# CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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## INDEPENDENT AUDITORS' REPORT

**To the Shareholders of Canadian Equipment Rentals Corp.**

**We have audited the accompanying consolidated financial statements of Canadian Equipment Rentals Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.**

***Management's Responsibility for the Consolidated Financial Statements***

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

***Auditors' Responsibility***

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

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

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

***Opinion***

**In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Canadian Equipment Rentals Corp. as at December 31, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.**

**Chartered Professional Accountants**

KPMG LLP

**April 25, 2017**
**Calgary, Canada**

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**CANADIAN EQUIPMENT RENTALS CORP.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

IN THOUSANDS OF CANADIAN DOLLARS

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | 2,955 | 3,327 |
| Restricted cash (note 21(a)) | 1,200 | — |
| Accounts receivable (note 23(b)) | 2,830 | 5,626 |
| Inventory (note 4) | — | 1,594 |
| Income taxes recoverable | 986 | 1,187 |
| Prepaid expenses and deposits | 643 | 945 |
| Assets held for sale (note 21(b)) | 8,381 | — |
| | 16,995 | 12,679 |
| Non-current assets: | | |
| Property and equipment (note 5) | 46,531 | 77,315 |
| Intangibles and goodwill (note 7) | 7,506 | 9,854 |
| Deferred income taxes (note 10) | 6,617 | — |
| | 60,654 | 87,169 |
| **Total assets** | 77,649 | 99,848 |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 1,794 | 2,164 |
| Dividends payable | — | 728 |
| Current portion of long-term debt (note 8) | 29,041 | 1,000 |
| Current portion of finance leases | — | 273 |
| Liabilities held for sale (note 21(b)) | 545 | — |
| | 31,380 | 4,165 |
| Non-current liabilities: | | |
| Long-term debt (note 8) | — | 30,500 |
| Obligation under finance leases | — | 3,577 |
| Note payable (note 9) | 4,149 | — |
| Deferred income taxes (note 10) | — | 339 |
| | 4,149 | 34,416 |
| Total liabilities | 35,529 | 38,581 |
| Shareholders' equity | | |
| Share capital (note 11) | 105,071 | 102,610 |
| Preferred equity (note 11) | 2,864 | — |
| Share purchase loans receivable (note 13) | — | (22) |
| Contributed surplus | 1,160 | 1,024 |
| Deficit | (66,975) | (42,345) |
| | 42,120 | 61,267 |
| **Total liabilities and shareholders' equity** | 77,649 | 99,848 |

**Approved on behalf of the Board of Directors:**

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

(Signed) *"William Guinan"*
***William Guinan – Director***

***See accompanying notes to the Consolidated Financial Statements***

## CANADIAN EQUIPMENT RENTALS CORP.
### CONSOLIDATED STATEMENTS OF (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME
IN THOUSANDS OF CANADIAN DOLLARS

| | Year ended December 31 | |
|---|---|---|
| | **2016** | **2015** |
| **Revenues** (note 15) | 10,598 | 17,438 |
| **Direct expenses** | | |
| Direct operating costs | 4,632 | 10,364 |
| Cost of sales of equipment, fuel and parts | — | 28 |
| Depreciation of equipment | 7,701 | 6,021 |
| | 12,333 | 16,413 |
| **Gross margin (loss)** | (1,735) | 1,025 |
| **Operating expenses** | | |
| General and administrative (note 16) | 7,607 | 3,758 |
| Depreciation of other property and equipment | 186 | 98 |
| Loss on sale of equipment | 9,878 | — |
| Amortization of intangible assets (note 7) | 661 | 1,427 |
| Impairment of property & equipment (note 5) | 7,822 | — |
| Impairment of goodwill & intangibles (note 6) | — | 26,529 |
| Business acquisition expenses | 472 | 62 |
| | 26,626 | 31,874 |
| **Other expenses** | | |
| Finance costs (note 17) | 1,046 | 397 |
| Purchase gain (note 3) | (2,664) | — |
| **Loss before income taxes** | **(26,743)** | **(31,246)** |
| **Income taxes** (note 10) | | |
| Current (recovery) expense | (50) | (307) |
| Deferred (recovery) expense | (7,076) | (1,419) |
| | **(7,126)** | **(1,726)** |
| **Net loss and comprehensive loss from continuing operations** | **(19,617)** | **(29,520)** |
| Net loss from discontinued operations, net of income tax (note 21) | (5,013) | (532) |
| **Net loss and comprehensive (loss) income** | **(24,630)** | **(30,052)** |
| **Basic and Diluted Net (loss) income per share (note 14)** | | |
| From continuing operations | ($0.49) | ($0.81) |
| From discontinuing operations | ($0.12) | ($0.01) |
| **Total Basic and Diluted Net (loss) income per share** | ($0.61) | ($0.82) |
| **Weighted average number of shares outstanding** | | |
| Basic | 40,343,006 | 36,315,147 |
| Diluted | 40,343,006 | 36,315,147 |

***See accompanying notes to the Consolidated Financial Statements***

# CANADIAN EQUIPMENT RENTALS CORP.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

IN THOUSANDS OF CANADIAN DOLLARS

| | Share capital | Preferred shares | Share purchase loans | Contributed surplus | Deficit | Total |
|---|---|---|---|---|---|---|
| **Balance – December 31, 2014** | 102,350 | — | (93) | 873 | (6,485) | 96,645 |
| Stock based compensation | — | — | — | 151 | — | 151 |
| Share purchase loan (note 13) | — | — | 34 | — | — | 34 |
| Share purchase loan cancellation | (37) | — | 37 | — | — | — |
| Dividends reinvested (note 11) | 297 | — | — | — | — | 297 |
| Comprehensive (loss) income | — | — | — | — | (30,052) | (30,052) |
| Dividends declared (note 14) | — | — | — | — | (5,808) | (5,808) |
| **Balance – December 31, 2015** | 102,610 | — | (22) | 1,024 | (42,345) | 61,267 |
| Stock based compensation | — | — | — | 136 | — | 136 |
| Share purchase loan cancellation | (22) | — | 22 | — | — | — |
| Shares issued on business acquisition (note 3) | 2,484 | 2,864 | — | — | — | 5,348 |
| Shares issue costs net of deferred tax benefit of $15 | (41) | — | — | — | — | (41) |
| Dividends reinvested (note 11) | 40 | — | — | — | — | 40 |
| Comprehensive (loss) income | — | — | — | — | (24,630) | (24,630) |
| **Balance – December 31, 2016** | 105,071 | 2,864 | — | 1,160 | (66,975) | 42,120 |

***See accompanying notes to the Consolidated Financial Statements***

# CANADIAN EQUIPMENT RENTALS CORP.
## CONSOLIDATED STATEMENTS OF CASH FLOW
## FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
IN THOUSANDS OF CANADIAN DOLLARS

| | Year ended December 31 | |
|---|---|---|
| | **2016** | **2015** |
| **Cash provided by (used in):** | | |
| **Operating** | | |
| Net loss | (19,617) | (29,520) |
| Depreciation of property and equipment (note 5) | 7,888 | 6,150 |
| Loss (gain) on disposal of property and equipment (note 5) | 9,878 | (31) |
| Amortization of intangible assets (note 7) | 661 | 1,427 |
| Impairment of property and equipment (note 5) | 7,822 | — |
| Impairment of goodwill (note 6) | — | 26,529 |
| Purchase gain (note 3) | (2,664) | — |
| Gain on sale of operating segment (note 21) | (855) | — |
| Stock based compensation | 136 | 151 |
| Income taxes recovered | 492 | 745 |
| Deferred income taxes (note 10) | (7,076) | (1,419) |
| Cash flow from (used in) operating activities before changes in non-cash working capital | (3,335) | 4,032 |
| Changes in non-cash working capital (note 18) | (247) | 2,886 |
| Cash flow provided by (used in) continuing operations | (3,582) | 6,918 |
| Cash flow provided by discontinued operations (note 21) | 4,349 | 6,182 |
| Cash flow provided by operating activities | 767 | 13,100 |
| **Investing** | | |
| Change in non-cash working capital related to investing activities (note 18) | 271 | 5 |
| Repayment of debt assumed on business acquisition (note 3) | (12,789) | — |
| Proceeds from sale of operating segment | 10,354 | — |
| Purchase of property and equipment (note 5) | (2,061) | (2,364) |
| Proceeds from sale of property and equipment (note 5) | 2,221 | 138 |
| Proceeds from sale of assets held for sale (note 4) | 5,281 | — |
| Cash flow provided by (used in) continuing investing activities | 3,276 | (2,221) |
| Cash flow (used in) discontinued investing activities (note 21) | (318) | (2,930) |
| Cash flow provided by (used in) investing activities | 2,958 | (5,151) |
| **Financing** | | |
| Share issue costs | (56) | — |
| Share purchase loan payments received | — | 34 |
| Dividends paid, net of reinvestment | (688) | (6,956) |
| Proceeds from long-term debt (note 8) | 12,900 | 2,000 |
| Repayment of long-term debt (note 8) | (15,359) | (1,000) |
| Repayment of obligations under finance leases | (641) | (18) |
| Cash flow (used in) continuing financing activities | (3,844) | (5,940) |
| Cash flow (used in) discontinued financing activities (note 21) | (253) | (285) |
| Cash flow (used in) finance activities | (4,097) | (6,225) |
| Net change in cash in the year | (372) | 1,724 |
| Cash, beginning of year | 3,327 | 1,603 |
| Cash, end of year | 2,955 | 3,327 |

***See accompanying notes to the Consolidated Financial Statements***

## CORPORATE INFORMATION:

Canadian Equipment Rentals Corp. (formerly CERF Incorporated) (the "Company" or "Canadian Equipment Rentals") was formed under the laws of Alberta as a corporation on August 10, 2011. Prior to October 1, 2011, operations were carried on as Canadian Equipment Rental Fund Limited Partnership (the "Partnership"), which had been formed under the laws of Alberta as a limited partnership on January 21, 2005. On June 22, 2016, the Company received shareholder approval for the name change from CERF Incorporated to Canadian Equipment Rentals Corp.

The Company is presently engaged in energy services and in 2016 was also engaged in general equipment rentals and waste management services. Canadian Equipment Rentals Corp. is listed on the TSX Venture Exchange under the symbol CFL.

## 1. BASIS OF PREPARATION:

### a) Statement of compliance

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

These consolidated financial statements were authorized for issue by the Company's Board of Directors on April 25, 2017.

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

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

### b) Basis of presentation

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

After assessing internal budgets, plans, revised financing agreements and forecasts for the coming year, Management has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. See Note 23 (c) for significant judgements involved in reaching this conclusion.

### c) Critical accounting estimates and judgments

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

**Critical Accounting Estimates**

Amounts recorded for depreciation and amortization are based on the estimated useful lives and residual values of the underlying assets. Useful lives and residual values are based on Management's best estimate using knowledge of past transactions and as such are subject to measurement uncertainty. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear and legal or other limitations to use. It is possible that changes in these factors may cause changes in the estimated useful lives and residual values of the Company's property, plant and equipment and intangible assets in the future.

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

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

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

**Significant Management Judgments**

The Company's assets are segregated into cash-generating-units based on their ability to generate largely independent cashflows and used for impairment testing. The determination of the Company's cash-generating-units is subject to Management's judgment. The appropriate disclosures of liquidity and related financing received subsequent to year end was a matter of significant judgement.

**Recoverability of assets**

The Company assesses impairment on its non-financial assets when it has determined that a potential indicator of impairment exists. The assessment of the existence of impairment indicators is based on various internal and external factors and involves management's judgement. Goodwill is tested annually for impairment or when an indicator is present. Impairment exists when the carrying value of a non-financial asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements. The comparative statement of comprehensive income has been re-presented as if an operation discontinued during the year had been discontinued from the start of the comparative year (see note 21).

### a) Basis of consolidation:

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

| | |
|---|---|
| Canadian Equipment Rentals Corp. | Parent |
| 4-Way Equipment Rentals Corp. | 100% owned |
| MCL Waste Systems & Environmental Inc. | 100% owned |
| Zedcor Oilfield Rentals Ltd. | 100% owned |

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

### b) Business combinations:

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

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

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

**c) Inventories:**

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

**d) Property and equipment:**

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

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

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

Depreciation is provided for at the following rates and methods:

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

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

**e) Goodwill and intangible assets:**

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

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

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

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

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

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

**f) Impairment of non-financial assets**

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

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

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

**g) Lease payments:**

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

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

**h) Revenue recognition:**

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

**i) Equity settled transactions:**

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

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

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

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

**j) Finance costs:**

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

**k) Income taxes:**

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

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

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

- Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that will not affect accounting nor taxable profit or loss.
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

**l) Net income and comprehensive income per share:**

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

**m) Foreign currency translation:**

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

**n) Financial Instruments:**

*Loans and receivables*

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

*Non-derivative financial liabilities*

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

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

*Financial derivatives not using hedge accounting*

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

**o) Assets held for sale**

Non-current assets, or disposal groups comprising of assets and liabilities, are classified as held for sale if it is highly probably that they will be recovered primarily through sale or distribution rather than through continuing use.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's other accounting policies. Thereafter, the assets held for sale, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

**p) Discontinued operations:**

A discontinued operation is a component of the Company that has either been disposed of or that is classified as held for sale, and (a) represents a separate major line of business or geographical area of

operations; (b) is part of a single plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Assets, liabilities, comprehensive income, and cash flows relating to a discontinued operation of the Corporation are segregated and reported separately from the continuing operations of the Corporation. The comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

**q) Segment reporting:**

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

**r) New accounting standards not yet adopted:**

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

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

## 3. BUSINESS ACQUISITIONS:

**a) Zedcor Oilfield Rentals Ltd.**

On February 2, 2016, the Company acquired all the outstanding common and preferred shares of Zedcor Oilfield Rentals Ltd. ("Zedcor"). The purchase price consisted of the issuance by the Company of 3,049,968 common shares and 4,400,000 preferred shares both at a deemed price of $0.70 per share, the payout of approximately $12,789 in debt and the assumption of a $5,000 subordinated vendor take-back note.

The purchase price of $21,190 consisted of $1,799 of (3,049,968) Canadian Equipment Rentals common shares issued at the market closing price of $0.59 per share on the acquisition date and $2,864 based on the issuance of 4,400,000 Canadian Equipment Rentals preferred shares with a stated value of $0.70 per share, fair valued at $2,864, plus the payout of $12,789 in debt and the assumption of a $5,000 subordinated vendor take back note fair valued at $3,738. The purchase price was allocated to the net assets acquired based on their estimated fair values as follows:

| Fair value of acquired net assets: | |
|---|---|
| Working capital | 1,997 |

| | |
|---|---|
| Deferred tax liability | (957) |
| Property and equipment | 22,474 |
| | 23,514 |
| Financed as follows: | |
| Common shares issued | 1,799 |
| Preferred shares issued | 2,864 |
| Note payable | 3,738 |
| Debt assumed | 12,789 |
| | 21,190 |
| Purchase gain | 2,324 |

The Company recorded a purchase gain for the excess of the provisional estimated fair value of the acquired net assets over the purchase price. Before recording the provisional estimates of fair values and concluding that a purchase gain was appropriate, a rigorous assessment of all identified assets acquired and liabilities assumed at the acquisition date was completed to determine whether any additional assets or liabilities should be recognized. All procedures in determining the provisional measurement of identified assets acquired and liabilities assumed at the acquisition date were appropriate and in accordance with IFRS 3 Business Combinations. It was concluded the measurements appropriately reflect the consideration of all available information at the acquisition date, and the purchase gain is appropriate considering the nature and circumstances of the acquisition. Such circumstances included Zedcor's relatively new asset base and its expanded geographic footprint.

The Company incurred costs of $423 related to the Zedcor acquisition. These costs mainly relate to due diligence, legal fees and tax advisory fees. These costs have been included in business acquisition costs in the consolidated statements of income and loss.

**b) Summit Star Energy Services Inc.**

On May 6, 2016, the Company completed the acquisition of all the assets used in the business of Summit Star Energy Services Inc. ("Summit Star"). Summit Star's business involved the rental of light towers and electric pumps to the oil and natural gas industry in Western Canada.

The Company issued 1,713,318 common shares for the assets of Summit Star, which when multiplied by the volume weighted average price of the common shares of the Company over the 30 preceding trading days resulted in a stated purchase price of $750.

Under IFRS 3 Business Combinations, the market closing price of $0.40 per share on the acquisition date was used to value the 1,713,318 common shares, resulting in the recorded purchase price of $685. The purchase price was allocated to the assets acquired based on their estimated fair values as follows:

| | |
|---|---|
| Fair value of acquired net assets: | |
| Property and equipment | 1,025 |

| | |
|---|---|
| Financed as follows: | |
| Common shares issued | 685 |
| Purchase gain | 340 |

The Company recorded a purchase gain for the excess of the provisional estimated fair value of the acquired net assets over the purchase price. Before recording the provisional estimates of fair values and concluding that a purchase gain was appropriate, a rigorous assessment of all identified assets acquired at the acquisition date was completed to determine whether any additional assets or liabilities should be recognized. All procedures in determining the provisional measurement of identified assets acquired at the acquisition date were appropriate and in accordance with IFRS 3 Business Combinations. It was concluded the measurements appropriately reflect the consideration of all available information at the acquisition date, and the purchase gain is appropriate considering the nature and circumstances of the acquisition. Such circumstances included Summit Star's relatively new asset base and technologically advanced equipment.

The Company incurred costs of $48 related to the Summit Star acquisition. These costs mainly relate to due diligence, legal fees and tax advisory fees. These costs have been included in business acquisition costs in the consolidated statements of income and loss.

The purchase price accounting has not been finalized at the time of the release of these financial statements and is subject to normal valuation adjustments

## 4. INVENTORY:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Equipment and accessories held for resale | — | 595 |
| Parts and supplies | — | 999 |
| | — | 1,594 |

## 5. PROPERTY AND EQUIPMENT:

| Cost | Buildings | Rental equipment | Automotive & other equipment | Office furniture & equipment | Leasehold improvements | Total |
|---|---|---|---|---|---|---|
| **At December 31, 2014** | 4,801 | 89,826 | 13,592 | 1,094 | 315 | 109,628 |
| Additions | — | 4,135 | 1,892 | 796 | 61 | 6,884 |
| Business acquisition | — | — | — | — | — | — |
| Disposals | — | (2,770) | (1,209) | (8) | (18) | (4,005) |
| **At December 31, 2015** | 4,801 | 91,191 | 14,275 | 1,882 | 358 | 112,507 |
| Additions | — | 2,998 | 3,733 | 331 | — | 7,062 |
| Business acquisition | — | 22,947 | 515 | 37 | — | 23,499 |
| Assets held for sale | — | (35,174) | (16,759) | (1,427) | (249) | (53,609) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Disposals | — | (21,661) | (1,207) | (43) | — | (22,911) |
| Derecognition | (4,801) | — | — | — | — | (4,801) |
| **At December 31, 2016** | — | 60,301 | 557 | 780 | 109 | 61,747 |

| Accumulated depreciation | Buildings | Rental equipment | Automotive and other equipment | Office furniture & equipment | Leasehold improvements | Total |
|---|---|---|---|---|---|---|
| **At December 31, 2014** | 1,486 | 17,232 | 7,080 | 464 | 176 | 26,438 |
| Depreciation | 274 | 9,056 | 1,801 | 271 | 37 | 11,439 |
| Elimination on disposal | — | (1,744) | (926) | (3) | (12) | (2,685) |
| **At December 31, 2015** | 1,760 | 24,544 | 7,955 | 732 | 201 | 35,192 |
| Depreciation | 137 | 10,170 | 1,702 | 846 | 34 | 12,889 |
| Assets held for sale | — | (12,485) | (8,625) | (1,202) | (179) | (22,491) |
| Elimination on disposal | — | (7,583) | (876) | (18) | — | (8,477) |
| Derecognition | (1,897) | — | — | — | — | (1,897) |
| **At December 31, 2016** | — | 14,646 | 156 | 358 | 56 | 15,216 |

| Net Book Value | Buildings | Rental equipment | Automotive & other equipment | Office furniture & equipment | Leasehold improvements | Total |
|---|---|---|---|---|---|---|
| **At December 31, 2015** | 3,041 | 66,647 | 6,320 | 1,150 | 157 | 77,315 |
| **At December 31, 2016** | — | 45,655 | 401 | 422 | 53 | 46,531 |

Depreciation of assets subject to finance lease obligations for the year ended December 31, 2016 was $262 (2015 - $340).

During the year ended December 31, 2016, the Company sold assets with a net book value of $28,219 for proceeds of $10,736, resulting in a loss of $17,483 (2015: gain of $373).

At June 30, 2016, the Company and a landlord cancelled an existing building lease for the General Rentals segment and entered into a new lease agreement for the same premises. The modified lease terms resulted in reclassifying the building lease from a finance lease to an operating lease. The lease modification is subject to the derecognition provisions under IAS 39 and requires derecognizing the leased asset and the finance lease liability. Prior to their derecognitions, the net book value of the building was $2,904 and the finance lease obligation was $3,670, resulting in a gain of $766.

**Assets Held for Sale**

During 2016 the Company decided to sell certain under-utilized and obsolete rental assets in the Energy Services and General Rentals segments. At March 31, 2016, the Company classified such equipment with a fair value of $3.7 million as assets held for sale. An impairment of $5.6 million was recognized prior to reclassification from property and equipment to assets held for sale. At September 30, 2016, the Company classified additional under-utilized equipment with a fair value of $2.4 million as assets held for sale. An impairment of $2.4 million was recognized for these assets in the period ended September 30, 2016. As at December 31, 2016 all under untilized equipment held for sale were sold.

See note 21 for detail on assets held for sale through discontinued operations.

## 6. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS:

The Company reviews the carrying value of its long-lived assets and cash generating units ("CGU") at each reporting date to determine whether there is any indication of value impairment. During 2016, oil and natural gas prices remained at industry low levels indicating possible impairment.

At December 31, 2016, the Company performed an impairment test for goodwill on the Energy Services CGU. The Company determined the recoverable amount on the basis of value in use ("VIU"). The VIU was determined by discounting the future cash flows to be generated from the operations of the cash generating unit to which goodwill has been allocated, using a 5-year model, a post-tax discount rate of 14.75% and a terminal value growth of 2.0%. Budgeted EBITDA margins for the Energy Services CGU was forecasted using historical margins and taking into consideration known or pending factors. EBITDA is a non-GAAP measure which is defined as earnings before interest, taxes, depreciation and amortization.

Revenue, EBITDA and cash flow projection assumptions were based on a combination of past results, current corporate structure and expectations of future growth. Cash flow projections for 2017-2021 assume a gradual recovery to historical activity levels, due to the gradual recovery in the industry seen in the second half of the year. Impairment losses are allocated first to reduce the carrying cost of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU.

No impairment charges were recorded for the Energy Services Segment, as the recoverable amount was greater than the carrying amount. Reasonably possible changes in key assumptions would not cause the recoverable amount of goodwill to fall below the carrying amount.

The carrying value of the Industrial Rentals CGU was written down to fair value less costs of disposal as at December 31, 2016 prior to being classified as held for sale, therefore no further impairment testing was required. The Waste Management Segment was sold on November 30, 2016, resulting in a disposition of goodwill and intangibles of $1.5 million.

## 7. GOODWILL AND INTANGIBLES

| Cost | Goodwill | Long term Contracts | Customer Relation-ships | Non-compete agreement | Brand names & other | Total |
|---|---|---|---|---|---|---|
| **At December 31, 2014** | **31,304** | **573** | **5,644** | **742** | **44** | **38,307** |
| Amortization | — | (423) | (1,378) | (95) | (28) | (1,924) |
| Impairment | (24,045) | — | (1,845) | (639) | — | (26,529) |
| **At December 31, 2015** | **7,259** | **150** | **2,421** | **8** | **16** | **9,854** |
| Amortization | — | (150) | (661) | (8) | (12) | (831) |
| Disposition | (1,513) | — | — | — | (4) | (1,517) |
| **At December 31, 2016** | **5,746** | — | **1,760** | — | — | **7,506** |

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

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

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Energy services | 5,746 | 5,746 |
| General rentals | — | — |
| Waste management | — | 1,513 |
| | 5,746 | 7,259 |

## 8. CREDIT FACILITIES:

| | Effective interest rate | Final maturity | Facility maximum | Outstanding as at December 31, 2016 | Outstanding as at December 31, 2015 |
|---|---|---|---|---|---|
| Revolving operating facility | 8.7% | 2017 | 32,500 | 29,041 | 27,500 |
| Revolving capital expenditure facility | — | — | — | — | 4,000 |
| | | | | 29,041 | 31,500 |
| Current portion | | | | (29,041) | (1,000) |
| Long term debt | | | | — | 30,500 |

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

| Third Amending Agreement | Mar 31 2016 | June 30 2016 | Sept 30 2016 | Dec 31 2016 | Mar 31 2017 | Thereafter |
|---|---|---|---|---|---|---|
| Debt to EBITDA* | 5.75:1 | 5.50:1 | 5.50:1 | 4:00:1 | 3.50:1 | 3.00:1 |
| Interest Coverage Ratio** | 3.25:1 | 3.25:1 | 2.75:1 | 2.75:1 | 3.50:1 | 3.50:1 |

On November 24, 2016 the Company's Syndicated Bank Credit facility was amended under the Fourth Amending agreement. The fourth amending agreement included a reduction in the revolving facility amount from $55 million to $46 million.

On December 15, 2016 the Company's Syndicated Bank Credit facility was amended under the Fifth Amending agreement. The fifth amending agreement included a reduction in the revolving facility amount from $46 million to $32.5 million and cancellation of the term facility commitment and swingline loans.

Interest payable on all loans drawn under the credit facilities will range from bank prime rate plus 300 bps to bank prime rate plus 600 bps depending on the Company's Debt to EBITDA ratio. Under the terms of the Fifth Amending Credit Agreement, the Company was not in compliance of its financial leverage and interest coverage covenants as at December 31, 2016 and thus all debt held with the creditors is classified as current.

| | Requirement | Actual at December 31, 2016 |
|---|---|---|
| Debt to EBITDA* | Maximum of 4.00 times EBITDA | 9.11 times EBITDA |
| Interest Coverage Ratio** | Minimum of 2.75 times adjusted cash flow | 1.19 times adjusted cash flow |

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

The leverage covenant measures the Company's financial leverage (long term senior debt less cash) as a multiple of its EBITDA. Management forecasts the leverage and interest coverage covenant breaches will persist through the first quarter of 2017.

A breach constitutes an event of default under the Agreement, which provides the lenders several alternatives including a waiver of the breach, an amendment to the Agreement to reset the covenants or a requirement to repay the borrowings.

On February 16, 2017, the Company's Syndicated Credit Facility was amended under the Sixth Amending Agreement in which the lenders agree to forbear from demanding repayment or enforcing its security under the agreement until April 28, 2017. The sixth amending agreement included a reduction in the revolving facility amount from $32.5 million to $20.97 million.

On April 21, 2017, the Company entered into a Loan and Security Agreement with a new lender. The Loan and Security Agreement in the amount of $20.4 million will be used to repay the existing Syndicated Credit Facility, will bear interest at a rate of 12.75% and has a term of 12 months with an option to extend for an additional 12 months at the satisfaction of the lender. The Loan and Security Agreement will be serviced by six months of interest only payments, followed by six months of blended principal and interest payments. The Loan and Security Agreement does not require quantitative financial covenants, but imposes restrictions on the Loan's collateral, being the property and equipment of the Company. The Company shall issue the lender share purchase warrants entitling the lender to acquire common shares in the Company representing approximately 6.5% of the fully diluted equity at the time of exercise, at an exercise price of $0.25 per warrant. The warrants will expire 90 days after the term of the loan.

## 9. NOTE PAYABLE

On February 2, 2016, the Company issued a $5,000,000 Canadian dollar vendor take-back note as part of the Zedcor acquisition purchase price (see Note 3). The vendor take-back note matures five years from the issue date at its nominal value and bears interest at five per cent per annum, accruing daily from the issue date. Accrued and unpaid interest is due upon maturity. The vendor take-back note is unsecured and subordinated to the Credit Facilities and interest payments are subject to certain restrictions in the Credit Facility.

As at December 31, 2016, the note payable had a carrying value of $4,149.

| | |
|---|---|
| Fair value of note payable: | |
| Note payable at 5.0% due February 2, 2021 | 5,000 |
| Note payable discount | (1,262) |
| Fair value of note payable as at February 2, 2016 | 3,738 |
| Interest payable | 229 |
| Accretion of note payable discount | 182 |
| **Balance, December 31, 2016** | **4,149** |

## 10. INCOME TAXES:

The major components of income tax expense are as follows:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Current income tax | (50) | (307) |
| Deferred tax | (7,076) | (1,419) |
| Provision for income taxes | (7,126) | (1,726) |

The following summarizes income taxes recognized in equity:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Share issue costs | 15 | — |

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

| | Excess book value | Intangibles | Deductible leases | Tax loss carry forwards | Share issue costs | Net deferred tax asset (liability) |
|---|---|---|---|---|---|---|
| As at December 31, 2014 | (3,409) | — | 1,038 | 584 | 226 | (1,561) |
| Recognized in profit or loss | 1,197 | 90 | 1 | (5) | (61) | 1,222 |
| As at December 31, 2015 | (2,212) | 90 | 1,039 | 579 | 165 | (339) |
| Recognized in profit or loss | 3,318 | 107 | (1,039) | 4,636 | (66) | 6,956 |
| As at December 31, 2016 | 1,106 | 197 | — | 5,215 | 99 | 6,617 |

Reconciliation of effective tax rate:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Net Income (Loss) before income tax | (26,743) | (31,246) |
| Statutory Tax rate | 27% | 27% |
| Expected tax | (7,221) | (8,436) |
| Non-deductible expenses | 95 | 6,588 |
| Change in income tax rate | — | 122 |
| Other | — | — |
| Tax expense | (7,126) | (1,726) |

As at December 31, 2016 the Company had non-capital loss carry forwards of approximately $19,317 (2015 - $2,142) which may be available to reduce future taxable income. These losses begin to expire in 2030. The future benefit of the loss carry forwards has been recognized in deferred taxes as management has forecasted that these loses will be used within the foreseeable future. Also included in the December 31, 2016 tax pools are net capital losses of $2,320, which are available to reduce future capital gains. However, these loses are unrecognized as a deferred income tax asset as at December 31, 2016, as management does not believe sufficient future net capital gains will be generated.

## 11. SHARE CAPITAL:

**Authorized:**
The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

| Common shares issued and fully paid: | Number of shares | $ |
|---|---|---|
| **Balance, December 31, 2014** | **36,213,917** | **102,350** |
| Issuance of common shares under dividend reinvestment program | 182,360 | 297 |
| Share cancelled on forfeiture of share purchase loan | (15,817) | (37) |
| **Balance, December 31, 2015** | **36,380,460** | **102,610** |

| | | |
|---|---|---|
| Issuance of common shares under dividend reinvestment program | 65,370 | 40 |
| Shares cancelled on forfeiture of share purchase loan | (9,185) | (22) |
| Issued as consideration in a business acquisition | 3,049,968 | 1,799 |
| Issued as consideration in a business acquisition | 1,713,318 | 685 |
| Share issue costs, net of deferred tax benefit of $15 | — | (41) |
| **Balance, December 31, 2016** | **41,199,931** | **105,071** |

| **Preferred shares issued:** | **Number of shares** | **$** |
|---|---|---|
| **Balance, December 31, 2015** | **—** | **—** |
| Issued as consideration in a business acquisition | 4,400,000 | 2,864 |
| **Balance, September 30, 2016** | **4,400,000** | **2,864** |

On February 2, 2016, the Company issued 4,400,000 preferred shares at a stated value of $0.70 per share as part of the Zedcor acquisition (see Note 3). The fair value of the preferred shares at the acquisition date was estimated to be $2,864. The preferred shares valuation was determined using a Monte Carlo simulation and Longstaff-Schwartz algorithm. The assumptions used in the valuation include the historical stock price of the Company, the historical volatility of the Company stock price and a Company credit rating of B-.

The Preferred Shares are non-voting and non-transferrable, have a stated value of $0.70 per share and a term of five years. The Preferred Shares have a cumulative dividend of 5% of the stated value commencing on January 31, 2017 until January 31, 2018 and a 10% cumulative dividend from January 31, 2018 thereafter, with dividend payments being subject to certain restrictions in the Company's existing secured credit facilities, and at the discretion of the Board of Directors. The dividend can be settled at the discretion of the Company in either cash or through the issuance of Common Shares based on the conversion price of $0.70.

After January 31, 2019, the Preferred Shares may be converted by the holder thereof into the Company's Common Shares at a conversion price of $0.70 per share, subject to the right of Company to redeem the Preferred Shares prior to such conversion for a cash amount per share equal to the lesser of: (i) $2.00; and (ii) the current market price of the Common Shares.

Canadian Equipment Rentals shall have the right to redeem the Preferred Shares at any time if the current market price of the Common Shares exceeds $2.00 by either, at the Company's sole option, (i) payment of cash of $2.00 per Preferred Share; or (ii) through the issuance of 4,400,000 Common Shares, subject to certain adjustments.

The Preferred Shares may be redeemed at the end of the term, at the Company's sole option, for either (i) a cash amount per share equal to the lesser of $2.00 and the current market price; or (ii) 4,400,000 Common Shares, subject to certain adjustments.

## 12. STOCK OPTIONS:

Changes in outstanding and exercisable employee options are as follows:

| | Number of options | Vested | Exercise price | Remaining contractual life in years | Weighted average exercise price |
|---|---|---|---|---|---|
| **Options as at December 31, 2014** | **1,887,500** | **421,300** | — | **4.18** | **3.05** |
| Options expired | (583,000) | (207,494) | 2.74 | — | — |
| Options vested | — | 492,075 | 3.04 | — | — |
| Options granted | 636,000 | — | 1.10 | 4.81 | 1.10 |
| **Options as at December 31, 2015** | **1,940,500** | **705,881** | — | **3.66** | **2.50** |
| Options cancelled | (2,697,000) | (975,981) | 1.73 | — | — |
| Options vested | — | 542,264 | 2.64 | — | — |
| Options granted February 5, 2016 | 1,985,000 | — | 0.50 | 4.10 | 0.50 |
| Options granted May 31, 2016 | 900,000 | — | 0.48 | 4.41 | 0.48 |
| **Options as at December 31, 2016** | **2,128,500** | **272,164** | — | **4.00** | **0.76** |

The Company estimated the fair value of the 2,885,000 employee stock options issued using the Black-Scholes method of valuation, assuming a vesting period of up to three years and an expiration date five years from the date of issue. The Black-Scholes estimate of fair value used the following assumptions:

| | February 5, 2016 Issue | May 31, 2016 Issue |
|---|---|---|
| Expected annual dividend | $0.08 | $0.08 |
| Expected volatility | 48.8% | 51.1% |
| Risk-free interest rate | 0.43% | 0.64% |
| Expected life of options | 3 years | 3 years |

During the year ended December 31, 2016, $136 of stock based compensation related to these stock options was recorded in general and administrative expenses (2015 - $151).

## 13. SHARE PURCHASE LOANS RECEIVABLE:

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

During 2016, the 9,183 common shares were returned to the Company for cancellation and settlement of the remaining loan receivable.

## 14. PER SHARE AMOUNTS:

Net income per share has been calculated based on the weighted average number of shares outstanding during the years ended December 31, 2016 and 2015. The basic weighted average number of shares outstanding for the years then ended was 40,343,006 and 36,315,147 respectively.

The diluted weighted average number of shares was 40,343,006 for 2016 and 36,315,147 for 2015. The diluted weighted average reflects the dilutive effect of "in-the-money" options outstanding. As at December 31, 2016 no vested options or warrants were "in-the-money".

During the year ended December 31, 2016 no dividends were declared by the Company. Declared dividends for the year ended December 2015 were $5.8 million.

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

## 15. REVENUE:

Revenue is comprised of the following:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Oilfield equipment rental and other services | 8,618 | 15,016 |
| Third party rentals | 1,980 | 2,422 |
| **Total revenues – Energy Services Segment** | **10,598** | **17,438** |
| Industrial equipment rental and other services | 6,455 | 12,529 |
| Sales of equipment, fuel, and parts | 1,325 | 2,935 |
| **Total revenues – General Rentals Segment (discontinued)** | **7,780** | **15,464** |
| **Total revenues - Waste Management Segment (discontinued)** | **12,665** | **13,565** |
| | **31,043** | **46,467** |

## 16. GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses are comprised of the following:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Administrative salaries and office costs | 5,946 | 2,893 |
| Professional and consulting fees | 1,045 | 628 |
| Advertising, promotion, and investor relations | 522 | 354 |
| Computer and technology related expenses | 278 | 219 |
| Bad debt expenses (note 23 (b)) | (184) | (336) |
| | 7,607 | 3,758 |

For the year ended December 31, 2016 severance costs of $1,109 (2015 - $876) were include in administrative salaries and office costs.

## 17. FINANCE COSTS:

Finance costs are comprised of the following:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Bank charges and interest | 8 | 11 |
| Interest on long term debt | 888 | 254 |
| Interest on finance leases | — | 3 |
| Loan syndication and amendment fees | 150 | 146 |
| Interest on long term receivable | — | (17) |
| | 1,046 | 397 |

## 18. CHANGES IN NON-CASH WORKING CAPITAL:

**Changes in non-cash working capital related to operating activities**

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Accounts receivable | (1,284) | 7,687 |
| Inventory | — | 146 |
| Prepaid expenses and deposits | (66) | 160 |
| Accounts payable and accrued liabilities | 1,103 | (4,091) |
| Income taxes payable | — | (1,016) |
| | (247) | 2,886 |
| Change in accounts payable related to investing activities | 271 | 5 |
| Total change in non-cash working capital | 24 | 2,881 |
| Supplementary information: | | |
| Interest paid | 1,046 | 397 |
| Taxes paid (recovered) | 492 | 745 |

## 19. RELATED PARTY TRANSACTIONS:

### a) Key management personnel compensation

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

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

| | 2016 | 2015 |
|---|---|---|
| Short term employment salary and benefits | 2,057 | 2,420 |
| Contract payments | 236 | 126 |
| | 2,293 | 2,546 |

**b) Transactions with key management personnel:**

On May 6, 2016 the Company acquired all the assets of Summit Star Energy Services Inc., which was controlled by the Executive Chairman of the Company. The purchase price of $685 was settled by issuing 1,713,318 common shares of Canadian Equipment Rentals. The acquisition was made in the normal course of operations at a purchase price that would have been paid to unrelated parties. (see note 3(b))

During the year ended December 31, 2016, the Company paid $981 (2015 - $13) to three corporations controlled by the Executive Chairman of the Company for business development, marketing expenses and capital asset purchases.

**c) Other:**

During the year ended December 31, 2016, the Company paid rent for occupied premises of $95 (2015 - $113) to a company owned by a director of the Company.

During the year ended December 31, 2016, the Company paid $80 (2015 - $84) in wages to close family members of directors and executive officers.

These related party transactions are in the normal course of business and have been recorded at the exchange amount. At December 31, 2016 $69 (2015 - $NIL) due from related parties was unpaid.

## 20. OPERATING SEGMENTS:

The Company structured its 2016 and 2015 operations in three operating and reportable segments: (i) General Rentals; (ii) Energy Services; and (iii) Waste Management, based on the way that management organizes the Company's businesses for making operating decisions and assessing performance.

The Energy Services segment includes the aggregate operations of TRAC Energy Services Ltd. and Zedcor Oilfield Rentals Ltd, which now operates as Zedcor Energy Services Corp. The General Rentals segment includes the operations of 4-Way Equipment Rentals Corp. This segment was treated as a discontinued operation as at December 31, 2016 and sold as at February 9, 2017. The Waste Management segment includes the operations of MCL Waste Systems & Environmental Inc. The Waste Management segment was treated as a discontinued operation as of September 30, 2016 and sold as at November 30, 2016.

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

The following is a summary of the Company's results by segment for the twelve months ended December 31, 2016 and 2015:

| | Twelve months ended December 31, 2016 | | | | |
|---|---|---|---|---|---|
| | **Energy Services** | **General Rentals** | **Waste Management** | **Corporate** | **Total** |
| | | **Discontinued** | **Discontinued** | | |
| Total segment revenue | 10,598 | 7,780 | 12,665 | — | 31,043 |
| Segment profit (loss) | (16,027) | (2,816) | 1,376 | (4,880) | (22,347) |
| Depreciation of property and equipment | 7,840 | 3,412 | 1,247 | 47 | 12,546 |
| Loss on sale of equipment | 9,878 | — | — | — | 9,878 |
| Amortization of intangible assets | 661 | — | 171 | — | 832 |
| Impairment of property and equipment | 7,822 | 3,985 | — | — | 11,807 |
| Finance costs | 1,046 | 909 | 859 | — | 2,814 |
| Income taxes (recovery) | (7,170) | (1,933) | 173 | 44 | (8,886) |
| Additions to property and equipment | 1,890 | 1,403 | 3,597 | 172 | 7,062 |

| | Twelve months ended December 31, 2015 | | | | |
|---|---|---|---|---|---|
| | **Energy Services** | **General Rentals** | **Waste Management** | **Corporate** | **Total** |
| | | **Discontinued** | **Discontinued** | | |
| Total segment revenue | 17,438 | 15,464 | 13,565 | — | 46,467 |
| Segment profit (loss) | (115) | 1,808 | 1,045 | (4,237) | (1,499) |
| Depreciation of property and equipment | 6,092 | 3,574 | 1,374 | 27 | 11,067 |
| Amortization of intangible assets | 1,427 | — | 497 | — | 1,924 |
| Impairment of goodwill & intangibles | 26,529 | — | — | — | 26,529 |
| Finance costs | 399 | 1,042 | 441 | (2) | 1,880 |
| Income taxes (recovery) | (1,718) | 40 | (96) | (8) | (1,782) |
| Additions to property and equipment | 2,293 | 3,178 | 1,341 | 72 | 6,884 |

| **Goodwill** | **Energy Services** | **General Rentals** | **Waste Management** | **Corporate** | **Total** |
|---|---|---|---|---|---|
| | | **Discontinued** | **Discontinued** | | |
| As at December 31, 2016 | 5,746 | — | — | — | 5,746 |
| At December 31, 2015 | 5,746 | — | 1,513 | — | 7,259 |

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

| **As at December 31, 2016** | **Energy Services** | **General Rentals** | **Waste Management** | **Corporate** | **Total** |
|---|---|---|---|---|---|
| | | **Discontinued** | **Discontinued** | | |
| Total assets | 64,584 | 10,577 | — | 2,488 | 77,649 |
| Total liabilities | 990 | 545 | — | 33,994 | 35,529 |

| As at December 31, 2015 | Energy Services | General Rentals | Waste Management | Corporate | Total |
|---|---|---|---|---|---|
| | | Discontinued | Discontinued | | |
| Total assets | 66,026 | 23,748 | 10,079 | (5) | 99,848 |
| Total liabilities | (103) | 5,508 | 639 | 32,537 | 38,581 |

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

| | Year ended December 31, 2016 | Year ended December 31, 2015 |
|---|---|---|
| Segment profit (loss) | (22,347) | (1,499) |
| Deduct: | | |
| Discontinued operation segment profit | (1,440) | 2,853 |
| Finance costs | 1,046 | 397 |
| Amortization of intangibles | 661 | 1,427 |
| Impairment of goodwill | — | 26,529 |
| Impairment of property and equipment | 7,822 | — |
| Intercompany charges | (1,029) | (1,459) |
| Purchase gain | (2,664) | — |
| Income (loss) before taxes | (26,743) | (31,246) |

## 21. DISCONTINUED OPERATIONS:

### a) MCL Waster Systems & Environmental Inc.

On November 30, 2016, the Company sold its Waste Management operating segment and wholly owned subsidiary, MCL Waste Systems & Environmental Inc. for $12 million by executing a definitive share purchase agreement. Management sold this segment in order to place greater focus on its core rentals division while concurrently reducing balance sheet leverage. The Waste Management segment is classified as a discontinued operation in the statement of profit and loss. The comparative consolidated statements of income or loss have been re-presented to show the discontinued operation separately from continuing operations.

| (Stated in thousands of Canadian dollars) | December 31, 2016 | December 31, 2015 |
|---|---|---|
| **Revenues** | **12,665** | **13,565** |
| **Direct expenses** | | |
| Direct operating costs | 9,275 | 10,545 |
| Depreciation of equipment | 1,280 | 1,353 |
| | 10,555 | 11,898 |
| **Gross margin** | **2,110** | **1,667** |
| **Operating expenses** | | |
| General and administrative | 1,297 | 1,135 |

| | | |
|---|---|---|
| Depreciation of other property and equipment | 14 | 21 |
| Gain on sale of equipment | (47) | — |
| Amortization of intangible assets | 171 | 497 |
| Finance Costs | 859 | 441 |
| | 2,294 | 2,094 |
| **Income (loss) from operating actives** | **(184)** | **(427)** |
| Current (recovery) expense | — | (3) |
| Deferred (recovery) expense | 173 | (93) |
| **Net income (loss) from operating activities, net of tax** | **(357)** | **(331)** |
| Gain on sale of discontinued operation | (855) | — |
| Income tax on loss on sale of discontinued operation | — | — |
| **Net income (loss) from discontinued operations** | **498** | **(331)** |
| **Net income (loss) per share from discontinued operation** | | |
| Basic and diluted | 0.01 | (0.01) |

**Cash flows from (used in) discontinued operations**

| | **December 31, 2016** | **December 31, 2015** |
|---|---|---|
| Net cash from operating activities | 30 | 2,391 |
| Net cash (used in) investing activities | (3,326) | (1,061) |
| Net cash (used in) financing activities | (142) | (96) |
| **Net cash flows for the year** | **(3,438)** | **1,234** |

**Effect of disposal on the financial position of the Company**

| | |
|---|---|
| Property, plant and equipment | (7,620) |
| Goodwill and intangibles | (1,517) |
| Trade and other receivables | (2,454) |
| Prepaids and deposits | (41) |
| Cash and cash equivalents | (80) |
| Accounts payable and accrued liabilities | 943 |
| **Net assets and liabilities** | **(10,769)** |
| Consideration received, satisfied in cash | 10,354 |
| Restricted cash | 1,200 |
| Cash and cash equivalents disposed of | (80) |
| **Net cash flows for the year** | **11,474** |

$1.2 million of the proceeds are currently held in trust pursuant to an escrow agreement. The full amount of the restriced cash is expected to be released as follows: $600 December 1, 2017 and $600 June 1, 2018.

**b) 4-Way Equipment Rentals Corp.**

On January 31, 2017, the Company executed a definitive asset purchase agreement to sell the net assets of the Industrial Rentals operating segment and wholly owned subsidiary, 4-Way Equipment Rentals Corp, with a closing date of February 9, 2017. The sale further aligns the Company with its objectives of placing greater focus on its core rental division while reducing balance sheet leverage. The Industrial Rentals segment was not previously classified as held for sale or a discontinued operation. The comparative consolidated statements of income or loss have been restated to show the discontinued operation separately from continuing operations.

| (Stated in thousands of Canadian dollars) | **December 31, 2016** | **December 31, 2015** |
|---|---|---|
| **Revenues** | **7,780** | **15,464** |
| **Direct expenses** | | |
| Direct operating costs | 3,841 | 6,332 |
| Cost of sales of equipment, fuel and parts | 1,094 | 2,153 |
| Depreciation of equipment | 3,039 | 3,422 |
| | 7,974 | 11,907 |
| **Gross margin** | **(194)** | **3,557** |
| **Operating expenses** | | |
| General and administrative | 2,749 | 2,524 |
| Depreciation of other property and equipment | 672 | 152 |
| Gain on sale of equipment | (299) | — |
| Impairment of property and equipment | 122 | — |
| Other gain | (766) | — |
| | 2,478 | 2,676 |
| Finance costs | 909 | 1,042 |
| **Income (loss) before income taxes** | **(3,581)** | **(161)** |
| Current (recovery) expense | (936) | (250) |
| Deferred (recovery) expense | (997) | 290 |
| **Net income (loss) from operating activities, net of tax** | **(1,648)** | **(201)** |
| Loss from remeasurement of disposal group | 3,863 | — |
| **Net income (loss) from discontinued operations** | **(5,511)** | **(201)** |
| **Net income (loss) per share from discontinued operation** | | |
| Basic and diluted | (0.13) | (0.00) |

**Cash flows from (used in) discontinued operations**

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Net cash from operating activities | 4,319 | 3,791 |
| Net cash from (used in) investing activities | 1,798 | (1,869) |
| Net cash (used in) financing activities | (111) | (189) |
| **Net cash flows for the year** | **6,006** | **1,733** |

As at December 31, 2016, the Company classified the discontinued operations assets and liabilities as assets held for sale and liabilities held for sale.

| | |
|---|---|
| Property and equipment | 5,971 |
| Accounts receivable | 1,696 |
| Inventory | 562 |
| Prepaid expenses and deposits | 152 |
| Total Assets held for sale | 8,381 |
| Accounts payable and accrued liabilities | (545) |
| | **7,836** |

## 22. CAPITAL MANAGEMENT:

The Company's objective when managing capital is to prudently exercise financial discipline, and to deliver positive returns and when possible, dividend payments to its shareholders. The Company's capital management strategy remained unchanged during the year ended December 31, 2016.

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

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

## 23. FINANCIAL INSTRUMENTS:

### a) Fair value:

The fair value of the Company's financial instruments consisting of cash, accounts receivable, accounts payable and accrued liabilities, dividends payable, obligation under finance leases and long term debt approximate their carrying value as at December 31, 2016 and 2015, due to their short-term maturities or floating interest rates.

### b) Credit risk:

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

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

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

Aging of accounts receivable is as follows:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| **Trade receivables, gross:** | | |
| Outstanding 1 - 30 days | 1,744 | 3,003 |
| Outstanding 30 – 60 days | 585 | 1,295 |
| Outstanding over 60 days | 337 | 1,609 |
| | 2,666 | 5,907 |
| Allowance for doubtful accounts | (31) | (339) |
| Trade receivables, net | 2,635 | 5,568 |
| Sales tax and other receivables | 195 | 58 |
| Accounts receivable | 2,830 | 5,626 |

The movement in the allowance for doubtful accounts in respect of trade receivables during the years ended December 31, 2016 and 2015 was as follows:

| | 2016 | 2015 |
|---|---|---|
| Balance as at January 1 | 339 | 624 |
| Increase (decrease) in allowance of trade receivables | (88) | (315) |
| Bad debt recoveries, net of trade receivables written off | (159) | 30 |
| Reclassified in assets held for sale | (61) | — |
| Balance as at December 31 | 31 | 339 |

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

**c) Liquidity risk**

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

At December 31, 2016, the Company had working capital of $(14,385), factoring out the $29,041 loan obligation working capital would be $14,656. The Company believes that once alternative financing is in place future cash flows from operations will be sufficient to meet its obligations as they arise. (see Note 8 and Note 25)

The following table shows the undiscounted contractual maturities of the Company's financial liabilities and financial lease obligation as at December 31, 2016:

| | 1 Year | 2-3 years | 4-5 years | Thereafter | Total | Carrying value |
|---|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | 1,794 | — | — | — | 1,794 | 1,794 |
| Long-term debt | 29,041 | — | — | — | 29,041 | 29,041 |
| Note Payable | — | — | 6,250 | — | 6,250 | 4,149 |
| Total | 30,835 | — | 6,250 | — | 37,085 | 34,984 |

The Company anticipates that future capital resources and cash flows from operations will be adequate to satisfy its liquidity requirements through fiscal 2017. This expectation could be adversely affected by a material negative change or a longer than anticipated continued downturn in the oilfield service industry. If available liquidity is not sufficient to meet the Company's operating and debt servicing obligations as they come due, management's plans include further expenditure reductions, asset dispositions, or pursuing other corporate strategic alternatives.

**d) Market risk**

*Interest rate risk:*

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

Occasionally the Company utilizes interest rate swap agreements to manage its exposure to interest rate increases. At December 31, 2016, there were no interest rate swaps agreements in place.

At December 31, 2016, a 1% change in interest rates on the floating rate debt would result in an increase or decrease in annual net income before income taxes of $290.

*Currency risk:*

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

The Company purchases equipment, parts and supplies from foreign suppliers that are denominated in United States dollars. At December 31, 2016 accounts payable and accrued liabilities did not include any material amounts denominated in foreign currencies. Management does not believe that its foreign currency risk would result in a material loss due to the short term nature of the foreign currency denominated payables and does not employ derivative instruments to manage foreign currency risk.

## 24. LEASE COMMITMENTS:

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

| | |
|---|---|
| 2017 | 1,980 |
| 2018 | 1,940 |
| 2019 | 1,932 |
| 2020 | 1,787 |
| 2021 | 1,498 |

## 25. SUBSEQUENT EVENTS:

On January 31, 2017, the Company executed a definitive asset purchase agreement to sell the net assets of the General Rentals operating segment and wholly owned subsidiary, 4-Way Equipment Rentals Corp. for $8.5 million. The sale closed on February 9, 2017.

On February 28, 2017, the Company's Syndicated Bank Credit Facility was amended under the Sixth Amending Agreement to extend the forbearance term to April 28, 2017.

On April 21, 2017, the Company entered into a Loan and Security Agreement with a new lender. The Loan and Security Agreement in the amount of $20.4 million will be used to repay the existing Syndicated Credit Facility, will bear interest at a rate of 12.75% and has a term of 12 months with an option to extend for an additional 12 months at the satisfaction of the lender. The Loan and Security Agreement will be serviced by six months of interest only payments, followed by six months of blended principal and interest payments. The Loan and Security Agreement does not require quantitative financial covenants, but imposes restrictions on the Loan's collateral, being the property and equipment of the Company. The Company shall issue the lender share purchase warrants entitling the lender to acquire common shares in the Company representing approximately 6.5% of the fully diluted equity at the time of exercise, at an exercise price of $0.25 per warrant. The warrants will expire 90 days after the term of the loan.