ZEDCOR ENERGY INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2018.

ZEDCOR ENERGY INC.
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)

(Stated in thousands of Canadian dollars)	March 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash	1,056	1,833
Restricted cash	600	600
Accounts receivable	4,272	3,319
Income taxes recoverable	31	—
Prepaid expenses and deposits	398	272
	6,357	6,024
Non-current assets:		
Property and equipment (note 3)	40,323	40,038
Intangibles and goodwill (note 4)	6,681	6,846
Deferred income taxes	7,228	7,228
	54,232	54,112
Total assets	60,589	60,136
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	2,795	1,162
Current portion of onerous lease liability (note 7)	246	242
Income taxes payable	—	217
Current debt (note 5)	17,041	19,431
	20,082	21,052
Non-current liabilities:		
Note payable (note 6)	2,527	2,467
Onerous lease liability (note 7)	689	742
Long term debt (note 5)	2,000	—
	5,216	3,209
Total liabilities	25,298	24,261
Shareholders' equity		
Share capital (note 8)	106,918	106,905
Preferred equity (note 8)	2,864	2,864
Warrants (note 9)	311	300
Contributed surplus	1,374	1,366
Deficit	(76,176)	(75,560)
	35,291	35,875
Total liabilities and shareholders' equity	60,589	60,136

ZEDCOR ENERGY INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)

(Stated in thousands of Canadian dollars, except per share amounts)	Three months ended March 31 2018	2017
Revenues	**5,228**	**4,442**
Direct expenses		
Direct operating costs	2,085	1,785
Depreciation of equipment (note 3)	1,373	1,522
	3,458	3,307
Gross margin	**1,770**	**1,135**
Operating expenses		
General and administrative	1,379	1,803
Depreciation of other property and equipment	21	37
Amortization of intangible assets	165	165
	1,565	2,005
Other expenses		
Finance costs (note 11)	836	714
	2,401	2,719
Loss before income taxes	**(631)**	**(1,584)**
Income taxes (recovery)		
Current (recovery) expense	(15)	—
Deferred (recovery) expense	—	(615)
	(15)	(615)
Net loss and comprehensive loss from continuing operations	**(616)**	**(969)**
Net loss from discontinued operations, net of income tax (note 12)	—	(427)
Net loss and comprehensive loss	**(616)**	**(1,396)**
Basic and diluted loss per share		
From continuing operations	\$(0.01)	\$(0.02)
From discontinued operation	—	\$(0.01)
Weighted average number of shares outstanding		
Basic	51,510,086	41,199,931
Diluted	51,510,086	41,199,931

ZEDCOR ENERGY INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

(Stated in thousands of Canadian dollars)	Share capital	Preferred shares	Warrants	Contributed surplus	Deficit	Total
Balance – December 31, 2016	105,071	2,864	—	1,160	(66,975)	42,120
Stock based compensation	—	—	—	11	—	11
Issuance of warrants	—	—	300	—	—	300
Shares issued as consideration for loan guarantee	44	—	—	—	—	44
Shares issued for partial repayment of note payable	1,800	—	—	195	—	1,995
Share issue costs net of deferred tax benefit of $4	(10)	—	—	—	—	(10)
Comprehensive loss	—	—	—	—	(8,585)	(8,585)
Balance – December 31, 2017	106,905	2,864	300	1,366	(75,560)	35,875
Stock based compensation	—	—	—	8	—	8
Amendment of exercise price	—	—	11	—	—	11
Shares issued as consideration for loan guarantee	13	—	—	—	—	13
Comprehensive loss	—	—	—	—	(616)	(616)
Balance – March 31, 2018	106,918	2,864	311	1,374	(76,176)	35,291

ZEDCOR ENERGY INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW
(Unaudited)

	Three months ended March 31	
(Stated in thousands of Canadian dollars)	**2018**	**2017**
Cash provided by (used in):		
Operating		
Net loss from continuing operations	(616)	(969)
Depreciation of property and equipment (note 3)	1,405	1,528
(Gain) loss on disposal of property and equipment (note 3)	(11)	31
Amortization of intangible assets (note 4)	165	165
Gain on sale of operating segment (note 12)	—	(8)
Stock based compensation (note 10)	8	(1)
Non-cash interest expense and other financing costs	148	—
Income taxes paid	(230)	—
Deferred income taxes	—	(615)
	869	131
Changes in non-cash working capital	(1,419)	(765)
Cash flow used by continuing operating activities	(550)	(634)
Cash flow used by discontinued operating activities (note 12)	—	(8)
Cash flow used by operating activities	**(550)**	**(642)**
Investing		
Change in non-cash working capital related to investing activities	1,616	69
Purchase of property and equipment (note 3)	(1,731)	(211)
Proceeds on sale of operating segments	—	7,336
Proceeds from sale of property and equipment (note 3)	52	9
Cash flow from (used by) continuing investing activities	(63)	7,203
Cash flow used by discontinued investing activities (note 12)	—	(13)
Cash flow from (used by) investing activities	**(63)**	**7,190**
Financing		
Proceeds from long-term debt	2,000	—
Repayment of short-term debt	(2,164)	(8,070)
Cash flow used by financing activities	**(164)**	**(8,070)**
Net change in cash in the period	(777)	(1,522)
Cash, beginning of year	1,833	2,955
Cash, end of period	**1,056**	**1,433**

1. CORPORATE INFORMATION:

Zedcor Energy Inc. (formerly Canadian Equipment Rentals Corp. and prior thereto CERF Incorporated) (the "Company") was formed under the laws of Alberta as a corporation on August 10, 2011. Prior to October 1, 2011, operations were carried on as Canadian Equipment Rental Fund Limited Partnership (the "Partnership"), which had been formed under the laws of Alberta as a limited partnership on January 21, 2005. On June 27, 2017, the Company received shareholder approval for the name change from Canadian Equipment Rentals Corp. to Zedcor Energy Inc.

The Company is presently engaged in energy services and is listed on the TSX Venture Exchange under the symbol ZDC.

2. BASIS OF PREPARATION:

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting. These condensed consolidated interim financial statements do not include all of the information required for full financial disclosure. The disclosures provided below are incremental to those included in the annual financial statements and certain disclosures, which are normally required to be included in the notes to annual financial statements, have been condensed or omitted. The same accounting policies and methods of computation were followed in the preparation of these interim financial statements as were followed in the preparation of the Company's annual financial statements for the year ended December 31, 2017, except as noted in 2 (b) below. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto for the year ended December 31, 2017.

These consolidated financial statements were approved by the Board of Directors on May 15, 2018 and are presented in Canadian dollars, which is the Company's functional currency.

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 5 for significant judgements involved in reaching this conclusion.

b) Changes in significant accounting policies

- *Revenue from Contracts with Customers (IFRS 15)*

  The Company adopted IFRS 15, which replaced IAS 18 – Revenue, IAS 11 – Construction Contracts and related interpretations, in its financial statements beginning on January 1, 2018.

  Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires judgement.

  The Company recognizes revenue when it transfers control of the product or services to a customer. Rental revenue is recognized as the rental service is rendered, based on agreed daily, weekly or monthly rates, and collectability is reasonably assured. The Company's revenue transactions do not contain financing components and payments are typically due within 30 days of revenue recognition.

IN THOUSANDS OF CANADIAN DOLLARS

The adoption of IFRS 15 did not have a material impact on the Company's financial statements.

- *Financial Instruments (IFRS 9)*

The Company adopted IFRS 9, which replaced IAS 39 – Financial Instruments: Recognition and Measurement, in its financial statements beginning January 1, 2018.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, however it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9 there are three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and lost ("FVRPL"). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measure at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39

The adoption of IFRS 9 did not have a material impact on the Company's financial statements.

c) New accounting standards not yet adopted

At the date of these financial statements, the following accounting standard and interpretation was issued but not effective until a future date:

- *Leases (IFRS 16)* – The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The Company is currently assessing the impact of IFRS 16 on its financial statements.

3. PROPERTY AND EQUIPMENT:

Accumulated depreciation	Rental equipment	Automotive & other equipment	Office furniture & equipment	Leasehold improvements	Total
At December 31, 2016	60,301	557	780	109	61,747
Additions	379	2	30	—	411
Disposals	(909)	(105)	(2)	—	(1,016)
Derecognition	(308)	—	—	—	(308)
At December 31, 2017	59,463	454	808	109	60,834
Additions	1,636	—	82	13	1,731
Disposals	—	(82)	—	—	(82)
At March 31, 2018	61,099	372	890	122	62,483

IN THOUSANDS OF CANADIAN DOLLARS

Accumulated depreciation	Rental equipment	Automotive & other equipment	Office furniture & equipment	Leasehold improvements	Total
At December 31, 2016	14,646	156	358	56	15,216
Depreciation	5,618	121	129	19	5,887
Elimination on disposal	(243)	(42)	(1)	—	(286)
Derecognition	(21)	—	—	—	(21)
At December 31, 2017	20,000	235	486	75	20,796
Depreciation	1,353	17	29	6	1,405
Elimination on disposals	—	(41)	—	—	(41)
At March 31, 2018	21,353	211	515	81	22,160

Net Book Value	Rental equipment	Automotive & other equipment	Office furniture & equipment	Leasehold improvements	Total
At December 31, 2017	39,463	219	322	34	40,038
At March 31, 2018	39,746	161	375	41	40,323

During the three months ended March 31, 2018, the Company sold assets with a net book value of $41 for proceeds of $52, resulting in a gain of $11 (2017 - loss of $31) which has been included in depreciation of equipment in comprehensive income.

4. INTANGIBLES AND GOODWILL:

Cost	Goodwill	Customer Relationships	Total
At December 31, 2016	**5,746**	**1,760**	**7,406**
Amortization	—	(660)	(660)
At December 31, 2017	**5,746**	**1,100**	**6,846**
Amortization	—	(165)	(165)
At March 31, 2018	**5,746**	**935**	**6,681**

5. CREDIT FACILITIES:

	Interest rate	Final maturity	Facility maximum	Outstanding as at March 31, 2018	Outstanding as at December 31, 2017
Loan and security facility	12.75%	2018	17,500	17,041	19,431

IN THOUSANDS OF CANADIAN DOLLARS

Operating loan facility	6.75%		3,000	—	—
Term loan facility	6.75%	2020	2,500	2,000	—
Equipment term loan facility	6.10%	2021	8,000	—	—
				19,041	19,431
Current portion				(17,041)	(19,431)
Long term debt				2,000	—

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 share 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. (see note 9)

On March 28, 2018, the Company renewed the Loan and Security agreement in the amount of $17.5 million for an additional six months with an option to renew for an additional six months at the satisfaction of the lender. The renewed Loan and Security agreement bears interest at 12.75% and is serviced by six months of interest only payments, followed by six months of principal and interest payments in the event that it is renewed. The Company also entered into a Warrant Amendment Agreement which amended the exercise price of the warrants to $0.27 per share from $0.25 per share and extended the expiry date to July 21, 2020. The facility no longer has any shareholder guarantees pledged as security, and all covenants and collateral remain the same.

Operating loan, term loan and equipment term 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.

On March 28, 2018, the Company signed a $13.5 million credit facility, comprised of a $3 million operating loan facility, which replaces the $1 million operating loan facility, a $2.5 million non-revolving term loan facility, which was used to pay out the guarantee from the Loan and Security agreement, and an $8 million equipment finance term loan facility. The operating loan facility is payable on demand by the lender, bears interest at a rate of prime plus 3.3% and is secured by the Company's accounts receivable. The term facility matures in two years, bears interest at a rate of prime plus 3.3% and is secured by a shareholder guarantee. The shareholder guarantee bears interest at a rate of 5.0% per annum and is paid monthly through the issuance of shares. The equipment finance loan is amortized over 36 months, bears interest at a rate of 6.1% and is repayable in equal monthly installments of principal and interest over the term. The equipment finance loan will be used to finance 75% of the cost of new equipment purchased. The credit facility requires that the Company's current ratio does not fall below 1.50:1.00, the debt service coverage ratio does not fall below 1.25:1.00 and the share value of the shares pledged under the shareholder guarantee not be less than 1.25 times the value of the outstanding term facility.

IN THOUSANDS OF CANADIAN DOLLARS

As at March 31, 2018, the Company's current ratio, as defined to exclude the loan and security facility, was 2.27:1.00 and the debt service coverage ratio was 1.30:1.00.

6. 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. 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. Interest is payable annually. 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.

On April 27, 2017, the Company repaid $2.5 million of the principal amount of the vendor take-back note by issuing 10,000,000 Common Shares of the Company to the note holder, representing a price of $0.25 per share. The fair value of the shares on the date of repayment was $0.18 per share.

As at March 31, 2018, the note payable had a carrying value of $2,527.

Balance, December 31, 2016	**4,149**
Principal settlement	(1,995)
Interest payable	166
Accretion of note payable discount	147
Balance, December 31, 2017	**2,467**
Interest payable	31
Accretion of note payable discount	29
Balance, March 31, 2018	**2,527**

7. ONEROUS LEASE LIABILITY

Onerous lease liability relates to a provision for a non-cancellable facility lease contract that expires on June 30, 2027. Due to the sale of the General Rentals segment (see note 12) on February 9, 2017 the Company no longer uses the facility. The facility has been subleased at rates lower than those contracted under the head lease. The obligation for the discounted future payments, net of expected rental income has been provided for. The total onerous lease liability as at March 31, 2018 was $935 (December 31, 2017: $984).

IN THOUSANDS OF CANADIAN DOLLARS

8. SHARE CAPITAL

Common shares issued and fully paid:	Number of shares	$
Balance, December 31, 2016	**41,199,931**	**105,071**
Issued for partial repayment of note payable	10,000,000	1,800
Issued as consideration for loan guarantee	248,777	44
Share issue costs, net of deferred tax benefit of $4	—	(10)
Balance, December 31, 2017	**51,448,708**	**106,905**
Issued as consideration for loan guarantee	71,983	13
Balance, March 31, 2018	**51,520,691**	**106,918**

Preferred shares issued:	Number of shares	$
Balance, December 31, 2018 and March 31, 2018	**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 an acquisition. 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.

Zedcor Energy Inc. 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 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.

IN THOUSANDS OF CANADIAN DOLLARS

9. WARRANTS:

Changes in the outstanding number, weighted average exercise price and movements in warrants are as follows:

Warrants issued:	**Number of warrants**	**$**
Balance, December 31, 2016	**—**	**—**
Issued as consideration in financing arrangement	3,651,501	300
Balance, December 31, 2017	**3,651,501**	**300**
Amendment of exercise price	—	11
Balance, March 31, 2018	**3,651,501**	**311**

On April 27, 2017, the Company issued 3,651,501 share purchase warrants (see note 5). Each warrant can be used to acquire one common share in the Company at an exercise price of $0.25 per warrant. The warrants expire on July 21, 2019.

On March 28, 2018, the Company entered into a Warrant Amendment Agreement which amended the exercise price of the warrants to $0.27 per share and extended the expiry date to July 21, 2020.

10. STOCK OPTIONS:

Changes in the 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, 2017	**2,906,500**	**356,497**	—	**3.97**	**0.35**
Options forfeited	(250,000)	(66,666)	0.48	—	—
Options expired	(5,000)	(5,000)	3.09	—	—
Options vested	—	141,667	0.50	—	—
Options granted January 15, 2018	575,000	—	0.25	**4.79**	**0.25**
Options as at March 31, 2018	**3,226,500**	**426,498**	—	**3.95**	**0.32**

The Company estimated the fair value of the 575,000 employee stock options issued using the Black-Scholes method of valuation. The Black-Scholes estimate of fair value used the following assumptions:

Expected annual dividend	$0.00
Expected volatility	68.8%
Risk-free interest rate	1.80%
Expected life of options	3 years

During the three months ended March 31, 2018, $8 of stock based compensation related to these stock options was recorded in general and administrative expenses (2017 - $(1)).

11. FINANCE COSTS:

Finance costs are comprised of the following:

	For the three months ended March 31,	
	2018	**2017**
Bank charges and interest	3	3
Interest on long term debt	822	646
Loan syndication fees	—	65
Other interest	11	—
	836	714

12. DISCONTINUED OPERATIONS:

4-Way Equipment Rentals Corp.

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. The transaction closed on February 9, 2017. The sale further aligns the Company with its objective of placing greater focus on its core energy rental division while reducing statement of financial position leverage. As at December 31, 2016 the assets and liabilities of 4-Way Equipment Rentals Corp. included in the asset purchase agreement were classified as held for sale. The comparative condensed consolidated interim statements of loss have been restated to show the discontinued operation separately from continuing operations.

	For the three months ended March 31,	
(Stated in thousands of Canadian dollars)	**2018**	**2017**
Revenues	—	**662**
Direct expenses		
Direct operating costs	—	426
Cost of sales of equipment, fuel and parts	—	92
	—	518
Gross margin	—	**144**
Operating expenses		
General and administrative	—	245
	—	245
Finance costs	—	115
Loss from operating activities	—	**(216)**
Current (recovery) expense	—	236
Deferred (recovery) expense	—	(17)
Net loss from operating activities, net of tax	—	**(435)**

Gain on sale of discontinued operations	—	(8)
Net loss from discontinued operations	**—**	**(427)**
Net loss per share from discontinued operation		
Basic and diluted	—	(0.01)

Cash flows from (used in) discontinued operations

	March 31, 2018	March 31, 2017
Net cash from (used in) operating activities	—	(8)
Net cash from (used in) investing activities	—	(13)
Net cash used in financing activities	—	—
Net cash flows for the year	**—**	**(21)**