



Zedcor Energy Inc. Announces 2018 Third Quarter Results

CALGARY, ALBERTA – November 13, 2018: Zedcor Energy Inc. (the "Company") (TSX VENTURE: ZDC) today announced its financial and operating results for the three and nine months ended September 30, 2018.

Highlights

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

(in \$000s)	Three months ended Sept. 30		Nine months ended Sept. 30	
	2018	2017	2018	2017
Revenue	3,992	3,539	12,628	10,330
Adjusted EBITDA ^{1,2}	1,112	1,287	3,249	2,514
Adjusted EBIT ^{1,2}	(656)	(336)	(2,223)	(2,525)
Net loss from continuing operations	(1,608)	(1,254)	(4,984)	(5,751)
Net loss per share from continuing operations				
Basic	(0.03)	(0.02)	(0.10)	(0.12)
Diluted	(0.03)	(0.02)	(0.10)	(0.12)

¹ Adjusted for severances and refinancing costs

² See Financial Measures Reconciliations below

SELECT FINANCIAL RESULTS

- Revenue for the quarter ended September 30, 2018 increased by \$453 or 11% from \$3.5 million to \$4.0 million compared to the same quarter in 2017. This increase was due to revenue generated from the Company's new fleet of hybrid solar light towers and related security and surveillance offering. Revenue from oilfield rentals remained relatively flat due to lower than expected activity in September as a result of wet weather.
- During the first three quarters of 2018, the Company purchased 107 new hybrid solar light towers, many of which are equipped with high resolution security cameras to provide customers with surveillance services. These new solar light towers and related surveillance services resulted in \$784 of revenue in the quarter ended September 30, 2018.
- Adjusted EBITDA for the quarter ended September 30, 2018 was \$1,112, a decrease of \$175 from the quarter ended September 30, 2017. This decrease is a result of general and administrative costs increasing by \$332 quarter over quarter. This increase in general and administrative costs is due to additional headcount in sales and operations management to support the security and surveillance offering.
- Adjusted EBITDA for the nine months ended September 30, 2018 increased by \$735 or 23% from \$2.5 million to \$3.2 million when compared to the same quarter in 2017. The increase is a result of revenue increasing by 18% and general and administrative costs decreasing by 17% in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017.
- Net loss from continuing operations increased by \$354 for the quarter ended September 30, 2018 when compared to the same quarter in 2017. As referenced above, the increase is a result of increased general and administrative costs.
- On September 28, 2018, the Company renewed the Loan and Security Agreement in the amount of \$15.9

million for an additional 6 months. See Liquidity and Capital Resources section.

SELECT OPERATING RESULTS

- Commodity prices in the oil and gas sector in Western Canada in the third quarter of 2018 were similar to the third quarter of 2017. Drilling activity in the first two months of the third quarter of 2018 were similar to the second quarter 2017, however September 2018 saw a decline in activity due to weather conditions, which resulted in lower than expected rental revenue for the month. Rental prices for the quarter ending September 30, 2018 were marginally higher than the quarter ending September 30, 2017. Despite this marginal increase in rental rates there is still strong competition from other service providers with idle assets which is preventing a full recovery in rental pricing.
- During the third quarter of 2018, the Company sold under-utilized assets with a net book value of \$1.5 million for proceeds of \$1.4 million. The Company also purchased \$1.9 million of equipment including wellsite trailers and hybrid solar light towers, with almost half the hybrid solar light towers equipped with high resolution security cameras to provide customers with surveillance services. The new hybrid solar light towers and related services has allowed the Company to continue to expand its customer base to new industry segments including pipeline construction, resulting in increased revenue.
- For the quarter ended September 30, 2018 revenue was \$4.0 million, an increase of \$453 compared to the same period in 2017. This increase is a direct result of revenue generated from the security and surveillance offering. Gross margin, excluding loss on sale of assets, increased by \$101 compared to the three months ended September 30, 2017 as a result of the increased revenue.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Sept 30 2018	Jun 30 2018	Mar 31 2018	Dec 31 2017	Sept 30 2017	Jun 30 2017	Mar 31 2017	Dec 31 2016
(Unaudited - in \$000s)								
Revenue	3,992	3,408	5,228	4,306	3,539	2,348	4,442	3,444
Net loss from continuing operations	(1,608)	(2,760)	(616)	(2,618)	(1,254)	(3,529)	(969)	(3,106)
Net income (loss) from discontinued operation	—	—	—	—	211	—	(427)	(3,062)
Adjusted EBITDA ¹	1,112	365	1,772	1,417	1,287	36	1,191	505
Adjusted EBITDA per share - basic ¹	0.02	0.01	0.03	0.03	0.03	0.00	0.03	0.01
Net loss per share from continuing operations								
Basic	(0.03)	(0.05)	(0.01)	(0.05)	(0.02)	(0.07)	(0.02)	(0.08)
Diluted	(0.03)	(0.05)	(0.01)	(0.05)	(0.02)	(0.07)	(0.02)	(0.08)
Net income (loss) per share from discontinued operation								
Basic	—	—	—	—	0.00	—	(0.01)	(0.08)
Diluted	—	—	—	—	0.00	—	(0.01)	(0.08)
Adjusted free cash flow ¹	120	1,114	(324)	168	(348)	222	(315)	386

¹ See Financial Measures Reconciliations below

LIQUIDITY AND CAPITAL RESOURCES

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 had 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 was to 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.

On April 21, 2017, 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 on July 21, 2019. The warrants fair value of \$300 was recorded as a transaction cost of the loan and is being expensed over the term of the loan.

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 previously issued 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.

On September 28, 2018, the Company renewed the Loan and Security agreement in the amount of \$15.9 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 interest only payments in the event that it is renewed. The Company also entered into a Warrant Amendment Agreement which amended the exercise price of the previously issues warrants to \$0.20 per share from \$0.27 per share and extended the expiry date to January 21, 2021. All covenants and collateral remain the same.

On October 1, 2018, the Company issued the lender and additional 248,209 share purchase warrants. Each warrant entitles the lender to acquire one common share in the Company at an exercise price of \$0.20 per warrant. The warrants expire on January 21, 2021.

The Company has entered into discussions with the lender to renew the loan and security agreement for an additional year after the current maturity date of March 28, 2019. Management is confident that an extension will be executed.

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 required 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.

As at September 30, 2018, the Company's current ratio, as defined to exclude the current portion of debt, was 3.52:1.00 and the debt service coverage ratio was 1.26:1.00.

OUTLOOK

There is currently an absence of stability and confidence in the Canadian energy market due to the lack of market access which is demonstrated by widening differentials between the West Texas Intermediate and Western Canadian Select. While global commodity prices and drilling activities increased in the oil and gas industry, in Canada drilling and completion activity levels, along with commodity pricing have only increased marginally year over year and are

forecasted to remain flat into 2019. While the Company was able to achieve some pricing increases on its rental assets the first half of 2018, the lack of increased drilling activity since then has prevented the Company from achieving any further pricing improvements or expanded utilization of its rental fleet.

The Company anticipates that demand for rental equipment which supports drilling and completions activity in the Western Canadian Sedimentary Basin (“WCSB”), along with its associated rental rates, will remain flat throughout the remainder of 2018 and into 2019. As a result, the Company continues to strengthen its fleet of rental assets with newer equipment which generates higher utilization and pricing, along with lower repairs and maintenance costs while selling off older assets

The Company is also successfully expanding its market reach and customer base from beyond its traditional upstream energy services customers with its surveillance and security service offering. These services are targeted to alternative industry segments including industrial facilities, pipeline and commercial construction. By year end the Company will have purchased 130 new hybrid solar light towers, many of these being equipped with high resolution security cameras to meet anticipated demand for services.

Following the April 24, 2018 announcement that the Company had signed an Amendment to the Exclusive Distributorship and Supply Agreement which provided Zedcor exclusivity in selling hybrid solar powered lighting systems in Western Canada; on July 17, 2018 the Company announced it had signed a Security Services Contract with a Canadian based pipeline company to provide exclusive surveillance and security services for a pipeline replacement project. This project commenced in mid-September and will continue into the spring of 2019, utilizing almost half of the fleet of new hybrid solar light towers along with supporting security and surveillance services.

The Company continues to focus on strengthening the balance sheet by selling underutilized assets, managing working capital and reducing debt. The Company is further committed to improving its operational and financial performance through efficiencies and cost reductions in its operations while creating shareholder value for the long term.

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, adjusted EBITDA per share, adjusted EBIT and adjusted free cash flow 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 and amortization. Adjusted EBITDA is calculated as EBITDA before costs associated with severance, refinancing costs 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:

(in \$,000s)	Three months ended Sept 30		Nine months ended Sept 30	
	2018	2017	2018	2017
Net income from continuing operations	(1,608)	(1,254)	(4,984)	(5,751)
Add:				
Finance costs	944	912	2,706	2,678

Depreciation	1,585	1,452	4,940	4,538
Amortization of intangibles	165	165	495	495
Income taxes	(28)	(19)	(43)	(612)
EBITDA	1,058	1,256	3,114	1,348
Add:				
Stock based compensation	18	6	37	6
Severance costs	36	25	98	121
Refinancing costs	—	—	—	1,039
Adjusted EBITDA	1,112	1,287	3,249	2,514

Adjusted EBIT

Adjusted EBIT refers to earnings before interest and finance charges, taxes, refinancing costs and severance costs.

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

(in \$,000s)	Three months ended Sept 30		Nine months ended Sept 30	
	2018	2017	2018	2017
Net income from continuing operations	(1,608)	(1,254)	(4,984)	(5,751)
Add:				
Finance costs	944	912	2,706	2,678
Income taxes	(28)	(19)	(43)	(612)
Severance costs	36	25	98	121
Refinancing costs	—	—	—	1,039
Adjusted EBIT	(656)	(336)	(2,223)	(2,525)

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 nine months ended September 30, 2018 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 is currently the parent company to Zedcor Energy Services Corp. ("Zedcor"). Zedcor is engaged in the rental of surface equipment and accommodations, and providing security and surveillance services in Western Canada. 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 streamlining rental assets with newer equipment will drive improvements in equipment rental rates and utilization, 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 new solar hybrid light tower and related security and surveillance service offerings will lead to more diversity in revenue streams and protect against future down swings in the economic environment. Although management believes these assumptions are reasonable, there can be no assurance that they will prove 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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