Zedcor Energy Inc. Announces 2017 Second Quarter Results

CALGARY, ALBERTA – August 14, 2017: Zedcor Energy Inc. (the "Company") (TSX VENTURE: ZDC) today announced its financial and operating results for the three and six months ended June 30, 2017.

“We are pleased to report that revenue in the second quarter of 2017 increased 60% compared to the prior year,” stated Brad Munro, Zedcor Energy Inc., Interim CEO. “This is the strongest second quarter ever for Zedcor and its previous energy services business. This improvement resulted from a combination of increases in both equipment utilization and pricing. Demand for certain wellsite accommodation units was strong throughout the quarter and continues through the third quarter in support of drilling and completions activities in Western Canada. The growth in second quarter revenue, coupled with the new cost structure, has resulted in positive adjusted EBITDA for the second quarter which is traditionally the slowest quarter of the year.”

Highlights

Amounts in the following tables are presented in thousands of dollars, except for per share amounts and percentages.

	Three months ended June 30		Six months ended June 30	
(in $000s)	**2017**	**2016**	**2017**	**2016**
Revenue	2,348	1,469	6,791	4,780
Adjusted EBITDA[1,2]	36	295	1,407	1,425
Adjusted EBIT[1,2]	(1,493)	(5,010)	(1,672)	(6,926)
Net (loss) income from continuing operations	(3,529)	(4,684)	(4,497)	(7,832)
Net (loss) income per share from continuing operations				
Basic	(0.07)	(0.12)	(0.10)	(0.20)
Diluted	(0.07)	(0.12)	(0.10)	(0.20)

Amounts in table represents continuing operations, which are comprised of the Energy Services segment and Corporate

1 *Adjusted for severances, business acquisition costs and refinancing costs*

2 *See Financial Measures Reconciliations below*

SELECT FINANCIAL RESULTS

- Revenues for the quarter ended June 30, 2017 increased by $0.9 million or 60% from $1.5 million to $2.3 million compared to the same quarter in 2016. Commodity prices increased slightly in the second quarter of 2017 compared to the same quarter 2016, resulting in increased demand for drilling services and ancillary support equipment. Day rates in the second quarter have improved when compared to the second quarter of 2016, which is due to increased drilling activity in Western Canada.
- Net loss for the quarter ended June 30, 2017 was $3.5 million, an improvement of $1.2 million or 25% from a loss of $4.7 million for the quarter end June 30, 2016. Operating margin increased by $3.2 million due to the increase in revenue and a $2.4 million decrease in depreciation. The quarter over quarter decrease in depreciation is as a result of divesting under-utilized assets in 2016. General and administrative expenses were $0.2 million higher in the second quarter of 2017 compared to the same prior year period, due to the

costs associated with refinancing. Higher interest rates as a result of refinancing has contributed to an increase of $0.8 million in finance costs compared to prior year's quarter ended June 30, 2016.

- Adjusted EBITDA for the quarter ended June 30, 2017 was $36 thousand, a decrease of $259 thousand from the quarter ended June 30, 2016. For the quarter ended June 30, 2016 corporate costs were allocated amongst three operating segments. For the quarter ended June 30, 2017 many of these corporate costs have been eliminated through cost saving measures, however the remaining costs are now fully allocated to the energy services operating segment in 2017 suggesting higher quarter over quarter general and administrative expenses when in fact total general and administrative costs for continuing operations has decreased 14% year over year.
- On April 27, 2017, the Company entered into a Loan and Security Agreement with a new lender for a term of 12 months. See Liquidity and Capital Resources section.
- Over the past eight months, the Company restructured its operations and divested of both its General Rentals operating segment and Waste Management operating segment. Net proceeds from both transactions were used to pay down debt.

SELECT OPERATING RESULTS

- The Energy Services segment includes the operations of Zedcor Energy Services Corp. and represents 100% of the Company's continuing operations.
- The second quarter of 2017 saw a slight improvement to commodity prices and an increase in drilling activity in the oil and gas sector in Western Canada compared to the second quarter of 2016. As a result there was an increase in utilization and an increase in rental rates. Despite the improvement to commodity prices, there is still high competition from other service providers with idle assets which leads to aggressive pricing measures.

SELECTED QUARTERLY FINANCIAL INFORMATION

(Unaudited – in $000s)	Jun 30 2017	Mar 31 2017	Dec 31 2016	Sept 30 2016	June 30 2016	Mar 31 2016	Dec 31 2015	Sept 30 2015
Revenue	2,348	4,442	3,444	2,374	1,469	3,311	2,426	2,954
Net income (loss) from continuing operations	(3,529)	(969)	(3,106)	(8,680)	(4,684)	(3,148)	(16,032)	(12,893)
Net income (loss) from discontinued operation	—	(427)	(3,062)	(904)	(91)	(954)	(659)	254
Adjusted EBITDA[1]	36	1,371	505	461	295	1,131	959	3,012
Adjusted EBITDA per share - basic[1]	0.00	0.03	0.01	0.01	0.01	0.03	0.03	0.08
Net income (loss) per share from continuing operations								
Basic	(0.07)	(0.02)	(0.08)	(0.22)	(0.12)	(0.08)	(0.44)	(0.36)
Diluted	(0.07)	(0.02)	(0.08)	(0.22)	(0.12)	(0.08)	(0.44)	(0.36)
Net income (loss) per share from discontinued operation								
Basic	—	(0.01)	(0.08)	(0.02)	(0.00)	(0.02)	(0.02)	0.01
Diluted	—	(0.01)	(0.08)	(0.02)	(0.00)	(0.02)	(0.02)	0.01
Adjusted free cash flow[1]	222	(488)	386	(1,807)	665	1,450	(6)	(690)

[1] *See Financial Measures Reconciliations below*

LIQUIDITY AND CAPITAL RESOURCES

Revolving operating facility:

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.

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.

On February 16, 2017, the Company's Syndicated Credit Facility was amended under the Sixth Amending Agreement in which the lenders agreed 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 Syndicated Credit Facility was repaid in full and forthwith cancelled.

Loan and security facility:

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 was used to repay the Syndicated Credit Facility, bears 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 is 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 issued the lender 3,651,501 share purchase warrants. Each warrant entitles the lender to acquire one common shares in the Company at an exercise price of $0.25 per warrant. The warrants expire 90 days after the term of the loan, July 21, 2019. The warrants fair value of $300 was recorded as a transaction cost of the loan and will be expensed over the term of the loan.

Operating loan facility:

On May 10, 2017, the Company signed a $1 million operating loan agreement bearing interest at a rate of prime plus 3.3% and secured by the Company's accounts receivables and restricted cash. The operating loan facility requires that the Company's current ratio does not fall below 1.50:1.00 and effective September 30, 2017, the debt service coverage ratio not be less than 1.50:1.00, calculated in accordance with the formula set forth in the agreement. As at June 30, 2017 the Company's current ratio, as defined to exclude the loan facility, was 3.7:1.00.

OUTLOOK

The improved demand for drilling services and ancillary equipment in the second quarter of 2017 compared to the same quarter in 2016 resulted in Zedcor's revenue increasing 60% year over year. Improvements in commodity prices and industry activity levels in the quarter allowed the company to increase pricing while experiencing stronger demand for rental assets compared to the prior year.

Although there continues to be volatility in oil prices with pricing not able to exceed US$50 per barrel for a sustained period of time, current industry conditions indicate activity levels in the third quarter of 2017 should continue to remain strong compared to the prior year.

The Company is experiencing strong demand for certain configurations of wellsite accommodations that are preferred by customers. This increase in demand is commensurate with the increase in drilling activity in Western Canada.

Surface equipment, primarily being tanks and other support equipment, is also seeing an increase in utilization through the third quarter of 2017, as many customers proceed with completions efforts on previously drilled wells.

Through the restructuring efforts over the past year, including significant reductions in headcount at the executive level and reductions in associated discretionary spending, the Company now has an operating structure that can support the full utilization of the existing rental asset base. This structure, coupled with superior operational performance, service quality and a best-in-class equipment rental fleet are instrumental to maintaining and growing market share.

The Company continues to expand its market reach and customer base from beyond its traditional upstream energy services customers to new industry segments including industrial facilities and pipeline construction. This should lead to more diversity in its revenue streams and increase the utilization of existing rental equipment by penetrating new market segments that are less affected by seasonal fluctuations.

Zedcor expects industry conditions in Western Canada through the remainder of 2017 to continue to show year-over-year improvement. This will allow the Company to continue to execute on its current strategy of maximizing equipment utilization while minimizing expenses so as to generate continuous positive cash flow to be used to reduce debt and strengthen the balance sheet.

NON-IFRS MEASURES RECONCILIATION

The Company uses certain measures in this press release which do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS"). These measures which are derived from information reported in the consolidated statements of operations and comprehensive income may not be comparable to similar measures presented by other reporting issuers. These measures have been described and presented in this press release in order to provide shareholders and potential investors with additional information regarding the Company.

Investors are cautioned that EBITDA, adjusted EBITDA and adjusted EBITDA per share, adjusted free cash flow and payout ratio are not acceptable alternatives to net income or net income per share, a measurement of liquidity, or comparable measures as determined in accordance with IFRS.

EBITDA and Adjusted EBITDA

EBITDA refers to net income before finance costs, income taxes, depreciation, amortization, and gains or losses on disposal of property and equipment. Adjusted EBITDA is calculated as EBITDA before costs associated with business acquisition costs, refinancing, severance and share based compensation. These measures do not have a standardized definition prescribed by IFRS and therefore may not be comparable to similar captioned terms presented by other issuers.

Management believes that EBITDA and Adjusted EBITDA are useful measures of performance as they eliminate non-recurring items and the impact of finance and tax structure variables that exist between entities. "Adjusted EBITDA per share – basic" refers to Adjusted EBITDA divided by the weighted average basic number of shares outstanding during the relevant periods.

A reconciliation of net income to Adjusted EBITDA is provided below:

	Three months ended June 30		**Six months ended June 30**	
(in $,000s)	**2017**	**2016**	**2017**	**2016**
Net income	(3,529)	(4,684)	(4,497)	(7,832)
Add:				
Finance costs	1,052	248	1,766	442
Depreciation	1,527	3,906	3,086	5,931
Amortization of intangibles	165	165	330	330
Impairment of property and equipment	—	257	—	5,409
Purchase gain	—	(556)	—	(2,664)
Income taxes	22	(809)	(593)	(2,830)
Discontinued operation	—	1,059	(109)	1,350

EBITDA	(763)	(414)	(17)	136
Add:				
Stock based compensation	2	10	1	4
Severance costs	1	620	385	863
Business acquisition costs	—	79	—	422
Refinancing costs	796	—	1,039	—
Adjusted EBITDA	36	295	1,407	1,425

Adjusted EBIT

Adjusted EBIT refers to earnings before interest and finance charges, taxes, amortization, impairment of property and equipment, purchase gain, refinancing costs, severance costs and business acquisition costs.

A reconciliation of net income to Adjusted EBIT is provided below:

	Three months ended June 30		**Six months ended June 30**	
(in $,000s)	**2017**	**2016**	**2017**	**2016**
Net income	(3,529)	(4,684)	(4,497)	(7,832)
Add:				
Finance costs	1,052	248	1,766	442
Amortization of intangibles	165	165	330	330
Impairment of property and equipment	—	257	—	5,409
Purchase gain	—	(556)	—	(2,664)
Income taxes	22	(809)	(593)	(2,830)
Severance costs	1	404	96	604
Business acquisition costs	—	79	—	422
Refinancing costs	796	—	1,039	—
Discontinued operation	—	(114)	187	(807)
Adjusted EBIT	(1,493)	(5,010)	(1,672)	(6,926)

No Conference Call

No conference call will be held in conjunction with this release. Full details of the Company's financial results, in the form of the condensed consolidated interim financial statements and notes for the three and six months ended June 30, 2017 and Management's Discussion and Analysis of the results are available on SEDAR at www.sedar.com and on the Company's website at www.zedcor.ca.

About Zedcor Energy Inc.

Zedcor Energy Inc. is a Canadian public corporation and parent company to Zedcor Energy Services Corp. ("Zedcor"). Zedcor is engaged in the rental of surface equipment and accommodations to the Western Canadian Oil and Gas Industry. The Company trades on the TSX Venture Exchange under the symbol "ZDC".

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this press release constitute forward-looking statements or forward-looking information, including management's belief that improvement in demand should begin to drive improvements in equipment rental rates and that the expanded market reach and customer base will lead to more diversity in the Company's revenue stream and increase utilization. Forward-looking statements or information may contain statements with the words "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "budget", "should", "project", "would have realized', "may have been" or similar words suggesting future outcomes or expectations. Although the Company believes that the expectations implied in such forward-looking statements or information are reasonable, undue reliance should not be placed on these forward-looking statements because the Company can give no assurance that such statements will prove to be correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of assumptions about the future and uncertainties. These assumptions include that the Company's cost cutting measures that have been implemented will protect future margins and that the Company's lean operations will protect against profound down swings in the economic environment. Although management believes these assumptions are reasonable, there can be no assurance that they will be proved to be correct, and actual results will differ materially from those anticipated. For this purpose, any statements herein that are not statements of historical fact may be deemed to be forward-looking statements. The forward-looking statements or information contained in this press release are made as of the date hereof and the Company assumes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new contrary information, future events or any other reason, unless it is required by any applicable securities laws. The forward-looking statements or information contained in this press release are expressly qualified by this cautionary statement.

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