Zedcor Energy Inc. Announces 2018 Year End Results

CALGARY, ALBERTA – March 26, 2019: Zedcor Energy Inc. (the "Company") (TSX VENTURE: ZDC) today announced its financial and operating results for the year ended December 31, 2018.

Highlights

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

	Three months ended December 31		Twelve months ended December 31	
(in $000s)	**2018**	**2017**	**2018**	**2017**
Revenue	4,824	4,306	17,452	14,636
Net loss from continuing operations	(15,176)	(2,618)	(20,160)	(8,369)
Adjusted EBITDA[1,2]	1,402	1,417	4,650	3,931
Adjusted EBIT[1,2]	(799)	(555)	(2,490)	(2,579)
Net loss per share from continuing operations				
Basic	($0.29)	($0.05)	($0.39)	($0.17)
Diluted	($0.29)	($0.05)	($0.39)	($0.17)

1 *Adjusted for severances, impairment of goodwill, provision for onerous lease and refinancing costs*
2 *See Financial Measures Reconciliations below*

SELECT FINANCIAL RESULTS

- Revenues for the quarter ended December 31, 2018 increased by $0.5 million or 11% from $4.3 million to $4.8 million compared to the similar quarter in 2017. This increase is due to the revenue generated from the Security and Surveillance segment.
- Net loss from continuing operations for the quarter ended December 31, 2018 increased by $12.6 million from a loss of $2.6 million to a loss of $15.2 million compared to the similar quarter in 2017. This increase is the result of a $7.2 million derecognition of the deferred tax asset and a $5.7 million impairment of goodwill related to the Energy Services segment. See Impairment of Goodwill section.
- Adjusted EBITDA for the quarter ended December 31, 2018 was $1,402, a decrease of $14 from the quarter ended December 31, 2017. This decrease is a result of the decrease in revenue and margin from the Energy Services segment in the last quarter.
- For the year ended December 31, 2018, revenues increased by $2.8 million or 16% from $14.6 million to $17.5 million compared to the year ended December 31, 2017. In direct relation, Adjusted EBITDA increased by $0.7 million from $3.9 million to $4.6 million. The increase is a result of the revenue and EBITDA generated from the Security and Surveillance segment, along with a 21% decrease in general and administrative costs for the twelve months ended December 31, 2018 compared to the twelve months ended December 31, 2017.
- Net loss from continuing operations increased by $11.8 million for the year ended December 31, 2018 compared to the year ended December 31, 2017. This increase is due to a $7.2 million derecognition of deferred tax assets and a goodwill impairment of $5.7 million related to the Energy Services segment.
- During 2018, the Company purchased 130 new hybrid solar light towers, 67 of which were equipped with high resolution security cameras to support the security and surveillance segment. The Company also sold underutilized

assets, with the proceeds of $3.0 million being used to reduce debt.

- On March 28, 2018, the Company renewed the Loan and Security Agreement in the amount of $17.5 million for an additional 6 months. On the same day the Company also signed a $13.5 million credit facility, comprised of a $3 million operating loan, a $2.5 million non-revolving term loan and an $8 million equipment finance term loan. See Liquidity and Capital Resources section.
- 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.
- On March 25, 2019, the Company renewed the Loan and Security Agreement in the amount of $14.3 million for an additional 12 months. See Liquidity and Capital Resources section.

SELECTED QUARTERLY FINANCIAL INFORMATION

(Unaudited – in $000s)	Dec 31 2018	Sept 30 2018	June 30 2018	Mar 31 2018	Dec 31 2017	Sept 30 2017	June 30 2017	Mar 31 2017
Revenue	4,824	3,992	3,408	5,228	4,306	3,539	2,348	4,442
Net loss from continuing operations	(15,176)	(1,608)	(2,760)	(616)	(2,618)	(1,254)	(3,529)	(969)
Net income (loss) from discontinued operation	—	—	—	—	—	211	—	(427)
Adjusted EBITDA[1]	1,402	1,112	365	1,772	1,417	1,287	36	1,191
Adjusted EBITDA per share								
- basic[1]	0.03	0.02	0.01	0.03	0.03	0.03	0.00	0.03
Net loss per share from continuing operations								
Basic	(0.29)	(0.03)	(0.05)	(0.01)	(0.05)	(0.02)	(0.07)	(0.02)
Diluted	(0.29)	(0.03)	(0.05)	(0.01)	(0.05)	(0.02)	(0.07)	(0.02)
Net income (loss) per share from discontinued operation								
Basic	—	—	—	—	—	0.00	—	(0.01)
Diluted	—	—	—	—	—	0.00	—	(0.01)
Adjusted free cash flow[1]	(280)	120	1,114	(324)	351	(348)	222	(290)

[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 issues 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 an 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.

On March 25, 2019, the Company renewed the Loan and Security agreement in the amount of $14.3 million for an additional 12 months with an option to renewal for an additional 12 months at the satisfaction of the lender. The renewed loan and security agreement bears interest at 12.75% and is serviced by 12 months of interest only payments. The Company also entered into a Warrant Amendment Agreement which amended the exercise price of the previously issued warrants to $0.145 per share from $0.20 per share and extended the expiry date to January 21, 2022. All covenants and collateral remain the same.

On March 25, 2019, the Company issued the lender an additional 2,068 share purchase warrants. Each warrant entitles the lender to acquire one common share in the Company at an exercise price of $0.145 per warrant. The warrants expire on January 21, 2022.

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 to 60 months, bears interest at a rate of 6.1% to 6.2% 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 December 31, 2018, the Company's current ratio, as defined to exclude the current portion of debt, was 2.40:1.00, the debt service coverage ratio was 1.33:1.00 and the share value of the shares pledged under the shareholder guarantee were greater than 1.25 times the value of the outstanding term facility.

OUTLOOK

There was an absence of stability and confidence in the Canadian energy market due to lack of pipeline infrastructure and resulting over supply of Canadian crude in 2018. This was demonstrated by the unprecedented price differentials between West Texas Intermediate and Western Canadian Select seen in the fourth quarter of 2018. While global commodity prices and drilling activities increased in the oil and gas industry, Canada experienced a slowdown in drilling and completion activity levels over the past year. 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. However, with mandated production cuts from the Alberta Government, resulting in a narrowing of oil price differentials, and greater visibility toward pipeline development and improved market access, there is potential for a rebound in activity levels in late 2019 and into 2020.

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 for the first half of 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 also successfully expanded its market reach and customer base in 2018 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.

During 2018, the Company purchased 130 new hybrid solar light towers, over half of which were equipped with high resolution security cameras to support this new segment. 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 September 2018 and will continue into the summer of 2019, utilizing almost half of the fleet of new hybrid solar light towers along with supporting security and surveillance services. Heading into 2019, there has been significant demand for the Company's surveillance and security offering and as a result the percentage of hybrid solar light towers equipped with security cameras has been increasing to meet this demand.

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 refinancing, severance, impairment of goodwill, gains or losses on disposal or derecognition of property and equipment, provision for onerous lease 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 December 31		**Twelve months ended December 31**	
(in $000s)	**2018**	**2017**	**2018**	**2017**
Net loss from continuing operations	(15,176)	(2,618)	(20,160)	(8,369)
Add:				
Finance costs	1,005	903	3,711	3,581
Depreciation	1,466	1,400	5,811	5,887
Amortization of intangibles	165	165	660	660
Income taxes (recovery)	7,201	6	7,158	(606)
EBITDA	(5,339)	(144)	(2,820)	1,153
Add:				
Stock based compensation	15	5	52	11
Loss on disposal of property and equipment	735	285	1,329	336
Loss on derecognition	—	287	—	287

Impairment of goodwill	5,746	—	5,746	—
Provision for onerous lease	—	984	—	984
Severance costs	245	—	343	121
Refinancing costs	—	—	—	1,039
Adjusted EBITDA	1,402	1,417	4,650	3,931

Adjusted EBIT

Adjusted EBIT refers to earnings before interest and finance charges, stock based compensation, taxes, amortization, impairment of goodwill, refinancing costs, severance costs and provision for onerous lease.

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

	Three months ended December 31		**Twelve months ended December 31**	
(in $000s)	**2018**	**2017**	**2018**	**2017**
Net loss from continuing operations	(15,176)	(2,618)	(20,160)	(8,369)
Add:				
Finance costs	1,005	903	3,711	3,581
Stock based compensation	15	5	52	11
Amortization of intangibles	165	165	660	660
Provision for onerous lease	—	984	—	984
Impairment of goodwill	5,746	—	5,746	—
Income taxes (recovery)	7,201	6	7,158	(606)
Severance costs	245	—	343	121
Refinancing costs	—	—	—	1,039
Adjusted EBIT	(799)	(555)	(2,490)	(2,579)

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 consolidated financial statements and notes for the year ended December 31, 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 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.

For further information contact:

Kim Cotter
Chief Financial Officer
P: (403) 930-5435
E: kcotter@zedcor.ca

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