on the activity and strong dayrates evident in the Permian Basin region as the industry continues to strengthen, moving two rigs from the Canadian division to the US drilling division in 2018.

Liquidity and Capital Resources

As at ($ thousands)	September 30, 2018	December 31, 2017	$ Change
Working capital [1]	**92,487**	43,205	49,282
Senior Notes	**452,410**	438,550	13,860
Credit facility	**53,592**	84,621	(31,029)
	506,002	523,171	(17,169)
Less: unamortized debt issue costs	**(9,903)**	(11,497)	1,594
Total long-term debt	**496,099**	511,674	(15,575)
Total long-term debt as a percentage of assets	**36.2%**	26.9%	
Total assets	**1,368,958**	1,902,546	(533,588)
Total long-term liabilities	**508,654**	533,046	(24,392)
Total long-term liabilities as a percentage of assets	**37.2%**	28.0%	

Nine months ended September 30,	2018	2017	$ Change
Cash flow provided by (used in) operating activities	**58,896**	(3,035)	61,931
Cash flow (used in) investing activities	**(24,355)**	(70,139)	45,784
Cash flow (used in) provided by financing activities	**(32,288)**	51,786	(84,074)

(1) See Non-GAAP Measures Definitions section of this MD&A (beginning on page 29) for further details.

For the nine months ended September 30, 2018, working capital increased by $49.3 million when compared to December 31, 2017, due to an increase in current assets combined with a decrease in current liabilities.

Current assets increased in the current period mainly due to increased cash and cash equivalents and increased accounts receivable in 2018. The increase in each of cash and receivables in the current year was due to increased demand across each of Trinidad's drilling divisions. Cash has also increased due to lower finance related costs in 2018. Current liabilities decreased in the current period mainly due to lower accounts payable and accrued liabilities in 2018. The decrease in payables was due to a decrease in the interest payable on the Senior Note as payments are made in the first and third quarter, a decrease in payroll liabilities mainly due to a lower head count in the Company's corporate office in 2018, combined with a decrease in capital accruals at September 30, 2018 compared to the prior year end.

Trinidad's total long-term debt balance at September 30, 2018 decreased by $15.6 million, compared to December 31, 2017, due to lower amounts outstanding on the credit facilities offset by an increase in the Senior Notes at September 30, 2018. The decrease in the credit facility was due to payments made during the year due to increased cash flow as a result of increased activity. The increase in the Senior Notes was entirely due to a strengthening of the US dollar compared to the Canadian dollar at September 30, 2018 versus December 31, 2017. As these notes are held in US funds, the Senior Notes are translated at each period end, and as such, their aggregate value fluctuates with the US to Canadian exchange rates.

Trinidad has designated the Senior Notes as a net investment hedge of the US and international operations. As a result, unrealized gains and losses on the US dollar Senior Notes are offset against foreign exchange gains and losses arising from the translation of the foreign subsidiaries and included in the cumulative translation account in other comprehensive (loss).

Credit Facility and Debt Covenants

Trinidad's credit facility includes a Canadian revolving facility of $100.0 million and a US revolving facility of $100.0 million. Included in the facility are a $10.0 million Canadian dollar bank overdraft and a $10.0 million US dollar bank overdraft. The facility requires quarterly interest payments based on Bankers Acceptance and LIBOR rates. The facility matures on December 12, 2020 and is subject to annual extensions of an additional year on each anniversary date upon consent of the lenders holding two-thirds of the aggregate commitments under the credit facility. The members of the syndicated groups include major Canadian, US and international financial institutions. The debt is secured by a general guarantee over the assets of Trinidad and its subsidiaries.

At September 30, 2018, the following financial covenants were in place:

Senior Debt to Bank EBITDA (1)	**Max of 2.5x**
Bank EBITDA to Cash Interest Expense (1)	**Min of 2.5x**

(1) See Non-GAAP Measures Definitions section of this MD&A (beginning on page 29) for further details.

At September 30, 2018, Senior Debt to Bank EBITDA was 0.45 times and Bank EBITDA to Cash Interest Expense was 5.70 times. Trinidad was in compliance with all covenants at September 30, 2018.

Other covenants in effect include, but are not limited to, the following: incurring additional debt and liens on assets; investments, including advances to the TDI joint venture; asset sales; and making restricted payments. The credit facility allows Trinidad to pay dividends provided that Trinidad's Total Debt to Bank EBITDA covenant is less than five times. At September 30, 2018, Trinidad is in compliance with all covenants related to the credit facility.

2025 Senior Notes

The 2025 Senior Notes are unsecured and have no financial covenant compliance reporting requirements. There are other covenant limitations, including the following: incurring additional debt; investments; asset sales; and restricted payments. Restricted payments are allowed within a basket, calculated as the accumulated net earnings from January 1, 2017 to the current period at 50.0% of net income or 100.0% of net loss, plus equity issued for cash and the net fair market value of other restricted assets added for equity. At September 30, 2018, Trinidad has a positive restricted payment basket available. Future contributions to the TDI joint venture are limited in a separate permitted business investment basket not to exceed the greater of US$300.0 million and 20% of consolidated tangible assets.

Readers are cautioned that the ratios noted above do not have standardized meanings under IFRS.

Capital Resources

Trinidad's objectives when managing capital include safeguarding the Company's ability to continue to provide returns for shareholders; as well as applying capital efficiencies to achieve financial objectives while focusing on operating within generated cash flows if possible. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may repurchase or issue new shares, sell assets, reduce indebtedness or take on additional debt.

Capital Expenditures

Nine months ended September 30, ($ thousands)	2018	2017
Capital upgrades and enhancements	**33,372**	87,240
Maintenance and infrastructure	**20,615**	23,888
Total capital expenditures for Trinidad	**53,987**	111,128
TDI joint venture capital expenditures (Trinidad's 60% share)	**15,398**	278
RigMinder acquisition (net)	**—**	31,396
Total capital expenditures including TDI joint venture	**69,385**	142,802

As of September 30, 2018, Trinidad spent $69.4 million on total capital expenditures, compared to $142.8 million in 2017. Capital spend in 2018 related to upgrade projects in the US to move rigs into the Permian, as well as maintenance costs on rigs in the US and Canada. As well, in 2018 Trinidad incurred costs in the TDI joint venture related to moving a rig into Bahrain and upgrade costs related to Trinidad's Kuwait project.

Total capital expenditures for 2018, including Trinidad's share of the joint venture, and net of gross proceeds, is expected to remain at approximately $81.6 million. Trinidad expects to spend a total of approximately $149.6 million in capital expenditures, with $104.7 million related to maintenance and growth capital in Trinidad's fleet and $44.9 million related to Trinidad's portion of the joint venture, mainly related to the Kuwait project. The Company had previously expected to receive $88.0 million in gross proceeds from the sale of assets in 2018. Trinidad now expects to receive gross proceeds of $68.0 million, with $20.0 million of these proceeds delayed to the first half of 2019. The delay in timing of these proceeds is offset by a change in the timing of capital spend related to the Kuwait project and a $12.5 million RigMinder earn out payment, now delayed to 2019.

Performance Metrics and Targets

As part of the Company's commitment to improved performance and financial discipline, it has set targets for several key metrics. Trinidad's performance in these metrics in 2017, year-to-date 2018 and targets for 18-months (2019 target) and three years (2021 target) are laid out below:

($ millions except percentage and multiples)	2017 Actuals	Q3 2018 YTD Actuals	2019 Target	2021 Target
G&A % of Revenue (1) (4)	11.6%	7.1%	7 - 8%	7 - 8%
Adjusted EBITDA margin percentage (1) (4)	25.8%	25.0%	>28%	>30%
Net Debt to Adjusted EBITDA (1)	3.9	3.2	<2.5	~1.5
ROCE (1) (2) (3)	7.9%	9.9%	>8.0%	>10.0%
Target free cash flow committed to debt repayment or share buyback		Min of 15%	Min of 20%	Min of 20%
Free cash flow (1)		$88.4		
Target amount of free cash flow		$13.3		
Decrease in credit facility		$31.0		

(1) See Non-GAAP Measures Definitions section of this MD&A (beginning on page 29) for further details.
(2) ROCE for 2017, 2019 Target and 2021 Target is calculated based on a three-year average.
(3) ROCE for Q3 2018 YTD Actuals is calculated as a one-year average, trailing twelve months.
(4) Adjusted EBITDA margin percentage and G&A % of Revenue is calculated by normalizing for strategic review and restructuring costs of $4.7 million and the leasehold incentive liability adjustment of $2.8 million.

Subsequent Event

On October 5, 2018, Trinidad announced that the board of directors had unanimously agreed to a strategic combination with Precision, creating an industry-leading contract driller. Under the terms of the combination, Precision is offering 0.445 of a Precision Share for each of the issued and outstanding common shares of Trinidad. The transaction is subject to the approval of the security holders of Trinidad and the shareholders of Precision, the Court of Queen's Bench as well as certain regulatory approvals and other customary closing conditions. The transaction is expected to close by the end of 2018, subject to regulatory approvals.

Outlook

To date in the fourth quarter of 2018, conditions in US have remained strong. Customer demand for high-specification equipment is firm and dayrates continue to increase. Trinidad recently reached its expected target of 45 active rigs in the US and currently has 42 rigs operating, as rigs move between customers and locations.

Trinidad continues to maintain strong market presence in the Permian Basin and despite industry concerns regarding transportation bottlenecks in the area, customer demand remains robust. Trinidad is presently receiving multiple requests for additional equipment in 2019, focused largely in the Permian, but with growing interest in other basins. Dayrates for high-specification equipment continue to increase and Trinidad expects to see ongoing improvement in spot market dayrates through the remainder of 2018 and into 2019.

Early in the fourth quarter, activity levels in Canada were negatively impacted by wet weather conditions. These conditions have since improved and activity has returned to expected levels. To date, Trinidad has not seen a slowdown in customer demand as a result of high price differentials between WCS and WTI and dayrates remain firm in Canada. However, visibility for future activity is not as clear as is typical for this time of year, as customers are slow to commit to drilling plans, choosing to wait for 2019 budgets to be set. Trinidad currently has 25 rigs, or 37% of its fleet operating in Canada, above current industry activity levels but slightly lower than this time last year.

TDI currently has one rig operating in Mexico and one rig in Bahrain on standby, awaiting a new location. The contract on the rig located in Bahrain was recently extended and this rig is now expected to work until the end of the first quarter in 2019. In addition, two rigs are in the process of moving to Kuwait and being upgraded to meet the required contract specifications. These rigs are expected to begin operating in the second quarter of 2019. International bid activity has improved in the past year and Trinidad is actively marketing the remaining TDI and international rigs.

Currently, Trinidad has 39 rigs, or 28% of its fleet under long-term contracts, with an average term remaining of approximately 1.2 years; six contracts have expiration dates during the remainder of 2018 and 19 contracts expire during 2019. To date in 2018, Trinidad has been able to successfully re-sign rigs to contracts, typically at higher dayrates. In addition, customers are beginning to consider extended contract duration.

Trinidad continues to roll out its technology platform and is currently building customer awareness by partnering with key high-quality customers and conducting pilot projects. In addition, Trinidad has begun integrating its technology platform with its existing operations. A variety of technology solutions are being used to monitor current operations and suggest improvements to optimize performance. The results of this integration model have been impressive, driving strong performance gains and capturing the attention of customers. Trinidad expects to expand this model to a broader group of rigs and customers in the coming months.

Trinidad's 2018 North American upgrade program is now largely complete and all upgraded rigs are contracted. The Company's full-year capital expenditure program for 2018, including Trinidad's share of the joint venture, and net of gross proceeds, remains unchanged at $81.6 million. A delay in the sale of unutilized facilities has been offset by a change in the expected timing of capital spend related to the Kuwait upgrade project and the timing of a RigMInder earn out payment, all of which are now expected to occur in 2019, leaving the total capital spend in 2018 unchanged. Trinidad expects to fund its capital program through cash flow generated from operations and proceeds from the sale of assets.

Trinidad remains committed to its low cost structure and expects G&A costs (excluding share-based payment expenses, third-party recoverable costs and restructuring and strategic review costs) to be approximately $40 million in 2018, representing a reduction of approximately $18 million, or 31% from 2017.

The proposed combination with Precision is progressing as expected, with the joint information circular filed on November 7, 2018 and shareholder meetings for both companies scheduled for December 11, 2018. Early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 was recently received from the U.S. Federal Trade Commission and the companies expect the transaction to close before the end of 2018, pending the receipt of the remaining regulatory approvals. Since the announcement of the combination on October 5, 2018, the oilfield services sector has experienced significant volatility, including the trading price of Precision Shares. While the impact of this decline has resulted in a reduced implied share price for Trinidad Shareholders (if the Exchange Ratio is calculated as of the date of this document), Trinidad believes the full financial and strategic value proposition for shareholders remains strong.

Commitments and Contingencies

Commitments

Trinidad enters into drilling contracts with third parties for use of the Company's drilling equipment. These contracts range from 12 months to five years. As well, Trinidad has several operating lease agreements on buildings and equipment. Operating lease expenses are included in G&A expenses and operating expenses in the consolidated statements of operations and comprehensive (loss). The Company does not have any contingent rental payments. The Company's annual commitments are shown net of sublease income. The leases expire at various times through 2022 and there are no significant renewal or purchase options.

	Payments Due by Period				
As at September 30, 2018		Due within	2 - 3	4 - 5	After
($ thousands)	Total	1 year	years	years	5 years
Debt (1)	642,233	29,972	59,944	59,944	492,373
Operating leases	6,160	2,356	2,759	1,045	—
Contingent consideration	12,926	12,926	—	—	—
Other obligations (2)	131,609	131,609	—	—	—
Total contractual obligations	792,928	176,863	62,703	60,989	492,373

(1) Debt payments include the face value of the 2025 Senior Notes plus any expected interest payments assuming the 2025 Senior Notes are held to maturity in 2025.
(2) Other obligations consist of accounts payable, accrued liabilities, bank indebtedness, and revolving credit facility.

Executive Employment agreements

Trinidad has entered into executive employment agreements with executive management. Each employment agreement remains in effect for an indefinite period, unless terminated earlier by either Trinidad or the executive officer in accordance with the provisions of the respective employment agreement. The employment agreements with executive management contain "double-trigger" change of control provisions, meaning the entitlements are triggered only in the event of both a "change of control" of Trinidad and the departure of the executive officer for "good reason" or termination without cause. Refer to Trinidad's Joint Management Information Circular filed November 7, 2018 for detailed information.

Severance agreements

On April 1, 2018, Trinidad implemented a severance plan which provides certain employees and officers other than executive management with severance protection and certainty surrounding severance payment calculations in the event of a change of control of Trinidad. The severance plan was implemented during the Strategic Review Process for retention purposes and to formalize Trinidad's past practice with respect to severance payments.

Each severance agreement contains "double-trigger" change of control provisions, which provide that if the eligible employee is terminated from his or her employment without just cause or resigns from his or her employment for "good reason" within the 12-month period following a change of control , that eligible employee shall receive a lump-sum payment based on Trinidad's severance practices and taking into account his or her country of employment, position with Trinidad and years of service with Trinidad. Refer to Trinidad's Directors' Circular dated September 13, 2018 for detailed information.

Contingencies

Trinidad is involved in various legal actions that have arisen in the course of operations. Management is of the opinion that losses, if any, arising from such legal actions would not have a material effect on the consolidated financial statements.

Shareholders' Equity

Common shares outstanding at September 30, 2018 were 273,457,951 shares.

Common shares outstanding at November 9, 2018 were 273,457,951 shares.

Seasonality

Trinidad operates a substantial number of rigs in western Canada; therefore, operations are impacted by weather and seasonal factors. The winter season is typically a busy period as oil and natural gas companies take advantage of frozen ground conditions to move drilling rigs into regions that might otherwise be inaccessible to heavy equipment due to swampy conditions. Springtime normally encompasses a slow period referred to as spring break-up. During this period, melting conditions result in temporary municipal road bans that effectively prohibit the movement of drilling rigs. The remainder of the year is usually representative of average activity levels.

Trinidad's expansion to the US and international markets has reduced its overall exposure to the seasonal factors that are present in its Canadian operations. These seasonal conditions typically limit Canadian drilling activity, whereas in the US and international areas, operators have more flexibility to work throughout the year. The activity in the US and international operations has allowed Trinidad to better manage its business with more sustainable cash flows throughout the annual cycle. However, industry conditions have an effect on how seasonality affects Trinidad's activity.

Critical Accounting Judgments and Estimates

The preparation of the unaudited condensed consolidated interim financial statements requires management to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are continually evaluated and are based on historical experience and expectations of future events. While judgments and estimates used by Trinidad are believed to be reasonable under current circumstances, actual results could differ. Refer to the audited annual consolidated financial statements for a detail description of all material judgment and estimates used by the Company.

Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it earns revenue and incurs expenses, including revenue and expenses from transactions with other Trinidad segments. The Company determines its operating segments based on information that is internally generated and used by the chief operating decision makers within the Company to make determinations about allocation of resources and assessments of performance.

Effective January 1, 2018, Trinidad reviewed the existing operating segments under IAS 8 - Operating segments (IAS 8), in order to better present the Company's operations based on geographic location and services provided, as well as to review any material changes to Trinidad's operations.

Accordingly, Trinidad has identified four operating segments.

- US and international operations - includes land drilling services located in both the US and international markets and technology operations in the US. The segment excludes all joint venture operations.
- Canadian operations - includes land drilling services.
- Joint venture operations - includes US and international joint venture operations.
- Corporate - includes all non-operating activities and acts as a support function to the other segments.

Trinidad noted that per IAS 8 - Operating segments (IAS 8), Trinidad's joint venture operations did not meet the quantitative thresholds required to be separately reportable. However, management believes it would be useful for users of the financial statements to have this segment separately.

New standards adopted

Financial Instruments (IFRS 9): Financial assets and liabilities are classified and measured at amortized cost, fair value through other comprehensive income or fair value through profit and loss. Effective January 1, 2018, Trinidad adopted the amendment to IFRS 9 with respect to a single, forward-looking 'expected credit loss' impairment model for financial assets. The amendments to IFRS 9 are applied retrospectively. The model requires the Company to assess expected credit losses ("ECL") based on the customers' credit risk at each reporting period. The Company applies a provision matrix based on average external credit ratings. Refer to note 14 for detailed disclosures.

IFRS 9 also specifies certain treatment of hedge accounting. Trinidad utilizes long-term debt as a hedge of the net investment in self-sustaining foreign operations. As a result, unrealized foreign exchange gains and losses on the designated long-term debt are offset against foreign exchange gains and losses arising from the translation of the accounts of self-sustaining foreign subsidiaries. These gains and losses are included in the cumulative translation account in other comprehensive (loss).

Revenue from Contracts with Customers (IFRS 15): Effective January 1, 2018, Trinidad adopted IFRS 15 - Revenue from Contracts with Customers (IFRS 15) issued by the IASB in May 2014. The new standard replaces IAS 18 - Revenue (IAS 18). Trinidad applied the cumulative effective method and therefore comparative information has not been restated and continues to be reported under IAS 18. The nature of the changes in IFRS 15 replace the previous revenue recognition guidance with a framework in which to record revenue from contracts with customers for the sale of goods or rendering of services. The new standard was adopted using the modified retrospective approach.

Contracts are accounted for once the parties to the contract have approved the agreement, the rights to the goods and services to be transferred are identified, the transaction price and payment terms are identified, the risk, timing or amount of future cash flows is not expected to change and collection is probable. Trinidad recognizes revenue when the Company satisfies performance obligations by transferring the promised goods or services to a customer. The consideration for services rendered is measured at the fair value of the consideration received and allocated based on their standalone selling prices. These contracts can be for varied durations of time, and as such, the Company satisfies its performance obligations related to its contracts as the Company provides its services on a per billable day or hourly basis. As days are worked on the customer's contract, the Company satisfies its performance obligation to the customer and recognizes revenue. Revenue is recognized daily for both drilling and rig mobilization days, based on specified rates in each contract and on the daily activity of the rig; as such, there will be no unfulfilled performance obligations.

Trinidad has disclosed disaggregated revenue by geographic area in its segmented information note (note 16). Upon adoption of this standard, there was no material impact on the consolidated financial statements and there was no impact to the Company's revenue recognition policy.

New standards not yet adopted

Leases (IFRS 16): In January 2016, IASB issued IFRS 16 to replace the guidance currently found in IAS 17. The new standard replaces the previous guidance on lease recognition and establishes principles for recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however will remain largely unchanged and the distinction between operating and finance leases is retained. The amendments are effective for annual periods beginning on or after January 1, 2019, with early application permitted if IFRS 15 has also been applied. IFRS 16 will be adopted by Trinidad on January 1, 2019. The Company is currently reviewing contracts that are identified as leases and assessing the impact of this standard on its consolidated financial statements.

Uncertainty over income taxes (IFRIC 23): IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The entity is to use the most likely amount or the expected value of the tax treatment if it concludes that it is not probable that a particular tax treatment will be accepted by the relevant taxation authority. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019, while earlier adoption is permitted. The Company has yet to assess the impact of this standard on its consolidated financial statements.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

There have been no significant changes in the Company's disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR) for the three and nine months ended September 30, 2018. In addition, no material weaknesses or significant deficiencies have been identified in the design and operating effectiveness of these controls which could materially affect, or are reasonably likely to affect, Trinidad's ICFR.

Business Risks

The business of Trinidad is subject to certain risks and uncertainties. Prior to making any investment decision regarding Trinidad, investors should carefully consider, among other things, the risks described herein (including the risks and uncertainties listed in the Forward-Looking Statements section in this MD&A) and the risk factors set forth in the most recently filed Annual Information Form of the Company which is incorporated by reference herein. The Annual Information Form has been filed with SEDAR and can be accessed at **www.sedar.com**. Copies may be obtained on request and without charge, by contacting Trinidad at (403) 265-6525.

Non-GAAP Measures Definitions

This MD&A contains references to certain financial measures and associated per share data that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. These financial measures are computed on a consistent basis for each reporting period and include: adjusted EBITDA, adjusted EBITDA from investments in joint ventures, working capital, Senior Debt to Bank EBITDA, Total Debt to Bank EBITDA, Bank EBITDA to Cash Interest Expense, drilling days, operating days, utilization rate - drilling day, utilization rate - operating day, revenue - rate per operating day or dayrate, operating expense - rate per operating day or operating expense per day, Adjusted EBITDA margin percentage, Free Cash Flow, G&A as a % of revenue, Net Debt to Adjusted EBITDA, and Return on Capital Employed or ROCE. These non-GAAP measures are identified and defined as follows:

"Adjusted EBITDA" is used by management and investors to analyze the Company's profitability based on the Company's principal business activities prior to how these activities are financed, how assets are depreciated and amortized and how the results are taxed in various jurisdictions. Additionally, in order to focus on the core business alone, amounts are removed related to foreign exchange, share-based payment expense, impairment expenses, the sale of assets, and fair value adjustments on financial assets and liabilities, as the Company does not deem these to relate to the core drilling business. Adjusted EBITDA also takes into account the Company's portion of the principal activities of the joint venture arrangements by removing the loss (gain) from investments in joint ventures and including adjusted EBITDA from investments in joint ventures. Adjusted EBITDA is not intended to represent net (loss) as calculated in accordance with IFRS. Adjusted EBITDA is calculated using 100% of the related amounts from all entities controlled by Trinidad where Trinidad may not hold 100% of the outstanding shares.

Adjusted EBITDA is calculated as follows:

	Three months ended September 30,		Nine months ended September 30,	
($ thousands)	**2018**	2017	**2018**	2017
Net (loss)	**(485,613)**	(44,657)	**(520,060)**	(62,754)
Plus:				
Finance and transaction costs	**9,131**	9,709	**27,980**	32,736
Depreciation and amortization	**55,931**	53,317	**172,120**	143,749
Income taxes	**(128,553)**	(16,047)	**(147,841)**	(43,690)
	(549,104)	2,322	**(467,801)**	70,041
Plus:				
(Gain) on sale of assets	**(10)**	(309)	**(697)**	(1,948)
Impairment of property and equipment	**484,386**	-	**484,386**	-
Impairment of goodwill and intangibles	**81,228**	-	**81,228**	-
Share-based payment expense	**2,336**	1,023	**7,165**	2,544
Foreign exchange	**1,165**	3,452	**(3,362)**	10,062
Fair value adjustments	**(2,317)**	494	**(4,126)**	3,594
Loss (gain) from investments in joint ventures	**26,807**	17,182	**19,199**	(19,627)
Adjusted EBITDA from investments in joint ventures	**1,099**	3,294	**435**	28,704
Adjusted EBITDA	**45,590**	27,458	**116,427**	93,370

"Adjusted EBITDA from investments in joint ventures" is used by management and investors to analyze the results generated by the Company's joint venture operations prior to how these activities are financed, how assets are depreciated and amortized and how the results are taxed in various jurisdictions. Additionally, in order to focus on the core drilling business, amounts related to foreign exchange, dividend expense, dividend re-class, impairment adjustments to property and equipment, as well as preferred share valuation and the sale of assets are removed. Lastly, amounts recorded for the revaluation on the investment of the TDI joint venture are removed as these are non-cash items and unrelated to the operations of the business. Adjusted EBITDA from investments in joint ventures is not intended to represent net (loss) as calculated in accordance with IFRS.

Adjusted EBITDA from investments in joint ventures is calculated as follows:

	Three months ended September 30,		Nine months ended September 30,	
($ thousands)	**2018**	2017	**2018**	2017
(Loss) gain from investments in joint ventures	**(26,807)**	(17,182)	**(19,199)**	19,627
Plus:				
Finance costs	**439**	199	**1,339**	320
Depreciation and amortization	**3,548**	5,340	**11,512**	17,182
Income taxes	**196**	(462)	**(165)**	247
	(22,624)	(12,105)	**(6,513)**	37,376
Plus:				
Impairment of property and equipment	**—**	—	**10,210**	—
Foreign exchange	**457**	(64)	**428**	899
TDI investment - fair value adjustment	**24,341**	15,024	**(37,073)**	(10,677)
Preferred share valuation	**(1,075)**	439	**33,383**	1,106
Adjusted EBITDA from investments in joint ventures	**1,099**	3,294	**435**	28,704

"Working capital" is used by management and the investment community to analyze the operating liquidity available to the Company.

Working capital is derived from the consolidated statements of financial positions and is calculated as follows:

As at	**September 30,**	December 31,
($ thousands)	**2018**	2017
Current assets	**183,457**	150,544
Less:		
Current liabilities	**90,970**	107,339
Working capital	**92,487**	43,205

"Senior Debt to Bank EBITDA" is defined as the consolidated balance of the revolving facility and other debt secured by a lien at quarter end to consolidated Bank EBITDA for the trailing 12 months (TTM). Bank EBITDA used in this financial ratio is calculated as net earnings before interest, taxes, depreciation and amortization, plus impairment expense, loss (gain) on sale of assets, loss (gain) from investments in joint ventures, share-based payment expense, fair value adjustments on financial assets and liabilities and unrealized foreign exchange. Bank EBITDA also includes all distributions received from the Company's joint ventures during the period.

"Total Debt to Bank EBITDA" is defined as the consolidated balance of long-term debt, which includes the revolving facility, Senior Notes and dividends payable at quarter end less unrestricted cash in excess of $10.0 million, to consolidated Bank EBITDA for the TTM. Bank EBITDA used in this financial ratio is calculated as net earnings before interest, taxes, depreciation and amortization, plus impairment expense, loss (gain) on sale of property and equipment, loss (gain) from investment in joint ventures, share-based payment expense and unrealized foreign exchange.

"Bank EBITDA to Cash Interest Expense" is defined as the consolidated Bank EBITDA for TTM to the cash interest expense on all debt balances for TTM. Bank EBITDA used in this financial ratio is calculated as net earnings before interest, taxes, depreciation and amortization, plus impairment expense, loss (gain) on sale of assets, loss (gain) from investments in joint ventures, share-based payment expense, fair value adjustments on financial assets and liabilities and unrealized foreign exchange. Bank EBITDA also includes all distributions received from the Company's joint ventures during the period.

"Drilling days" is defined as rig days between spud to rig release.

"Operating days" is defined as moving days (move in, rig up and tear out) plus drilling days (spud to rig release).

"Utilization rate - drilling day" is defined as drilling days divided by total available rig days.

"Utilization rate - operating day" is defined as operating days divided by total available rig days.

"Revenue - rate per operating day" or "Dayrate" is defined as operating revenue (net of third party costs) divided by operating days (drilling days plus moving days).

"Operating expense - rate per operating day" or "Operating expense per day" is defined as operating expense (net of third party costs) divided by operating days (drilling days plus moving days).

"Adjusted EBITDA margin percentage" is used by management and investors to analyze the Company's profitability relative to its revenue generation. Adjusted EBITDA margin percentage is calculated as adjusted EBITDA divided by revenue. Adjusted EBITDA is normalized for the purposes of this calculation to exclude one-time items that are not related to operational performance.

($ thousands except percentage)	**Nine months ended September 30, 2018**	Year-ended December 31, 2017
Adjusted EBITDA	**116,427**	129,446
Strategic review and restructuring costs	**(4,695)**	—
Leasehold incentive liability adjustment	**2,800**	—
	114,532	129,446
Revenue	**457,617**	501,615
Adjusted EBITDA margin percentage	**25.0%**	25.8%

"Free Cash Flow" is used by management and investors to measure the Company's financial performance and its ability to generate excess cash from its business operations. Free cash flow is calculated as adjusted EBITDA less finance and transaction costs and current income taxes.

($ thousands)	**Nine months ended September 30, 2018**
Adjusted EBITDA	**116,427**
Less:	
Finance and transaction costs	**27,980**
Current income taxes	**27**
Free Cash Flow	**88,420**

"G&A as a % of revenue" is used by management and investors to measure the level of the Company's general and administrative costs (G&A) relative to the revenue generated. G&A as a % of revenue is calculated as G&A costs, before share-based payment costs and third-party recoverable costs, divided by revenue. G&A is normalized for the purposes of this calculation to exclude one-time items that are not related to operational performance.

($ thousands except percentage)	**Nine months ended September 30, 2018**	Year-ended December 31, 2017
General and administrative	**42,294**	60,080
Share-based payment expense	**7,165**	1,405
Third party recoverable costs	**765**	460
General and administrative (1)	**34,364**	58,215
Strategic review and restructuring costs	**(4,695)**	—
Leasehold incentive liability adjustment	**2,800**	—
	32,469	58,215
Revenue	**457,617**	501,615
G&A as % of Revenue	**7.1%**	11.6%

(1) General and administrative expenses excluding share-based payment expense and third party recoverable costs.

"Net Debt to Adjusted EBITDA" is used by management and investors to analyze the level of indebtedness of the company by measuring the amount of long-term debt net of cash or cash equivalents relative to the amount of adjusted EBITDA generated. Net debt to adjusted EBITDA is calculated as long-term debt plus current portion of long-term debt less cash or cash equivalents divided by adjusted EBITDA for the trailing twelve months.

($ thousands except multiples)	**As at September 30, 2018**	As at December 31, 2017
Long-term debt	**496,099**	511,674
Minus:		
Cash and cash equivalents	**6,765**	3,948
Net Debt	**489,334**	507,726
Adjusted EBITDA trailing twelve months	**152,502**	129,446
Net Debt to Adjusted EBITDA	**3.2**	3.9

"Return on Capital Employed" or "ROCE" is used by management and investors to measure how efficiently the Company uses capital to generate profit. ROCE is calculated as adjusted EBITDA for the trailing 12 months divided by the average of total assets less current liabilities for the beginning and ending periods.

ROCE (Three-year Average) ($ thousands except percentage)	**2015**	**2016**	**2017**	**Three year average**
Total Assets	2,236,200	1,982,076	1,902,546	
Current Liabilities	133,487	81,806	107,339	
Capital Employed	2,102,713	1,900,270	1,795,207	
Adjusted EBITDA	186,746	143,002	129,446	
ROCE	8.9%	7.5%	7.2%	**7.9%**

ROCE (One-year Average) ($ thousands except percentage)	**As at September 30, 2017**	**As at September 30, 2018**	**One-year Average**
Total Assets	1,901,210	1,368,958	**1,635,084**
Current Liabilities	109,282	90,970	**100,126**
Capital Employed	1,791,928	1,277,988	**1,534,958**
Adjusted EBITBA trailing twelve month			**152,502**
ROCE			**9.9%**

Additional GAAP Measures Definitions

To assess performance, the Company uses certain additional GAAP financial measures within the financial statements and MD&A that are not defined terms under IFRS. Management believes that these measures provide useful supplemental information to investors, and provide the reader a more accurate reflection of our industry. These financial measures are computed on a consistent basis for each reporting period and include Operating revenue or Revenue, net of third party costs, Funds flow, Operating income, Operating income percentage and Operating income - net percentage. These additional GAAP measures are defined as follows:

"Operating revenue" or "Revenue, net of third party costs" is defined as revenue earned for drilling activities excluding all third party revenues. Third party revenues mainly consist of rental activities and other services provided by third parties for which Trinidad does not earn a mark-up on. This metric is used by analysts and investors to assess the operations of each segment based on the core drilling business alone and more accurately reflects the health of those operations. The operating revenue for each reportable segment is disclosed in the segmented information included in the consolidated financial statements.

"Funds flow" is used by management and investors to analyze the funds generated by Trinidad's principal business activities prior to consideration of working capital, which is primarily made up of highly liquid balances. This balance is reported in the consolidated statements of cash flows included in the cash flows from operating activities section.

"Operating income" is used by management and investors to analyze overall and segmented operating performance. Operating income is not intended to represent an alternative to net (loss) or other measures of financial performance calculated in accordance with IFRS. Operating income is calculated from the consolidated statements of operations and comprehensive (loss) and from the segmented information contained in the notes to the consolidated financial statements. Operating income is defined as revenue less operating expenses.

"Operating income percentage" is used by management and investors to analyze overall and segmented operating performance, including third party recovery and third party costs, as well as inter-segment revenue and inter-segment operating costs. Operating income percentage is calculated from the consolidated statements of operations and comprehensive (loss) and from the segmented information in the notes to the consolidated financial statements. Operating income percentage is defined as operating income divided by revenue.

"Operating income - net percentage" is used by management and investors to analyze overall and segmented operating performance excluding third party recovery and third party costs, as well as inter-segment revenue and inter-segment operating costs, as these revenue and expenses do not have an effect on consolidated net (loss). Operating income - net percentage is calculated from the consolidated statements of operations and comprehensive (loss) and from the segmented information in the notes to the consolidated financial statements. Operating income - net percentage is defined as operating income less third party G&A expenses divided by revenue net of operating and G&A third party costs.

Trinidad is an industry-leading contract driller, providing safe, reliable, expertly-designed equipment operated by well-trained and experienced personnel. Trinidad's drilling fleet is one of the most adaptable, technologically advanced and competitive in the industry. Trinidad provides contract drilling and related services in the US, Canada, the Middle East and Mexico.

Brent Conway
President and Chief Executive Officer

Lesley Bolster
Chief Financial Officer

Consolidated Statements of Financial Position

As at ($ thousands) - unaudited	September 30, 2018	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents (Note 4)	6,765	3,948
Accounts receivable [(1)]	147,498	117,385
Inventory	5,599	5,971
Prepaid expenses	4,789	3,657
Assets held for sale (Note 5)	18,806	19,583
	183,457	150,544
Property and equipment (Note 6)	794,045	1,363,815
Intangible assets and goodwill (Note 7)	9,332	90,339
Deferred income taxes	229,036	82,872
Investments in joint ventures (Note 8)	153,088	214,976
	1,368,958	1,902,546
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	90,943	106,694
Deferred revenue and customer deposits	27	645
	90,970	107,339
Long-term debt (Note 9)	496,099	511,674
Contingent consideration (Note 14)	—	7,035
Deferred income taxes	660	5,474
Non-controlling interests (Note 10 & 14)	11,895	8,863
	599,624	640,385
Shareholders' Equity		
Common shares (Note 11)	1,525,633	1,525,633
Contributed surplus	65,442	65,292
Accumulated other comprehensive income	155,776	128,655
Deficit [(1)]	(977,517)	(457,419)
	769,334	1,262,161
	1,368,958	1,902,546

Commitments and contingencies (Note 15)

(1) Included in accounts receivable and deficit at December 31, 2017 is $1.2 million recorded related to the IFRS 9 implementation.

(See Notes to the condensed consolidated interim financial statements)

Consolidated Statements of Operations and Comprehensive (Loss)

($ thousands) - unaudited	Three months ended September 30, 2018	2017	Nine months ended September 30, 2018	2017
Revenue				
Oilfield service revenue	**174,432**	129,625	**456,136**	362,423
Other revenue	**360**	185	**1,481**	1,290
	174,792	129,810	**457,617**	363,713
Expenses				
Operating expense (Note 17)	**116,414**	92,749	**306,496**	254,288
General and administrative (Note 17)	**16,223**	13,920	**42,294**	47,303
Depreciation and amortization (Notes 6 & 7)	**55,931**	53,317	**172,120**	143,749
Foreign exchange (Note 17)	**1,165**	3,452	**(3,362)**	10,062
(Gain) on sale of assets (Note 6)	**(10)**	(309)	**(697)**	(1,948)
Impairment of property and equipment (Note 6)	**(484,386)**	—	**484,386**	—
Impairment of goodwill and intangibles (Note 7)	**81,228**	—	**81,228**	—
	755,337	163,129	**1,082,465**	453,454
Loss (gain) from investments in joint ventures (1) (Note 8)	**26,807**	17,182	**19,199**	(19,627)
Finance and transaction costs (Note 17)	**9,131**	9,709	**27,980**	32,736
Fair value adjustments (2) (Note 10)	**(2,317)**	494	**(4,126)**	3,594
(Loss) before income taxes	**(614,166)**	(60,704)	**(667,901)**	(106,444)
Income taxes				
Current	**(390)**	173	**27**	227
Deferred	**(128,163)**	(16,220)	**(147,868)**	(43,917)
	(128,553)	(16,047)	**(147,841)**	(43,690)
Net (loss)	**(485,613)**	(44,657)	**(520,060)**	(62,754)
Other comprehensive (loss) income				
Foreign currency translation adjustment for foreign operations, net of income tax (Note 18)	**(10,945)**	(28,419)	**27,121**	(52,761)
Foreign currency translation adjustment for non-controlling interest, net of income tax (Note 10)	**235**	(415)	**(407)**	(796)
	(10,710)	(28,834)	**26,714**	(53,557)
Total comprehensive (loss)	**(496,323)**	(73,491)	**(493,346)**	(116,311)
Net (loss) attributable to:				
Shareholders of Trinidad	**(485,754)**	(44,408)	**(520,098)**	(61,927)
Non-controlling interests (Note 10)	**141**	(249)	**38**	(827)
Total comprehensive (loss) attributable to:				
Shareholders of Trinidad	**(496,699)**	(72,827)	**(492,977)**	(114,688)
Non-controlling interests (Note 10)	**376**	(664)	**(369)**	(1,623)
Earnings per share				
Basic (Note 13)	**(1.77)**	(0.16)	**(1.90)**	(0.24)
Diluted (Note 13)	**(1.77)**	(0.16)	**(1.90)**	(0.23)

(1) Loss (gain) from investments in joint ventures includes Trinidad's portion of the net loss (gain) in all joint ventures as well as the fair value adjustment related to the TDI joint venture as this is held as a financial asset.

(2) Fair value adjustments includes the fair value adjustments on the contingent considerations related to the RigMinder business combination, and the fair value of the non-controlling interests liability.

(See Notes to the condensed consolidated interim financial statements)

Consolidated Statements of Changes in Equity

Nine months ended September 30, 2018 and 2017 ($ thousands) - unaudited	Common shares	Contributed surplus	Accumulated other comprehensive income (1)	(Deficit)	Total equity
Balance at December 31, 2017	1,525,633	65,292	128,655	(457,419)	1,262,161
Share-based payment expense (Note 12)	**—**	**150**	**—**	**—**	**150**
Total comprehensive (loss) (Note 18)	**—**	**—**	**27,121**	**(520,098)**	**(492,977)**
Balance at September 30, 2018	**1,525,633**	**65,442**	**155,776**	**(977,517)**	**769,334**
Balance at December 31, 2016	1,374,656	65,087	179,499	(376,574)	1,242,668
Issuance of shares (Note 11)	155,782	—	—	—	155,782
Share issuance costs (net of tax) (Note 11)	(4,805)	—	—	—	(4,805)
Share-based payment expense (Note 12)	—	156	—	—	156
Total comprehensive (loss) (Note 18)	—	—	(52,761)	(61,927)	(114,688)
Balance at September 30, 2017	1,525,633	65,243	126,738	(438,501)	1,279,113

(1) Accumulated other comprehensive income consists of the foreign currency translation adjustment. All amounts will be reclassified to profit or loss when specific conditions are met.

(See Notes to the condensed consolidated interim financial statements)

Consolidated Statements of Cash Flows

Nine months ended September 30, ($ thousands) - unaudited	2018	2017
Cash (used in) provided by		
Operating activities		
Net (loss)	(520,060)	(62,754)
Adjustments for:		
Depreciation and amortization (Notes 6 & 7)	172,120	143,749
Foreign exchange (Note 18)	(3,362)	10,062
(Gain) on sale of assets (Note 6)	(697)	(1,948)
Impairment of property and equipment (Note 6)	484,386	-
Impairment of goodwill and intangibles (Note 7)	81,228	-
Loss (gain) from investments in joint ventures (1) (Note 8)	19,199	(19,627)
Finance and transaction costs (Note 17)	27,980	32,736
Fair value adjustments (Note 10)	(4,126)	3,594
Income taxes	(147,841)	(43,690)
Other (2)	7,559	3,056
Income taxes paid	(684)	(1,474)
Income taxes recovered	591	1,758
Interest paid	(27,980)	(46,752)
Funds flow	88,313	18,710
Change in non-cash operating working capital (Note 19)	(29,417)	(21,745)
Cash flow provided by (used in) operating activities	58,896	(3,035)
Investing activities		
Purchase of property and equipment	(53,987)	(111,128)
Proceeds from disposition of assets	6,931	3,321
Net investments in joint ventures (Note 8)	-	7,081
Acquisition of RigMinder (net) (Note 11)	-	(31,396)
Purchase of intangibles (Note 7)	(4,511)	(3,145)
Distribution and dividends received from joint venture (Note 8)	48,927	40,149
Change in non-cash working capital (Note 19)	(21,715)	24,979
Cash flow (used in) investing activities	(24,355)	(70,139)
Financing activities		
Proceeds from long-term debt (Note 9)	160,476	105,729
Repayments of long-term debt (Note 9)	(192,739)	(55,416)
Purchase of non-controlling interest (Note 10)	-	(200)
Issuance of shares	-	149,500
Share issuance costs	-	(6,561)
Proceeds from 2025 Senior Notes (Note 9)	-	461,860
Repayments of 2019 Senior Notes (Note 9)	-	(591,670)
Debt issuance costs (Note 9)	(25)	(11,456)
Cash flow (used in) provided by financing activities	(32,288)	51,786
Cash flow from operating, investing and financing activities	2,253	(21,388)
Effect of translation of foreign currency cash	564	(5,942)
Increase (decrease) in cash for the period	2,817	(27,330)
Cash and cash equivalents - beginning of period	3,948	25,780
Cash and equivalents - end of period	6,765	(1,550)

(1) Loss (gain) from investments in joint ventures includes Trinidad's portion of net loss (gain) income in all joint ventures and the TDI joint venture fair value adjustment as this is held as a financial asset.

(2) Other includes share-based payment expense of $7.2 million (2017 - $2.5 million) and elimination of upstream and downstream transactions between Trinidad and the Joint Venture Operations.

(See Notes to the condensed consolidated interim financial statements)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

1. Structure of the Corporation

Organization

Trinidad Drilling Ltd. ("Trinidad" or the "Company") is incorporated under the laws of the Province of Alberta, Canada. The Company was formed by way of an arrangement under the Business Corporations Act of Alberta pursuant to an arrangement agreement effective March 10, 2008 between the Company and Trinidad Energy Services Income Trust. Trinidad's principal place of business is located at 400, 250 - 2nd Street SW, Calgary, Alberta.

Operations

Trinidad is an industry-leading contract driller, providing safe, reliable, expertly-designed equipment operated by well-trained and experienced personnel. Trinidad's drilling fleet is one of the most adaptable, technologically advanced and competitive in the industry. Trinidad provides contract drilling and related services in the US, Canada, the Middle East and Mexico.

The Company trades on the Toronto Stock Exchange under the symbol TDG.

2. Basis of Presentation

Statement of compliance

These condensed consolidated interim financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements. These condensed consolidated interim financial statements were prepared using International Accounting Standard (IAS) 34 - Interim Financial Reporting as at and for the period ended September 30, 2018. These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors as of November 9, 2018.

These condensed consolidated interim financial statements were prepared by management and follow the same accounting policies and methods as the audited financial statements as at and for the year-ended December 31, 2017, except as described in note 3. These condensed consolidated interim financial statements do not contain all of the disclosures required for the annual consolidated financial statements. As a result, these condensed consolidated interim financial statements should be read in conjunction with the Company's previous annual consolidated financial statements for the year-ended December 31, 2017, prepared in accordance with IFRS as issued by the IASB.

Measurement basis

These condensed consolidated interim financial statements are presented in Canadian dollars, assuming the Company will continue as a going concern for the foreseeable future. These condensed consolidated interim financial statements are prepared on a historical cost basis except as specifically noted within these notes.

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it earns revenue and incurs expenses, including revenue and expenses from transactions with other Trinidad segments. The Company determines its operating segments based on information that is internally generated and used by the chief operating decision makers within the Company to make determinations about allocation of resources and assessments of performance.

Effective January 1, 2018, Trinidad reviewed the existing operating segments under IAS 8 - Operating segments (IAS 8), in order to better present the Company's operations based on geographic location and services provided, as well as to review any material changes to Trinidad's operations.

Accordingly, Trinidad has identified four operating segments.

- US and international operations - includes land drilling services located in both the US and international markets and technology operations in the US. The segment excludes all joint venture operations.
- Canadian operations - includes land drilling services.
- Joint venture operations - includes US and international joint venture operations.
- Corporate - includes all non-operating activities and acts as a support function to the other segments.

Trinidad noted that per IAS 8 - Operating segments (IAS 8), Trinidad's joint venture operations did not meet the quantitative thresholds required to be separately reportable. However, management believes it would be useful for users of the financial statements to have this segment separately.

Use of judgment and estimates

The preparation of the condensed consolidated interim financial statements requires management to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are continually evaluated and are based on historical experience and expectations of future events. While judgments and estimates used by Trinidad are believed to be reasonable under current circumstances, actual results could differ. The Company has applied significant judgments on a basis consistent with prior year.

Seasonality

Trinidad operates a substantial number of rigs in western Canada; therefore, operations are impacted by weather and seasonal factors. The winter season is typically a busy period as oil and natural gas companies take advantage of frozen ground conditions to move drilling rigs into regions that might otherwise be inaccessible to heavy equipment due to swampy conditions. Springtime normally encompasses a slow period referred to as spring break-up. During this period, melting conditions result in temporary municipal road bans that effectively prohibit the movement of drilling rigs. The remainder of the year is usually representative of average activity levels.

Trinidad's expansion to the US and international markets has reduced its overall exposure to the seasonal factors that are present in its Canadian operations. These seasonal conditions typically limit Canadian drilling activity, whereas in the US and international areas, operators have more flexibility to work throughout the year. The activity in the US and international operations has allowed Trinidad to better manage its business with more sustainable cash flows throughout the annual cycle. However, industry conditions have an affect on how seasonality effects Trinidad's activity.

3. Significant Accounting Policies

New standards adopted

Financial Instruments (IFRS 9): Financial assets and liabilities are classified and measured at amortized cost, fair value through other comprehensive income or fair value through profit and loss. Effective January 1, 2018, Trinidad adopted the amendment to IFRS 9 with respect to a single, forward-looking 'expected credit loss' impairment model for financial assets. The amendments to IFRS 9 are applied retrospectively. The model requires the Company to assess expected credit losses ("ECL") based on the customers' credit risk at each reporting period. The Company applies a provision matrix based on average external credit ratings. Refer to note 14 for detailed disclosures.

IFRS 9 also specifies certain treatment of hedge accounting. Trinidad utilizes long-term debt as a hedge of the net investment in self-sustaining foreign operations. As a result, unrealized foreign exchange gains and losses on the designated long-term debt are offset against foreign exchange gains and losses arising from the translation of the accounts of self-sustaining foreign subsidiaries. These gains and losses are included in the cumulative translation account in other comprehensive (loss).

Revenue from Contracts with Customers (IFRS 15): Effective January 1, 2018, Trinidad adopted IFRS 15 - Revenue from Contracts with Customers (IFRS 15) issued by the IASB in May 2014. The new standard replaces IAS 18 - Revenue (IAS 18). Trinidad applied the cumulative effective method and therefore comparative information has not been restated and continues to be reported under IAS 18. The nature of the changes in IFRS 15 replace the previous revenue recognition guidance with a framework in which to record revenue from contracts with customers for the sale of goods or rendering of services. The new standard was adopted using the modified retrospective approach.

Contracts are accounted for once the parties to the contract have approved the agreement, the rights to the goods and services to be transferred are identified, the transaction price and payment terms are identified, the risk, timing or amount of future cash flows is not expected to change and collection is probable. Trinidad recognizes revenue when the Company satisfies performance obligations by transferring the promised goods or services to a customer. The consideration for services rendered is measured at the fair value of the consideration received and allocated based on their standalone selling prices. These contracts can be for varied durations of time, and as such, the Company satisfies its performance obligations related to its contracts as the Company provides its services on a per billable day or hourly basis. As days are worked on the customer's contract, the Company satisfies its performance obligation to the customer and recognizes revenue. Revenue is recognized daily for both drilling and rig mobilization days, based on specified rates in each contract and on the daily activity of the rig; as such, there will be no unfulfilled performance obligations.

Trinidad has disclosed disaggregated revenue by geographic area in its segmented information note (note 16). Upon adoption of this standard, there was no material impact on the consolidated financial statements and there was no impact to the Company's revenue recognition policy.

New standards not yet adopted

Leases (IFRS 16): In January 2016, IASB issued IFRS 16 to replace the guidance currently found in IAS 17. The new standard replaces the previous guidance on lease recognition and establishes principles for recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however will remain largely unchanged and the distinction between operating and finance leases is retained. The amendments are effective for annual periods beginning on or after January 1, 2019, with early application permitted if IFRS 15 has also been applied. IFRS 16 will be adopted by Trinidad on January 1, 2019. The Company is currently reviewing contracts that are identified as leases and assessing the impact of this standard on its consolidated financial statements.

Uncertainty over income taxes (IFRIC 23): IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The entity is to use the most likely amount or the expected value of the tax treatment if it concludes that it is not probable that a particular tax treatment will be accepted by the relevant taxation authority. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019, while earlier adoption is permitted. The Company has yet to assess the impact of this standard on its consolidated financial statements.

4. Cash and Cash Equivalents

As at	September 30,	December 31,
($ thousands)	2018	2017
Cash and cash equivalents	**6,765**	3,948

Cash and cash equivalents are comprised of cash at bank and cash on hand, less cheques in transit, as well as short-term investments and similar instruments that have a maturity of three months or less for Trinidad's wholly owned subsidiaries. The majority of the Company's bank accounts are tied to a master netting agreement, and as such, are disclosed as a total consolidated balance on the consolidated statements of financial position. The Company's bank accounts that are excluded from the master netting agreement had a total balance as at September 30, 2018 of $6.7 million (December 31, 2017 - $5.3 million).

Available within Trinidad's credit facility is a $10.0 million Canadian bank overdraft and a $10.0 million US bank overdraft. Trinidad uses the bank overdraft as part of its short-term cash management strategy to minimize the requirement of carrying cash on hand to cover outstanding cheques and deposits. The bank overdraft is subject to the same terms and conditions as the credit facility (note 9).

5. Assets Held For Sale

As at September 30, 2018, building and land reclassified to assets held for sale at December 31, 2017 had not been sold. As such, they were still classified as assets held for sale as at September 30, 2018. It is expected that these assets will be sold in the first half of 2019.

As at December 31, 2017, the Company classified $19.6 million of property and equipment to assets held for sale. These assets included a building and land included in the Canadian operation, as well as top drives included in capital inventory in the US and international divisions that were being underutilized. The top drives in the US and International segment had a carrying amount that exceeded the recoverable amount. As a result, an impairment of $3.0 million was recorded for the year ended December 31, 2017 (see note 6). The top drives were subsequently sold in Q1 2018.

6. Property and Equipment

Property and equipment as at and for the periods ended September 30, 2018 and December 31, 2017 are as follows:

($ thousands)	Rigs and related equipment	Automotive and other equipment	Buildings	Construction equipment	Land	Assets under construction	Total
Cost							
Balance as at January 1, 2017	2,791,761	26,623	53,520	2,881	12,054	12,777	2,899,616
Additions/transfers	145,055	1,256	—	—	—	16,295	162,606
Acquired upon business combination	1,045	—	—	—	—	—	1,045
Disposals	(33,918)	(1,175)	(403)	(9)	(67)	(267)	(35,839)
Assets held for sale	(15,166)	—	(20,937)	—	(3,409)	—	(39,512)
Effect of foreign exchange	(121,433)	(611)	(1,380)	(34)	(182)	(884)	(124,524)
Balance as at December 31, 2017	2,767,344	26,093	30,800	2,838	8,396	27,921	2,863,392
Additions/transfers	**56,807**	**3,020**	**33**	**—**	**(30)**	**(5,060)**	**54,770**
Disposals	**(18,634)**	**(4,679)**	**(2)**	**(534)**	—	**(45)**	**(23,894)**
Effect of foreign exchange	**56,212**	**294**	**609**	**15**	**81**	**504**	**57,715**
Balance as at September 30, 2018	**2,861,729**	**24,728**	**31,440**	**2,319**	**8,447**	**23,320**	**2,951,983**
Accumulated depreciation and impairment							
Balance as at January 1, 2017	1,383,887	16,127	14,047	2,658	—	—	1,416,719
Depreciation	191,587	3,047	2,159	112	—	—	196,905
Impairment loss	2,993	—	—	—	—	—	2,993
Disposals	(33,164)	(872)	(182)	(9)	—	—	(34,227)
Assets held for sale	(14,389)	—	(5,540)	—	—	—	(19,929)
Effect of foreign exchange	(62,040)	(477)	(333)	(34)	—	—	(62,884)
Balance as at December 31, 2017	1,468,874	17,825	10,151	2,727	—	—	1,499,577
Depreciation	**162,133**	**1,974**	**1,039**	**11**	—	—	**165,157**
Impairment Loss	**484,386**	—	—	—	—	—	**484,386**
Disposals	**(25,846)**	**4,682**	**3,260**	**(534)**	—	—	**(18,438)**
Effect of foreign exchange	**26,920**	**185**	**134**	**17**	—	—	**27,256**
Balance as at September 30, 2018	**2,116,467**	**24,666**	**14,584**	**2,221**	—	—	**2,157,938**
Net book value							
September 30, 2018	**745,262**	**62**	**16,856**	**98**	**8,447**	**23,320**	**794,045**
December 31, 2017	1,298,470	8,268	20,649	111	8,396	27,921	1,363,815

On October 5, 2018, Trinidad entered into an agreement with Precision, subject to shareholder approval, whereby Precision would acquire the Company for consideration of 0.445 of a Precision Share for each of the issued and outstanding common shares of Trinidad. As such, effective September 30, 2018, the Company determined that there were indications of impairment present. The recoverable amount of the net assets of Trinidad was determined to be the estimated fair value of the share consideration based on Precision's share price at the time the agreement was announced. Using the implied share consideration, management has estimated a recoverable value for property and equipment of $794.0 million, resulting in an impairment of $484.4 million as at September 30, 2018. The impairment was allocated to cash generating units with approximately $182.7 million included in the Canadian operations and approximately $301.7 million included in the US and International operations.

As at December 31, 2017, Trinidad transferred top drives, included in the US and international operations, to assets held for sale. As a result, an impairment of $3.0 million was recorded for the year ended December 31, 2017. The fair value of the top drives was determined based on the realizable value of a sales transaction. Refer to note 5 for further information.

The cost of assets under construction includes cost of materials, direct labour, construction overhead and any other costs directly attributable in readying the asset for its intended use. Accumulated costs are reported as assets under construction until the related asset is ready for use, at which time it will be transfered to the relevant asset class and subject to depreciation. For the nine months ended September 30, 2018 and 2017, disposals mainly related to various non-core assets in the US and Canadian divisions.

7. Intangible Assets and Goodwill

Intangible assets and goodwill as at and for the period ended September 30, 2018 and December 31, 2017 are as follows:

($ thousands)	Patents and licensing agreements	Technology	Customer relationships	Engineering and design	Goodwill	Total
Cost						
Balance as at January 1, 2017	3,000	—	900	1,082	204,977	209,959
Additions	3,145	893	—	—	—	4,038
Acquired upon business combination	—	37,873	—	—	18,755	56,628
Effect of foreign exchange	(264)	143	—	—	(904)	(1,025)
Balance as at December 31, 2017	5,881	38,909	900	1,082	222,828	269,600
Additions	—	**4,459**	—	—	—	**4,459**
Effect of foreign exchange	**(282)**	**1,174**	—	—	**1,006**	**1,898**
Balance as at September 30, 2018	**5,599**	**44,542**	**900**	**1,082**	**223,834**	**275,957**
Accumulated amortization and impairment						
Balance as at January 1, 2017	3,000	—	626	539	172,088	176,253
Amortization	745	1,495	274	543	—	3,057
Effect of foreign exchange	(25)	(24)	—	—	—	(49)
Balance as at December 31, 2017	3,720	1,471	900	1,082	172,088	179,261
Amortization	**739**	**6,224**	—	—	—	**6,963**
Impairment loss	**1,500**	**27,685**	—	—	**52,043**	**81,228**
Effect of foreign exchange	**(360)**	**(170)**	—	—	**(297)**	**(827)**
Balance as at September 30, 2018	**5,599**	**35,210**	**900**	**1,082**	**223,834**	**266,625**
Net book value						
September 30, 2018	—	**9,332**	—	—	—	**9,332**
December 31, 2017	2,161	37,438	—	—	50,740	90,339

Intangibles

- **Patents and licensing agreements –** consists of a method and apparatus for controlling the rotation of a drill string and is included in the US operations. Fully impaired as of September 30, 2018.
- **Technology –** consists of technology and software assets and are included in the US and international operations.
- **Customer relationships –** consists of customer relationships acquired from a previous business combination and are included in the Canadian operations. Fully amortized as of December 31, 2017.
- **Engineering and Design –** consists of costs related to work completed on standardized engineering and design drawings for new rig builds and are included in the Canadian operations. Fully amortized as of December 31, 2017.

Goodwill

Goodwill is a result of a number of business combinations and is generally attributable to anticipated synergies expected from those acquisitions. Goodwill by definition has no useful life; and therefore, is not amortized. However, goodwill is subject to impairment tests at least annually. For purposes of impairment testing, Trinidad assesses goodwill at the operating segment level.

On October 5, 2018, Trinidad entered into an agreement with Precision Drilling whereby Precision would acquire Trinidad for consideration of 0.445 of a Precision Share for each of the issued and outstanding common shares of Trinidad. As such, effective September 30, 2018, the Company determined that there were indications of impairment present. The recoverable amount of the net assets of Trinidad was determined to be the estimated fair value of the share consideration, based on Precision's share price at the time the agreement was announced. Using the share consideration, management has estimated a recoverable value for technology assets of $9.3 million, resulting in an impairment as at September 30, 2018, consisting of $52.0 million to Goodwill and $29.2 million to Intangible assets.

8. Investments in Joint Ventures

Joint Ventures Loss (Gain) Reconciliation

	Three months ended September 30,		Nine months ended September 30,	
($ thousands)	**2018**	2017	**2018**	2017
Trinidad Drilling International loss (gain) from investment	**2,212**	2,106	**56,151**	(9,643)
Trinidad Drilling International fair value adjustment	**24,341**	15,024	**(37,073)**	(10,677)
Other joint arrangements net loss from investments	**254**	52	**121**	693
Loss (gain) from investments in joint ventures	**26,807**	17,182	**19,199**	(19,627)

Joint Ventures Investments Reconciliation

As at	**September 30,**	December 31,
($ thousands)	**2018**	2017
Trinidad Drilling International investment balance	**152,238**	213,616
Other joint arrangements investments balance	**850**	1,360
Investments in joint ventures	**153,088**	214,976

Joint Venture – Trinidad Drilling International

Effective September 3, 2013, Trinidad entered into a joint venture arrangement with a wholly-owned subsidiary of Halliburton to operate drilling rigs for international projects outside of Canada and the US. The joint venture currently has operations in Middle East and Mexico and is exploring future growth opportunities in other international markets. The joint venture is conducting business under the name Trinidad Drilling International (TDI) through separately incorporated companies. Trinidad owns 60% of the shares of TDI and each of the joint parties have equal voting rights. The investment is held through common shares and mandatory redeemable preferred shares (MRPS) classified as liabilities. As the MRPS's are considered a liability, all dividends declared are recorded as an expense to net (loss) on the statement of operations and comprehensive (loss). Trinidad considers the investment to be a financial asset at fair value through profit or loss and recognizes changes in fair value of the investment in the statements of operations and comprehensive (loss) as a loss (gain) from investment in joint venture.

Continuity of Investment in TDI Joint Venture for Trinidad

Total Investment ($ thousands)	**Nine months ended** **September 30, 2018**	Year ended December 31, 2017
Opening balance	**213,616**	261,984
Distribution and dividends received from joint venture	**(48,927)**	(40,149)
(Loss) gain from investment in joint venture	**(56,151)**	4,735
Change in loan to joint venture	**495**	(9,123)
Elimination of downstream transactions	**(387)**	(397)
Fair value adjustment	**37,073**	13,216
Effect of foreign exchange	**6,519**	(16,650)
Ending balance	**152,238**	213,616

Summarized financial information for TDI

Summarized statements of operations for TDI:

Three months ended September 30, ($ thousands)	**2018**		2017	
	TDI	**Trinidad 60% Share**	TDI	Trinidad 60% Share
Revenue				
Oilfield service revenue	11,301	**6,781**	20,616	12,370
Third party recovery	9,274	**5,564**	625	375
Other revenue	49	**29**	62	37
	20,624	**12,374**	21,303	12,782
Expenses				
Operating expense	8,536	**5,122**	12,760	7,655
Third party costs	9,274	**5,564**	625	376
General and administrative	1,522	**913**	2,540	1,524
Depreciation and amortization	5,694	**3,416**	8,634	5,181
Foreign exchange	74	**43**	38	23
Finance costs	676	**406**	252	151
Preferred share valuation	(1,792)	**(1,075)**	732	439
(Loss) before income tax	(3,360)	**(2,015)**	(4,278)	(2,567)
Income taxes				
Current	333	**200**	(905)	(543)
Deferred	(5)	**(3)**	137	82
Net (loss)	(3,688)	**(2,212)**	(3,510)	(2,106)

Nine months ended September 30,				
($ thousands)	**2018**		2017	
	TDI	**Trinidad 60% Share**	TDI	Trinidad 60% Share
Revenue				
Oilfield service revenue	30,857	**18,514**	94,113	56,468
Third party recovery	9,274	**5,564**	2,544	1,526
Other revenue	73	**44**	62	37
	40,204	**24,122**	96,719	58,031
Expenses				
Operating expense	25,351	**15,211**	37,877	22,726
Third party costs	9,274	**5,564**	2,544	1,526
General and administrative	6,303	**3,782**	7,584	4,550
Depreciation and amortization	18,536	**11,122**	27,897	16,738
Foreign exchange	155	**92**	(49)	(29)
Finance costs	2,057	**1,234**	399	239
Impairment	17,016	**10,210**	—	—
Preferred share valuation	55,639	**33,383**	1,844	1,106
(Loss) income before income tax	(94,127)	**(56,476)**	18,623	11,174
Income taxes				
Current	1,006	**604**	2,829	1,697
Deferred	(1,549)	**(929)**	(277)	(166)
Net (loss) income	(93,584)	**(56,151)**	16,071	9,643

Summarized statements of financial position for TDI:

Amounts are presented at 100% of the value included in the statement of financial position for Trinidad Drilling International.

As at ($ thousands)	September 30, 2018	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	42,231	48,788
Accounts receivable	10,035	10,647
Inventory	4,074	6,951
Prepaid expenses	2,703	801
	59,043	67,187
Property and equipment	212,783	336,076
Deposits on property and equipment	24,302	–
Deferred income taxes	5,194	3,507
	301,322	406,770
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	18,394	15,340
	18,394	15,340
Preferred shares	220,971	240,211
Notes payable to joint venture partners	25,340	24,266
	264,705	279,817
Shareholders' Equity		
Common shares	23,508	23,508
Contributed surplus	102,500	102,500
Accumulated other comprehensive income	4,562	1,442
Deficit	(93,953)	(497)
	36,617	126,953
	301,322	406,770

Related party transactions

The related party transaction exchange amounts are determined depending on the nature of the transaction, and negotiations by both parties. They generally fall into two categories: shared services and sale of existing equipment.

- **Shared services –** TDI, and the shareholders of TDI, signed a shared-services agreement that outlines the costs that will be reimbursed and the rates based on an employee time allocation assessment.

- **Sale of pre-existing equipment –** This equipment is sold at a gain/loss on sale to the Company based on third-party valuations.

During the three and nine months ended September 30, 2018, Trinidad charged TDI general and administrative expenses related to shared services of $0.6 million and $1.9 million, respectively (2017 - $0.1 million and $0.8 million, respectively). As at September 30, 2018, TDI had an outstanding trade payable to Trinidad of $0.2 million (December 31, 2017 - $0.5 million) related to general and administrative expenses.

The joint shareholders of TDI have loaned funds, via promissory notes, to fund the importation of drilling rigs into Saudi Arabia. The funds are recoverable through operations in TDI within five years from date of advance and earn interest at 4.25% and mature in December 2020. As at September 30, 2018, the loan payable to the joint venture shareholders is $25.3 million, of which $15.2 million is payable to Trinidad (December 31, 2017 - total loan payable of $24.3 million of which $14.7 million was payable to Trinidad).

Fair value of investment in TDI joint venture

At September 30, 2018, the fair value of the investment in the TDI joint venture was assessed by comparing the discounted future cash flows to the net book value of this asset at the period end date. For the three months ended September 30, 2018, it was determined that the fair value of the investment was lower than the net book value and as such an adjustment of $24.3 million was recorded (for the three months ended September, 2017 - net book value was lower than the fair value of the investment and as such an adjustment of $15.0 million was recorded). For the nine months ended September 30, 2018, it was determined that the fair value of the investment exceeded the net book value and as such an adjustment of $37.1 million was recorded (for the nine months ended September, 2017 - net book value exceeded the fair value of the investment and as such an adjustment of $10.7 million was recorded).

9. Long-Term Debt

As at ($ thousands)	September 30, 2018	December 31, 2017
2025 Senior Notes [a]	452,410	438,550
Credit facility [b]	53,592	84,621
	506,002	523,171
Less: unamortized debt issue costs	(9,903)	(11,497)
	496,099	511,674

a) On February 8, 2017, Trinidad issued US$350.0 million of 6.625% senior unsecured notes (2025 Senior Notes) for par value. The Canadian dollar equivalent on this date was $461.9 million. Interest is payable semi-annually in arrears on February 15 and August 15 and the 2025 Senior Notes mature in February 2025. On or after February 15, 2020, Trinidad has the option to redeem all or a portion of the 2025 Senior Notes at set redemption prices, which includes the principal amount plus any accrued and unpaid interest to the applicable redemption date. Trinidad incurred debt issue costs of $11.3 million related to the 2025 Senior Notes which will be amortized over the life of the 2025 Senior Notes using the effective interest rate method.

The 2025 Senior Notes have been designated as a hedge of the net investment in self-sustaining foreign operations. As a result, unrealized foreign exchange gains and losses on the 2025 Senior Notes are offset against foreign exchange gains and losses arising from the translation of the accounts of self-sustaining foreign subsidiaries. These gains and losses are included in the cumulative translation account in other comprehensive (loss).

b) On December 12, 2014, Trinidad terminated its existing credit facility from 2010 and entered into a new agreement, which was amended on December 14, 2015; June 24, 2016; January 27, 2017 and November 30, 2017. The new amended credit facility includes a Canadian revolving facility of $100.0 million, and a US revolving facility of $100.0 million. Included in the facility are a $10.0 million Canadian dollar bank overdraft and a $10.0 million US dollar bank overdraft. The facility requires quarterly interest payments based on Bankers Acceptance and LIBOR rates. The facility matures December 12, 2020, and is subject to annual extensions of an additional year on each anniversary date upon consent of the lenders holding two-thirds of the aggregate commitments under the credit facility. The members of the syndicated groups include major Canadian, US and international financial institutions. The debt is secured by a general guarantee over the assets of Trinidad and its subsidiaries.

At September 30, 2018 the following financial covenants were in place:

Senior Debt to Bank EBITDA	Max of 2.5x
Bank EBITDA to Cash Interest Expense	Min of 2.5x

Other covenants in effect include but are not limited to the following: incurring additional debt and liens on assets; investments, including advances to the TDI joint venture; asset sales; and making restricted payments. The new amended credit facility allows Trinidad to pay dividends provided that Trinidad's Total Debt to Bank EBITDA covenant is less than five times. At September 30, 2018, Trinidad is in compliance with all covenants related to the credit facility.

At September 30, 2018, the Company had outstanding letters of credit of $35.7 million (December 31, 2017 - $8.7 million).

10. Non-controlling Interests

For the period ended September 30, 2018 and December 31, 2017, the non-controlling interests relate to Midland C Ranch Holdings, LLC (Midland), CanElson 120601 Drilling Limited Partnership #1 (LP1) and CanElson 120601 Drilling Limited Partnership #2 (LP2). The principal place of business for Midland is the United States, and the principal place of business for LP1 and LP2 is Canada.

On September 18, 2017, Trinidad acquired the remaining ownership of CanElson 120601 Drilling Limited Partnership #3 (LP3) for consideration of $0.2 million. Effective September 30, 2017, Trinidad holds 100 percent of the share capital of this subsidiary.

The following table summarizes the information relating to the non-controlling interests:

($ thousands)	**Nine months ended September 30, 2018**	Year ended December 31, 2017
Opening balance	**8,863**	7,197
Comprehensive (loss) attributable to non-controlling interest	**(369)**	(1,624)
Change in fair value of liability	**3,095**	3,117
Foreign currency translation adjustment	**306**	173
Closing balance	**11,895**	8,863

Summarized statements of financial position for non-controlling interests

As at September 30, 2018	**LP1**	**LP2**	**Midland**	**Total**
Non-controlling interests ownership percentage	**50%**	**45.6%**	**50%**	
($ thousands)				
Current assets	1,831	1,033	5,270	**8,134**
Non-current assets	3,081	2,552	18,966	**24,599**
Current liabilities	1,250	3,100	1,954	**6,304**

As at December 31, 2017	LP1	LP2	Midland	Total
Non-controlling interests ownership percentage	50%	45.6%	50%	
($ thousands)				
Current assets	1,370	895	3,031	5,296
Non-current assets	4,068	3,626	19,430	27,124
Current liabilities	1,250	3,100	1,798	6,148

Summarized statements of operations and comprehensive income (loss) for non-controlling interests

Three months ended September 30, 2018	**LP1**	**LP2**	**LP3[(1)]**	**Midland**	**Total**
Non-controlling interests ownership percentage	**50%**	**45.6%**	**0%**	**50%**	
($ thousands)					
Revenue	1,560	1,251	—	3,616	**6,427**
Net income (loss)	100	(173)	—	342	**269**
Net income (loss) attributable to non-controlling interests	50	(79)	—	170	**141**
Total comprehensive income (loss) attributable to non-controlling interests	50	(79)	—	405	**376**

For the three months ended September 30, 2017	LP1	LP2	LP3[(1)]	Midland	Total
Non-controlling interests ownership percentage	50%	45.6%	0%	50%	
($ thousands)					
Revenue	1,431	440	—	1,994	3,865
Net (loss)	(44)	(92)	(53)	(318)	(507)
Net (loss) attributable to non-controlling interests	(22)	(42)	(26)	(159)	(249)
Total comprehensive (loss) attributable to non-controlling interests	(22)	(42)	(26)	(574)	(664)

(1) On September 18, 2017, Trinidad acquired the remaining ownership interest of LP3. For the three months ending September 30, 2017, net (loss) attributable to non-controlling interest is recognized for the period July 1, 2017 to September 18, 2017, in which the partner still held a 50 percent interest.

Nine months ended September 30, 2018	**LP1**	**LP2**	**LP3[(1)]**	**Midland**	**Total**
Non-controlling interests ownership percentage	**50%**	**45.6%**	**0%**	**50%**	
($ thousands)					
Revenue	2,847	2,673	—	10,258	**15,778**
Net (loss) income	(252)	(696)	—	964	**16**
Net (loss) income attributable to non-controlling interests	(126)	(318)	—	482	**38**
Total comprehensive (loss) income attributable to non-controlling interests	(126)	(318)	—	75	**(369)**

Nine months ended September 30, 2017	LP1	LP2	LP3[(1)]	Midland	Total
Non-controlling interests ownership percentage	50%	45.6%	0%	50%	
($ thousands)					
Revenue	3,417	1,687	—	5,281	10,385
Net (loss)	(364)	(334)	(392)	(594)	(1,684)
Net (loss) attributable to non-controlling interests	(182)	(152)	(196)	(297)	(827)
Total comprehensive (loss) attributable to non-controlling interests	(182)	(152)	(196)	(1,093)	(1,623)

(1) On September 18, 2017, Trinidad acquired the remaining ownership interest of LP3. For the nine months ending September 30, 2017, net (loss) attributable to non-controlling interest is recognized for the period January 1, 2017 to September 18, 2017, in which the partner still held a 50 percent interest.

Fair value of non-controlling interest

As at September 30, 2018, Trinidad completed a valuation assessment of the non-controlling interest liability whereby the discounted cash-flows were compared to the net book value of the liability. At September 30, 2018, it was determined that the fair value of the liability was higher than the net book value and as such an adjustment of $3.1 million was recorded. At December 31, 2017, it was determined that the fair value of the liability was higher than the net book value and as such an adjustment of $3.1 million was recorded.

11. Common Shares

Authorized

Unlimited number of common shares, voting, participating:

(Number of shares)	Nine months ended September 30, 2018	Year ended December 31, 2017
Outstanding - beginning of period	**273,457,951**	222,087,270
Issuance of shares	—	47,460,317
Issuance upon business combination	—	3,910,364
Outstanding - end of period	**273,457,951**	273,457,951

On February 8, 2017, Trinidad closed a bought deal equity financing agreement resulting in the issuance of 47,460,317 common shares at a price of $3.15 per share, for gross proceeds of $149.5 million. Gross share issuance costs of $6.6 million were recorded net of tax of $1.8 million.

On August 25, 2017, Trinidad acquired all of the issued and outstanding shares of RigMinder Operating LLC for US$30.0 million, comprised of US$25.0 million in cash and US$5.0 million in common shares. Trinidad issued 3,910,364 shares at a deemed price per share of $1.6065, for a total value of $6.3 million.

On September 25, 2017, Trinidad filed a notice with the Toronto Stock Exchange (TSX) to make a normal course issuer bid (NCIB) to purchase outstanding shares on the open market. As approved by the TSX, Trinidad is authorized to purchase up to 23,032,913 common shares (which represent approximately ten percent of the Company's public float outstanding at the time of the bid) during the period September 28, 2017 to September 27, 2018, or until such time as the bid is completed or terminated at the Company's option. Any shares purchased under the bid are purchased on the open market through the facilities of the TSX at the prevailing market price at the time of the transaction and then canceled. For the nine months ended September 30, 2018, Trinidad did not purchase any outstanding shares, and as at September 30, 2018, the NCIB had expired.

12. Share-Based Payment Expense

Incentive Option Plan

On March 10, 2008, Trinidad established an Option Plan to provide an opportunity for officers, employees and consultants of Trinidad and its affiliates to participate in the growth and development of the Company. Options generally vest on the first, second and third anniversary of the date of grant. They are exercisable for a period of five years from the date of grant. Under the Option Plan, a maximum of 4% of the outstanding common share balance is available to be issued. In event of a change in control, all outstanding options vest immediately.

The following summarizes the changes in outstanding options:

	Nine months ended September 30, 2018		Year ended December 31, 2017	
	Number	**Weighted average exercise price (CDN$)**	Number	Weighted average exercise price (CDN$)
Outstanding - beginning of period	**1,398,060**	**3.69**	1,160,320	5.24
Granted	**684,596**	**1.85**	617,615	2.35
Expired	**(37,384)**	**6.22**	(251,549)	7.79
Forfeited	**(148,027)**	**2.77**	(128,326)	3.17
Outstanding - end of period	**1,897,245**	**3.09**	1,398,060	3.69

Trinidad uses the Black-Scholes option-pricing model to determine the estimated fair value of the options granted. During the three and nine month ended September 30, 2018, Trinidad had three sets of options granted. The per share fair value of options granted for the three and nine months ended September 30, 2018 ranged between $0.32 and $0.47 based on the following assumptions (2017 - the per share fair value ranged between $0.49 and $1.83):

For options granted during the nine months ended September 30,	**2018**
Share price (CDN $)	**1.56 - 1.85**
Exercise price (CDN $)	**1.56 - 1.85**
Expected life (years)	**3.50**
Volatility (%)	**23.37 - 41.77**
Dividend yield (%)	—
Forefeiture rate (%)	**5.00**
Risk free interest rate (%)	**1.94 - 2.15**

Volatility was determined based on Trinidad's historical daily trading price over the trading period up to the expected life of the awards. For the three and nine months ended September 30, 2018, Trinidad recognized share-based payment expense relating to outstanding options of $0.1 million and $0.2 million, respectively (2017 - expense of less than $0.1 million and $0.2 million, respectively).

Deferred Share Unit Plan

On March 11, 2008, the Company established the Deferred Share Unit (DSU) Plan to provide a compensation system for members of the Board of Directors that is reflective of the responsibility, commitment and risk accompanying board membership. Each DSU granted permits the holder to receive a cash payment equal to the volume weighted average share price for the five days preceding payment. DSUs vest immediately upon grant but are not exercisable until resignation or termination from the Board of Directors. DSU holders are entitled to share in dividends which are credited as additional DSUs at the dividend record date. The following summarizes the changes in outstanding DSUs:

(Number of DSUs)	**Nine months ended September 30, 2018**	Year ended December 31, 2017
Outstanding - beginning of period	**693,849**	557,307
New grants	**272,846**	136,542
Outstanding - end of period	**966,695**	693,849

The total fair value of DSUs at September 30, 2018 was $1.8 million (December 31, 2017 - $1.2 million) which represents total DSUs outstanding multiplied by the trailing five day volume weighted average share price of the Company's underlying common shares as the DSUs have no exercise price. The liability is recorded in accounts payable and accrued liabilities in the consolidated statements of financial position.

For the three and nine months ended September 30, 2018, Trinidad recognized share-based payment expense related to the outstanding DSUs of $0.1 million and $0.6 million, respectively (2017 - recovery of $0.1 million and $0.6 million, respectively).

For the three and nine months ended September 30, 2018, and 2017, no deferred share units were exercised.

Performance Share Unit Plan

On March 11, 2008, Trinidad established the Performance Share Unit (PSU) Plan to provide an opportunity for officers and employees of Trinidad to participate in the growth and development of the Company and to promote further alignment of interests between employees and the shareholders. PSUs are subject to Company performance metrics assessed by management with a three-year performance period. Each PSU granted permits the holder to receive a cash payment equal to the volume weighted average share price for the five days preceding payment adjusted for performance metrics. PSU holders are entitled to share in dividends which are credited as additional PSUs at the dividend record date. In the event of a change of control, all PSUs vest immediately to be valued based on a value weighted average pricing model.

The following summarizes the changes in outstanding PSUs:

(Number of PSUs)	**Nine months ended September 30, 2018**	Year ended December 31, 2017
Outstanding - beginning of period	**3,871,624**	6,180,683
New grants	**2,331,525**	1,510,395
Exercised	—	(2,971,496)
Exchange of units	—	(368,396)
Forfeited	**(436,302)**	(479,562)
Outstanding - end of period	**5,766,847**	3,871,624

At September 30, 2018, there were no vested PSUs outstanding (December 31, 2017 - nil). Of the PSUs outstanding at September 30, 2018, 2,250,280 vest on December 1, 2018, 1,248,276 vest on December 1, 2019, and 2,268,291 vest on December 1, 2020. The total fair value of PSUs at September 30, 2018 was $8.8 million (December 31, 2017 - $3.2 million), which represents total PSUs outstanding multiplied by the trailing five day volume weighted average share price of the Company's underlying common shares and adjusted for performance factors. The liability is recorded in accounts payable and accrued liabilities in the consolidated statements of financial position.

During the year ended December 31, 2017, Trinidad entered into an exchange agreement with certain officers and employees whereby the holders of specific PSUs exchanged their rights to these PSUs for restricted share units (RSUs). The PSUs were exchanged on a one-to-one basis for RSUs. During the year ended December 31, 2017, 368,396 units were exchanged.

For the three and nine months ended September 30, 2018, Trinidad recognized a share-based payment expense related to the outstanding PSUs of $1.9 million and $5.6 million, respectively (2017 - expense of $0.9 million and $2.4 million, respectively).

Restricted Share Unit Plan

On January 1, 2017, Trinidad established the RSU Plan to provide an opportunity for officers and employees of Trinidad to promote further alignment of interests between employees and the shareholders. Each RSU granted permits the holder to receive a cash payment equal to the volume weighted average share price for the five days preceding payment. RSU holders are entitled to share in dividends which are credited as additional RSUs at the dividend record date. In the event of a change of control, all RSUs vest immediately to be valued based on a value weighted average pricing model.

(Number of RSUs)	**Nine months ended September 30, 2018**	Year ended December 31, 2017
Outstanding - beginning of period	**933,252**	—
New grants	**947,571**	575,614
Exchange of units	—	368,396
Forfeited	**(160,337)**	(10,758)
Outstanding - end of period	**1,720,486**	933,252

At September 30, 2018, there were no vested RSUs outstanding (December 31, 2017 - nil). Of the RSUs outstanding at September 30, 2018, 306,297 vest on December 1, 2018, 508,773 vest on December 1, 2019, and 905,416 vest on December 1, 2020. The total fair value of RSUs at September 30, 2018 was $1.5 million (December 31, 2017 - $0.8 million), which represents total RSUs outstanding multiplied by the trailing five day volume weighted average share price of the Company's underlying common shares, as the RSUs have no exercise price. The liability is recorded in accounts payable and accrued liabilities in the consolidated statements of financial position.

For the three and nine months ended September 30, 2018, Trinidad recognized a share-based payment expense related to the outstanding RSUs of $0.3 million and $0.8 million, respectively (2017 - expense of $0.2 million and $0.7 million, respectively).

Stock Appreciation Rights Plan

On November 5, 2013, Trinidad established the Stock Appreciation Rights (SAR) Plan to provide an opportunity for officers and employees of Trinidad to promote further alignment of interests between employees and shareholders. Each SAR granted permits the holder to receive a cash payment equal to the spread of the closing sales price of the stock and the grant price for all vested SARs. The SARs generally vest a portion on the first, second and third anniversary of the grant date, and must be exercised within ten years from the grant date. In event of a change in control, all outstanding SARs vest immediately.

(Number of SARs)	Nine months ended September 30, 2018	Year ended December 31, 2017
Outstanding - beginning of period	**1,025,654**	655,564
New grants	**1,113,303**	633,238
Forfeited	**(411,953)**	(263,148)
Outstanding - end of period	**1,727,004**	1,025,654

During the nine months ended September 30, 2018, 1,113,303 units were granted at an exercise price ranging between of $1.56 and $1.85, respectively (2017 - 633,238 SARs were granted for an exercise price ranging between $1.63 and $2.41, respectively).

At September 30, 2018, there were 450,353 vested SARs outstanding (December 31, 2017 - 297,168). The total fair value of SARs at September 30, 2018 was less than $0.1 million (December 31, 2017 - less than $0.1 million).

For both the three and nine months ended September 30, 2018, Trinidad recognized a share-based payment expense related to the outstanding SARs of less than $0.1 million (2017 - expense of less than $0.1 million and recovery of $0.1 million, respectively).

13. Earnings Per Share

Basic earnings per share for the three and nine months ended September 30, 2018 and 2017, is based on the net (loss) attributable to Trinidad shareholders, as reported in the consolidated statements of operations and comprehensive (loss), and the weighted average number of common shares outstanding in the period.

Diluted earnings per share for the three and nine months ended September 30, 2018 and 2017, is based on the net (loss) attributable to Trinidad shareholders, as reported in the consolidated statements of operations and comprehensive (loss), and the basic weighted average number of common shares outstanding, both adjusted for dilutive factors as follows:

	Three months ended September 30,		**Nine months ended September 30,**	
($ thousands except share data)	**2018**	2017	**2018**	2017
Net (loss) attributable to Trinidad common shareholders				
Basic	**(485,754)**	(44,408)	**(520,098)**	(61,927)
Diluted	**(485,754)**	(44,408)	**(520,098)**	(61,927)
Weighted average number of common shares				
Basic	**273,457,951**	270,992,722	**273,457,951**	263,428,394
Stock options	**4,209**	12,965	**27,358**	419,425
Diluted	**273,462,160**	271,005,687	**273,485,309**	263,847,819

For the three and nine months ended September 30, 2018, 1,893,036 and 1,869,887 stock options were excluded from the calculation of diluted earnings per share as the effect would have been anti-dilutive (2017 - 1,413,016 and 1,006,556, respectively, stock options excluded).

14. Financial Instruments

Trinidad's financial instruments include cash and cash equivalents, accounts receivable, investment in TDI joint venture, accounts payable and accrued liabilities, long-term debt, non-controlling interests liability and contingent consideration. The carrying amounts of these financial instruments, reported on the Company's consolidated statements of financial position approximates their fair values, with the exception of the 2019 Senior Notes and the 2025 Senior Notes, as follows:

As at	September 30, 2018		December 31, 2017	
($ thousands)	**Fair Value**	**Carrying Value**	Fair Value	Carrying Value
Financial assets at amortized cost:				
Cash and cash equivalents	**6,765**	**6,765**	3,948	3,948
Accounts receivable	**147,498**	**147,498**	117,385	117,385
Financial assets at fair value through profit or loss:				
Investment in TDI joint venture	**152,238**	**152,238**	213,616	213,616
Financial liabilities measured at amortized cost:				
Accounts payable and accrued liabilities	**90,943**	**90,943**	106,694	106,694
Credit Facility				
Canadian Revolving Credit Facility (1)	**19,984**	**19,984**	40,766	40,766
US Revolving Credit Facility (1) (2)	**33,608**	**33,608**	43,855	43,855
2025 Senior Notes (1)	**450,713**	**452,410**	427,586	438,550
Financial liabilities at fair value through profit or loss:				
Contingent consideration	**—**	**—**	7,035	7,035
Non-controlling interests liability	**11,895**	**11,895**	8,863	8,863

(1) 2025 Senior Notes and Credit Facilities are recorded at their gross amounts and do not include transaction costs incurred on their issuance.
(2) US Revolving Credit Facility was equivalent to US$26.0 million at September 30, 2018 and US$35.0 million at December 31, 2017.

Trinidad has estimated the fair value amounts using appropriate valuation methodologies and information available to management as of the valuation dates. The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it was practicable to estimate that value:

- **Cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities.** The carrying amounts approximate fair value because of the short maturity of these instruments.
- **Investment in TDI joint venture.** The fair value of the investment reflects amounts that Trinidad has invested into the TDI joint venture and the expected future financial performance of the joint venture operations. The investment in joint venture is a level 3 in the fair value hierarchy (note 8).
- **Credit Facility.** The fair value of the various pieces of long-term debt related to the credit facilities are based on the values owed to third-party financial institutions using current market price indicators. Long-term debt is a level 2 in the fair value hierarchy.
- **Senior Notes.** The fair value of the 2025 Senior Notes is based on the closing market price on the date of valuation. The 2025 Senior Notes are a level 1 in the fair value hierarchy.
- **Contingent consideration.** The fair value of the contingent consideration is a level 3 in the fair value hierarchy.
- **Non-controlling interests.** The fair value of the non-controlling interests are a level 3 in the fair value hierarchy (note 10).

During the nine months ended September 30, 2018 and the year ended December 31, 2017, there were no transfers of any financial assets or liabilities between levels.

Financing costs

The carrying value of the 2025 Senior Notes and revolving credit facilities are recorded net of debt issuance costs. At September 30, 2018, the deferred issuance costs related to Trinidad's 2025 Senior Notes and revolving credit facilities was $9.9 million (December 31, 2017 - $11.5 million). Trinidad recorded finance costs of $0.5 million and $1.6 million for the three and nine months ended September 30, 2018 relating to amortization of debt issuance costs (2017 - $0.6 million and $1.7 million, respectively).

Nature and Extent of Risks Arising from Financial Instruments

Trinidad is exposed to a number of market risks arising through the use of financial instruments in the ordinary course of business. Specifically, Trinidad is subject to credit risk, liquidity risk, currency risk and interest rate risk.

	Risks			
			Market risks	
Financial Instrument	Credit	Liquidity	Currency	Interest rate
Measured at cost or amortized cost				
Cash and cash equivalents	X		X	X
Accounts receivable	X		X	
Accounts payable and accrued liabilities		X	X	
Current portion of long-term debt		X		X
Long-term debt		X	X	X
Measured at fair value				
Investment in TDI joint venture	X	X	X	
Non-controlling interests	X	X	X	
Contingent consideration		X	X	

Credit risk

Trinidad is exposed to credit risk as a result of extending credit to customers prior to receiving payment for services to be performed, creating exposure on accounts receivable balances with trade customers. This exposure to credit risk is managed through a corporate credit policy whereby upfront evaluations are performed on all customers and credit is granted based on payment history, financial conditions and anticipated industry conditions. When a customer does not meet initial credit evaluations, work may be performed subject to a prepayment of services.

The Company applies the simplified approach to providing for expected credit losses ("ECL"), as prescribed by IFRS 9, based on the customers' credit risk at each reporting period. The Company applies a provision matrix based on average external credit ratings. The total credit loss provision at January 1, 2018 was $1.2 million, and was recorded to opening retained earnings. The total credit loss provision at September 30, 2018 was $1.2 million.

	Credit Quality (1)			
As at September 30, 2018	High	Medium	Low	Total
($ thousands)				
Expected loss rate	0.0% to 1.0%	1.1% to 2.0%	> 2.0%	
Expected impairment loss	239	734	229	**1,202**

(1) For receivables from a counterparty that does not have a third party credit rating, the Company used its best estimate to approximate the credit quality of that counterparty.

Liquidity risk

Liquidity risk is the risk that Trinidad will not be able to meet its financial obligations as they become due. The Company actively manages its liquidity through daily, weekly and longer-term cash outlook and debt management strategies. Trinidad's policy is to ensure that sufficient resources are available either from cash balances, cash flows or undrawn committed bank facility, to ensure all obligations are met as they fall due. To achieve this objective, the Company:

- Maintains cash balances and liquid investments with highly-rated counterparties;
- Limits the maturity of cash balances; and
- Borrows the bulk of its debt needs under committed bank lines or other term financing.

The following maturity analysis shows the remaining contractual maturities for Trinidad's financial liabilities:

As at September 30, 2018 ($ thousands)	**Due within 1 year**	**2 - 3 years**	**4 - 5 years**	**After 5 years**
Accounts payable and accrued liabilities	78,017	—	—	—
Canadian Revolving Credit Facility	19,984	—	—	—
US Revolving Credit Facility	33,608	—	—	—
2025 Senior Notes (1)	—	—	—	452,410
Contingent consideration	12,926	—	—	—
Interest payments on contractual obligations	29,972	59,944	59,944	39,963
Total	**174,507**	**59,944**	**59,944**	**492,373**

(1) The financial liability of the 2025 Senior Notes represents the Canadian dollar face value at maturity in January of 2025.

Currency risk

Trinidad's operations are affected by fluctuations in currency exchange rates due to the Company's expansion into the US and international marketplace and reliance on US and international suppliers to deliver components used by these drilling operations. The exposure to realized foreign currency fluctuations from its US subsidiaries is mitigated due to the independence of the US and international operations from its Canadian parent for cash flow requirements to satisfy daily operations, creating a natural hedge. However, Trinidad is exposed to unrealized fluctuations in the gains and losses on consolidation, and US dollar-denominated inter-company balances between the US, international and Canadian entities. During the nine months ended September 30, 2018 and 2017, the Company had in place a net investment hedge on these foreign entities.

As at September 30, 2018 and 2017, portions of Trinidad's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and contingent consideration were denominated in US dollars. In addition, Trinidad's US and international subsidiaries, and Trinidad's investments in joint ventures, including all related joint venture gains and losses, are subject to foreign translation adjustments upon consolidation. Based on these US dollar financial instrument closing balances, net (loss) for both the three and nine months ended September 30, 2018 would have fluctuated by $2.4 million (2017 - $0.2 million and less than $0.1 million, respectively), and for the three and nine months ended September 30, 2018, other comprehensive (loss) would fluctuate by $3.3 million and $8.0 million, respectively (2017 - $1.0 million and $10.8 million, respectively) for every $0.01 variation in the value of the US/Canadian exchange rate.

Interest rate risk

Trinidad is exposed to risk related to changes in interest rates on borrowings under the credit facility which is subject to floating interest rates. As at September 30, 2018, Trinidad had $20.0 million outstanding debt on the Canadian dollar credit facility and $33.6 million outstanding debt on the US credit facility. A change of one percent in the interest rates for the three and nine months ended September 30, 2018 would cause a change of $0.1 million and $0.5 million, respectively in interest costs (2017 - less than $0.1 million and $0.2 million, respectively).

15. Commitments and Contingencies

Commitments

Trinidad enters into drilling contracts with third parties for use of the Company's drilling equipment. These contracts range from 12 months to five years. As well, Trinidad has several operating lease agreements on buildings and equipment. Operating lease expenses are included in general and administrative expenses and operating expenses in the consolidated statements of operations and comprehensive (loss). The Company does not have any contingent rental payments. The Company's annual commitments are shown net of sublease income. The leases expire at various times through 2022 and there are no significant renewal or purchase options.

As at September 30, 2018 ($ thousands)	Due within 1 year	2 - 3 years	4 - 5 years	After 5 years
Operating leases	2,356	2,759	1,045	—

Executive Employment agreements

Trinidad has entered into executive employment agreements with executive management. Each employment agreement remains in effect for an indefinite period, unless terminated earlier by either Trinidad or the executive officer in accordance with the provisions of the respective employment agreement. The employment agreements with executive management contain "double-trigger" change of control provisions, meaning the entitlements are triggered only in the event of both a "change of control" of Trinidad and the departure of the executive officer for "good reason" or termination without cause. Refer to Trinidad's Joint Management Information Circular filed November 7, 2018 for detailed information.

Severance agreements

On April 1, 2018, Trinidad implemented a severance plan which provides certain employees and officers other than executive management with severance protection and certainty surrounding severance payment calculations in the event of a change of control of Trinidad. The severance plan was implemented during the strategic review process for retention purposes and to formalize Trinidad's past practice with respect to severance payments.

Each severance agreement contains "double-trigger" change of control provisions, which provide that if the eligible employee is terminated from his or her employment without just cause or resigns from his or her employment for "good reason" within the 12-month period following a change of control, that eligible employee shall receive a lump-sum payment based on Trinidad's severance practices and taking into account his or her country of employment, position with Trinidad and years of service with Trinidad. Refer to Trinidad's Directors' Circular dated September 13, 2018 for detailed information.

Contingencies

Trinidad is involved in various legal actions which have occurred in the course of operations. Management is of the opinion that losses, if any, arising from such legal actions would not have a material effect on these consolidated financial statements.

16. Segmented Information

The following presents the result of Trinidad's operating segments:

Three months ended September 30, 2018 ($ thousands)	United States / International Operations	Canadian Operations	Joint Venture Operations (1)	Corporate	Total
Operating revenue	102,944	53,543	—	—	156,487
Other revenue	42	189	—	—	231
Third party recovery	12,942	5,003	—	—	17,945
General and administrative - third party recovery	—	—	—	225	225
Elimination of downstream transactions	—	(96)	—	—	(96)
	115,928	58,639	—	225	174,792
Operating costs	63,724	34,745	—	—	98,469
Third party costs	12,942	5,003	—	—	17,945
Operating income	39,262	18,891	—	225	58,378
Depreciation and amortization	34,790	21,141	—	—	55,931
Loss (gain) on sale of assets	18	(28)	—	—	(10)
Impairment of property and equipment	301,642	182,744	—	—	484,386
Impairment of goodwill and intangibles	62,330	18,898	—	—	81,228
	398,780	222,755	—	—	621,535
Segmented (loss) income	(359,518)	(203,864)	—	255	(563,157)
Loss from investments in joint ventures (1)	—	—	26,807	—	26,807
General and administrative	—	—	—	15,998	15,998
General and administrative - third party costs	—	—	—	225	225
Foreign exchange	—	—	—	1,165	1,165
Finance and transaction costs	—	—	—	9,131	9,131
Fair value adjustments	(2,825)	508	—	—	(2,317)
Income taxes	—	—	—	(128,553)	(128,553)
Net (loss) income	(356,693)	(204,372)	(26,807)	102,259	(485,613)
Purchase of property and equipment	25,819	5,012	—	—	30,831

(1) The loss from investments in joint ventures reflects the Company's share of the financial performance of the joint ventures during the period. The Company's share of individual assets and liabilities are recognized as an investment on the consolidated statements of financial position.

Three months ended September 30, 2017 ($ thousands)	United States / International Operations	Canadian Operations	Joint Venture Operations (1)	Corporate	Total
Operating revenue	76,512	45,253	—	—	121,765
Other revenue	9	207	—	—	216
Third party recovery	3,642	4,218	—	—	7,860
General and administrative - third party recovery	—	—	—	63	63
Elimination of downstream transactions	—	(94)	—	—	(94)
	80,163	49,584	—	63	129,810
Operating costs	54,219	30,670	—	—	84,889
Third party costs	3,642	4,218	—	—	7,860
Operating income	22,302	14,696	—	63	37,061
Depreciation and amortization	28,757	24,560	—	—	53,317
(Gain) on sale of assets	(296)	(13)	—	—	(309)
	28,461	24,547	—	—	53,008
Segmented (loss) income	(6,159)	(9,851)	—	63	(15,947)
Loss from investments in joint ventures (1)	—	—	17,182	—	17,182
General and administrative	—	—	—	13,855	13,855
General and administrative - third party costs	—	—	—	65	65
Foreign exchange	—	—	—	3,452	3,452
Finance and transaction costs	—	—	—	9,709	9,709
Fair value adjustments	560	(66)	—	—	494
Income taxes	—	—	—	(16,047)	(16,047)
Net (loss) income	(6,719)	(9,785)	(17,182)	(10,971)	(44,657)
Purchase of property and equipment	40,859	11,711	—	—	52,270

(1) The loss from investments in joint ventures reflects the Company's share of the financial performance of the joint ventures during the period. The Company's share of individual assets and liabilities are recognized as an investment on the consolidated statements of financial position.

Nine months ended September 30, 2018 ($ thousands)	United States / International Operations	Canadian Operations	Joint Venture Operations (1)	Corporate	Total
Operating revenue	274,647	144,721	—	—	419,368
Other revenue	194	801	—	—	995
Third party recovery	23,074	13,694	—	—	36,768
General and administrative - third party recovery	—	—	—	765	765
Elimination of downstream transactions	—	(279)	—	—	(279)
	297,915	158,937	—	765	457,617
Operating costs	175,205	94,523	—	—	269,728
Third party costs	23,074	13,694	—	—	36,768
Operating income	99,636	50,720	—	765	151,121
Depreciation and amortization	100,315	71,805	—	—	172,120
(Gain) loss on sale of assets	(3,338)	2,641	—	—	(697)
Impairment of property and equipment	301,642	182,744	—	—	484,386
Impairment of goodwill and intangibles	62,330	18,898	—	—	81,228
	460,949	276,088	—	—	737,037
Segmented (loss) income	(361,313)	(225,368)	—	765	(585,916)
Loss from investments in joint ventures (1)	—	—	19,199	—	19,199
General and administrative	—	—	—	41,529	41,529
General and administrative - third party costs	—	—	—	765	765
Foreign exchange	—	—	—	(3,362)	(3,362)
Finance and transaction costs	—	—	—	27,980	27,980
Fair value adjustments	(5,619)	1,493	—	—	(4,126)
Income taxes	—	—	—	(147,841)	(147,841)
Net (loss) income	(355,694)	(226,861)	(19,199)	81,694	(520,060)
Purchase of property and equipment	45,979	8,008	—	—	53,987

(1) The loss from investments in joint ventures reflects the Company's share of the financial performance of the joint ventures during the period. The Company's share of individual assets and liabilities are recognized as investments on the consolidated statements of financial position.

Nine months ended September 30, 2017 ($ thousands)	United States / International Operations	Canadian Operations	Joint Venture Operations [1]	Corporate	Total
Operating revenue	207,316	133,387	—	—	340,703
Other revenue	48	1,217	—	—	1,265
Third party recovery	9,434	12,286	—	—	21,720
General and administrative - third party recovery	—	—	—	330	330
Elimination of downstream transactions	(12)	(293)	—	—	(305)
	216,786	146,597	—	330	363,713
Operating costs	147,321	85,247	—	—	232,568
Third party costs	9,434	12,286	—	—	21,720
Operating income	60,031	49,064	—	330	109,425
Depreciation and amortization	83,920	59,829	—	—	143,749
(Gain) on sale of assets	(1,636)	(312)	—	—	(1,948)
	82,284	59,517	—	—	141,801
Segmented (loss) income	(22,253)	(10,453)	—	330	(32,376)
(Gain) from investments in joint ventures [1]	—	—	(19,627)	—	(19,627)
General and administrative	—	—	—	46,973	46,973
General and administrative - third party costs	—	—	—	330	330
Foreign exchange	—	—	—	10,062	10,062
Finance and transaction costs	—	—	—	32,736	32,736
Fair value adjustments	3,389	205	—	—	3,594
Income taxes	—	—	—	(43,690)	(43,690)
Net (loss) income	(25,642)	(10,658)	19,627	(46,081)	(62,754)
Purchase of property and equipment	72,594	38,534	—	—	111,128

(1) The (gain) from investments in joint ventures reflects the Company's share of the financial performance of the joint ventures during the period. The Company's share of individual assets and liabilities are recognized as investments on the consolidated statements of financial position.

As at September 30, 2018 ($ thousands)	United States / International Operations	Canadian Operations	Joint Venture Operations (1)	Corporate	Total
Property and equipment	**582,761**	**211,284**	—	—	**794,045**
Intangible assets and goodwill	**9,332**	—	—	—	**9,332**
Total assets less deferred tax asset	**742,467**	**244,367**	**153,088**	—	**1,139,922**
Deferred income tax asset (liability)	**72,532**	**155,844**	—	—	**228,376**

(1) The loss from investments in joint ventures reflects the Company's share of the financial performance of joint ventures during the period. The Company's share of individual assets and liabilities are recognized as an investment on the consolidated statements of financial position.

As at September 30, 2017 ($ thousands)	United States / International Operations	Canadian Operations	Joint Venture Operations (1)	Corporate	Total
Property and equipment	870,797	520,297	—	—	1,391,094
Intangible assets and goodwill	73,692	19,034	—	—	92,726
Total assets less deferred tax asset	1,070,371	538,271	215,470	—	1,824,112
Deferred income tax asset (liability)	(14,650)	75,899	—	—	61,249

(1) The loss (gain) from investments in joint ventures reflects the Company's share of the financial performance of joint ventures during the period. The Company's share of individual assets and liabilities are recognized as an investment on the consolidated statements of financial position.

17. Expenses by Nature

The Company presents certain expenses in the consolidated statements of operations and comprehensive (loss) by function. The following table presents these expenses by nature:

	Three months ended September 30,		Nine months ended September 30,	
($ thousands)	**2018**	2017	**2018**	2017
Expenses				
Wages and benefits	**70,862**	59,527	**193,535**	160,536
Materials and supplies	**13,204**	15,525	**37,267**	54,452
Third party costs	**17,944**	7,860	**36,767**	21,720
Repairs and maintenance	**18,075**	14,023	**48,763**	38,541
External services and facilities	**6,665**	8,648	**17,912**	23,468
Research and development costs	**904**	—	**1,962**	—
General and administrative - third party costs	**225**	63	**765**	330
Share-based payment expense	**2,336**	1,023	**7,165**	2,544
Strategic review and restructuring expense	**2,075**	—	**4,695**	—
Expected credit loss	**347**	—	**(41)**	—
	132,637	106,669	**348,790**	301,591
Allocated to:				
Operating expense	**116,414**	92,749	**306,496**	254,288
General and administrative	**16,223**	13,920	**42,294**	47,303
	132,637	106,669	**348,790**	301,591
Foreign exchange				
Foreign exchange - realized	**(548)**	1,243	**334**	5,938
Foreign exchange - unrealized	**1,713**	2,209	**(3,696)**	4,124
	1,165	3,452	**(3,362)**	10,062
Finance and transaction costs				
Interest on long-term debt	**8,581**	8,363	**26,335**	28,896
Accretion of 2019 Senior Notes	—	—	—	53
Amortization of deferred financing costs	**550**	635	**1,645**	1,734
Transaction costs	—	691	—	2,053
	9,131	9,709	**27,980**	32,736

18. Foreign Currency Translation

The foreign currency translation adjustment relates to Trinidad's non-Canadian operations that have functional currencies that differ from the Canadian dollar and exchange differences on Trinidad's Senior Notes held in US dollars. When the settlement of a balance is not foreseeable in the near future, foreign exchange gains and losses arising on the translation of inter-company balances are considered part of the net investment in the foreign operation. All amounts will be reclassified to profit or loss when specific conditions are met.

	Three months ended September 30,		Nine months ended September 30,	
($ thousands)	**2018**	2017	**2018**	2017
Unrealized (gain) loss on translation of foreign operations with functional currency different from Canadian dollar	**(16,838)**	(38,753)	**37,302**	(79,200)
Foreign exchange loss (gain) on net investment hedge with US dollar denominated debt, net of tax [(1)]	**5,893**	10,334	**(10,181)**	26,439
Total foreign currency translation adjustment	**(10,945)**	(28,419)	**27,121**	(52,761)

(1) Net of income tax for the three and nine months ended September 30, 2018 is $2.2 million and $(3.8) million, respectively (September 30, 2017 - $4.6 million and $9.7 million, respectively).

19. Supplemental Information

Change in non-cash working capital balances:

Nine months ended September 30,		
($ thousands)	**2018**	2017
Accounts receivable	**(26,477)**	(24,993)
Inventory	**467**	1,619
Prepaid expenses	**(1,406)**	(2,967)
Accounts payable and accrued liabilities	**(23,108)**	28,670
Deferred revenue	**(608)**	906
	(51,132)	3,235
Pertaining to:		
Operations	**(29,417)**	(21,744)
Investing	**(21,715)**	24,979
	(51,132)	3,235

Reconciliation of financing cash flow activities to long-term debt:

($ thousands)	Short-term Borrowings	Long-term Borrowings
Opening long-term debt as at December 31, 2017	—	511,674
Changes from financing cash flows		
Proceeds from long-term debt	—	**160,476**
Repayments of debt	—	**(192,739)**
Debt issuance costs	—	**(25)**
Non-cash changes		
Amortization of deferred financing costs	—	**1,645**
Translation adjustment of Senior Notes	—	**15,068**
Ending long-term debt as at September 30, 2018	**-**	**496,099**
Opening long-term debt as at December 31, 2016	1,959	601,057
Changes from financing cash flows		
Proceeds from long-term debt	—	105,729
Repayments of debt	(1,959)	(53,457)
Repayments of 2019 Senior Notes	—	(591,670)
Proceeds from 2025 Senior Notes	—	461,860
Debt issuance costs	—	(11,456)
Non-cash changes		
Accretion of 2019 Senior Notes	—	53
Amortization of deferred financing costs	—	1,734
Translation adjustment of Senior Notes	—	(36,239)
Ending long-term debt as at September 30, 2017	—	477,611

20. Subsequent Event

On October 5, 2018, Trinidad announced that the board of directors had unanimously agreed to a strategic combination with Precision Drilling Corporation ("Precision"), creating an industry-leading contract driller. Under the terms of the combination, Precision is offering 0.445 of a Precision Share for each of the issued and outstanding common shares of Trinidad. The transaction is subject to the approval of the security holders of Trinidad and the shareholders of Precision, the Court of Queen's Bench as well as certain regulatory approvals and other customary closing conditions. The transaction is expected to close by the end of 2018, subject to regulatory approvals.

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Trinidad Drilling is traded on TSX under the symbol **TDG**