CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CERF INCORPORATED

FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014

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 and six month periods ended June 30, 2015.

CERF INCORPORATED

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited)

IN THOUSANDS OF CANADIAN DOLLARS

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash	4,154	1,603
Restricted cash	2,000	2,000
Accounts receivable	6,392	15,992
Inventory	1,933	1,974
Income taxes recoverable	337	171
Prepaid expenses and deposits	1,151	1,084
	15,967	22,824
Non-current assets:		
Property and equipment (note 3)	80,713	83,190
Intangibles and goodwill (note 4)	37,332	38,307
	118,045	121,497
Total assets	134,012	144,321
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	2,670	7,289
Dividends payable	2,178	2,173
Contingent consideration	2,000	2,000
Current portion of long-term debt (note 5)	1,000	1,000
Current portion of finance leases	297	302
	8,145	12,764
Non-current liabilities:		
Long-term debt (note 5)	29,002	29,500
Obligation under finance leases	3,700	3,851
Deferred income taxes	1,355	1,561
	34,057	34,912
Total liabilities	42,202	47,676
Shareholders' equity		
Share capital (note 6)	102,459	102,350
Share purchase loans receivable	(38)	(93)
Contributed surplus	950	873
Deficit	(11,561)	(6,485)
	91,810	96,645
Total liabilities and shareholders' equity	134,012	144,321

See accompanying notes to the Condensed Consolidated Interim Financial Statements

CERF INCORPORATED

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)
IN THOUSANDS OF CANADIAN DOLLARS

	Three months ended		**Six months ended**	
	June 30, 2015	**June 30, 2014**	**June 30, 2015**	**June 30, 2014**
Revenues (note 8)	9,292	10,014	26,953	22,439
Direct expenses				
Direct operating costs	5,548	5,166	12,018	10,627
Cost of sales of equipment, fuel and parts	933	941	4,794	2,416
Depreciation of equipment	2,828	1,554	5,565	2,945
	9,309	7,661	22,377	15,988
Gross margin	(17)	2,353	4,576	6,451
Other expenses				
General and administrative (note 9)	1,592	1,324	3,428	2,808
Depreciation of other property and equipment	63	42	122	73
Amortization of intangible assets	474	235	975	485
Business acquisition expenses	9	34	24	34
Finance costs (note 10)	422	339	868	655
	2,560	1,974	5,417	4,055
(Loss) income before income taxes	**(2,577)**	**379**	**(841)**	**2,396**
Income taxes (recovery)				
Current	(82)	(179)	88	452
Deferred	(529)	301	(206)	198
	(611)	**122**	**(118)**	**650**
Net (loss) income and comprehensive (loss) income for the period	**(1,966)**	**257**	**(723)**	**1,746**
Net (loss) income per share				
Basic	(0.05)	0.02	(0.02)	0.11
Diluted	(0.05)	0.02	(0.02)	0.11
Weighted average number of shares outstanding				
Basic	36,289,597	16,629,850	36,267,957	16,362,058
Diluted	36,289,597	16,721,603	36,267,957	16,399,818

See accompanying notes to the Condensed Consolidated Interim Financial Statements

CERF INCORPORATED

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW
(Unaudited)
IN THOUSANDS OF CANADIAN DOLLARS

	Six months ended June 30	
	2015	**2014**
Cash provided by (used in):		
Operating		
Net (loss) income and comprehensive (loss) income	(723)	1,745
Depreciation of property and equipment (note 3)	5,850	3,174
Gain on disposal of property and equipment (note 3)	(163)	(156)
Amortization of intangible assets (note 4)	975	485
Stock based compensation (note 7)	77	40
Deferred income taxes	(206)	(198)
Cash flow from operating activities before changes in non-cash working capital	5,810	5,090
Changes in non-cash working capital (note 11)	5,232	1,213
Cash flow from operating activities	11,042	6,303
Investing		
Change in non-cash working capital related to investing activities (note 11)	(500)	157
Purchase of property and equipment (note 3)	(3,841)	(6,816)
Proceeds from sale of property and equipment (note 3)	631	1,394
Long term receivable	57	116
Business acquisition	—	(6,100)
Cash flow from investing activities	(3,653)	(11,249)
Financing		
Bank indebtedness	—	957
Share issue costs net of deferred tax benefit	—	(1,407)
Dividends paid, net of reinvestment	(4,201)	(1,930)
Share purchased loan payments received	17	55
Proceeds from long-term debt	—	8,627
Repayment of long-term debt	(498)	(1,755)
Repayment of obligations under finance leases	(156)	(158)
Cash flow from finance activities	(4,838)	4,389
Net change in cash in the period	2,551	(557)
Cash, beginning of year	1,603	557
Cash, end of period	4,154	—

See accompanying notes to the Condensed Consolidated Interim Financial Statements

CERF INCORPORATED

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
IN THOUSANDS OF CANADIAN DOLLARS

	Share capital	Warrants	Share purchase loans	Contributed surplus	Deficit	Total
Balance – December 31, 2013	32,894	835	(148)	744	(5,234)	29,091
Stock based compensation	—	—	—	107	—	107
Share purchase loan	—	—	55	—	—	55
Shares issued on asset acquisition	3,082	—	—	—	—	3,082
Shares issued on business acquisition	51,032	—	—	—	—	51,032
Share issue costs net of deferred tax benefit of $46	(136)	—	—	—	—	(136)
Warrants and options exercised	15,381	(835)		22		14,568
Dividends reinvested	97					97
Comprehensive income	—	—	—	—	5,073	5,073
Dividends declared	—	—	—	—	(6,324)	(6,324)
Balance – December 31, 2014	102,350	—	(93)	873	(6,485)	96,645
Stock based compensation	—	—	—	77	—	77
Share purchase loan payment received	—	—	17	—	—	17
Share purchase loan shares forfeited	(38)	—	38	—	—	—
Dividends reinvested	147	—	—	—	—	147
Comprehensive loss	—	—	—	—	(723)	(723)
Dividends declared	—	—	—	—	(4,353)	(4,353)
Balance – June 30, 2015	102,459	—	(38)	950	(11,561)	91,810

See accompanying notes to the Condensed Consolidated Interim Financial Statements

IN THOUSANDS OF CANADIAN DOLLARS

1. CORPORATE INFORMATION:

CERF Incorporated ("CERF" or 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.

The Company is engaged in equipment rentals, equipment sales and service, and waste management services. CERF Incorporated is listed on the TSX Venture Exchange under the symbol CFL.

2. BASIS OF PREPARATION:

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, 2014. 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, 2014.

These consolidated financial statements were approved by the Board of Directors on August 26, 2015 and are presented in Canadian dollars, which is the Company's functional currency.

3. PROPERTY AND EQUIPMENT:

Cost	Buildings	Rental equipment	Automotive & other equipment	Office furniture & equipment	Leasehold improvements	Total
At December 31, 2013	4,801	37,269	12,604	754	250	55,678
Additions	—	14,521	1,166	330	40	16,057
Business Acquisition	—	40,456	134	135	—	40,725
Disposals	—	(4,999)	(729)	—	—	(5,728)
At December 31, 2014	4,801	87,247	13,175	1,219	290	106,732
Additions	—	2,262	1,244	278	57	3,841
Disposals	—	(693)	(904)	(8)	(14)	(1,619)
At June 30,2015	4,801	88,816	13,515	1,489	333	108,954

IN THOUSANDS OF CANADIAN DOLLARS

Accumulated depreciation	**Buildings**	**Rental equipment**	**Automotive & other equipment**	**Office furniture & equipment**	**Leasehold improvements**	**Total**
At December 31, 2013	1,211	11,456	5,652	342	127	18,788
Charge for year	275	6,033	1,620	152	23	8,103
Elimination on disposal	—	(2,837)	(512)	—	—	(3,349)
At December 31, 2014	1,486	14,652	6,760	494	150	23,542
Charge for the period	137	4,642	931	121	19	5,850
Elimination on disposal	—	(434)	(702)	(3)	(12)	(1,151)
At June 30, 2015	1,623	18,860	6,989	612	157	28,241

Net Book Value	**Buildings**	**Rental equipment**	**Automotive & other equipment**	**Office furniture & equipment**	**Leasehold improvements**	**Total**
At December 31, 2014	3,315	72,595	6,415	725	140	83,190
At June 30, 2015	3,178	69,956	6,526	877	176	80,713

Depreciation of assets subject to finance lease obligations in the six months ended June 30, 2015 was $35 (2014 - $175).

During the six months ended June 30, 2015, the Company sold assets with a net book value of $468 for proceeds of $631, resulting in a gain of $163 (2014 - gain of $156) which has been included in depreciation of equipment in comprehensive income.

4. INTANGIBLES AND GOODWILL:

Cost	**Goodwill**	**Long term Contracts**	**Customer Relation-ships**	**Non-compete agreement**	**Brand names & other**	**Total**
At December 31, 2013	**7,803**	**998**	**1,636**	**197**	**82**	**10,716**
Business Acquisitions	23,501	—	4,720	600	—	28,821
Amortization	—	(425)	(712)	(55)	(38)	(1,230)
At December 31, 2014	**31,304**	**573**	**5,644**	**742**	**44**	**38,307**
Amortization	—	212	689	59	15	975
At June 30, 2015	**31,304**	**361**	**4,955**	**683**	**29**	**37,332**

IN THOUSANDS OF CANADIAN DOLLARS

5. CREDIT FACILITIES:

	Effective interest rate	Final maturity	Facility maximum	Outstanding as at June 30, 2015	Outstanding as at December 31, 2014
Revolving operating facility	3.30%	2017	55,000	25,500	25,500
Revolving capital expenditure facility	3.28%	2017	10,000	4,502	5,000
				30,002	30,500
Current portion				(1,000)	(1,000)
Long term debt				29,002	29,500

On August 27, 2014, the Company entered into a syndicated credit facility with its banker acting as the lead syndication agent. The credit facilities have been provided on a committed basis for a period of three years from August 27, 2014 and consist of:

a) A revolving operating facility with a maximum availability of up to $55,000 not to exceed 75% of accounts receivable, plus 50% of inventories held for resale, plus 60% of the net book value of rental equipment, less priority payables. No payments of principal are required under the operating facility as long as the loan does not exceed the margined assets. A revolving Capex Facility with a maximum availability of up to $10,000. This facility may be used to finance 75% of the cost of non-rental equipment. Each draw against the Capex facility is repayable in 60 equal monthly payments of principal plus interest. However no principal payments are required during the fiscal year in which a term accommodation is advanced.

The credit facilities are secured by a General Security Agreement creating a first charge security interest over all of the Company's, including its subsidiaries, present and after acquired real and personal property.

Interest payable on all loans drawn under the credit facilities will range from bank prime rate plus 1.00% to bank prime rate plus 1.50% depending on the Company's debt to EBITDA ratio. The Credit facilities may also be financed through Bankers' Acceptances at the Company's option.

Covenants required from August 27, 2014 onward are as follows:

	Requirement	Actual at June 30, 2015
Debt to EBITDA*	Maximum of 3.00 times EBITDA	1.85 times EBITDA
Interest Coverage Ratio**	Minimum of 3.50 times adjusted cash flow	4.10 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 in the trailing twelve months.

IN THOUSANDS OF CANADIAN DOLLARS

6. SHARE CAPITAL

Common shares issued and fully paid:	**Number of shares**	**$**
Balance, December 31, 2013	**16,059,356**	**32,894**
Issuance of common shares on exercise of employee options	141,800	429
Issuance of common shares on exercise of agent options	247,506	668
Issuance of common shares on exercise of warrants	4,276,167	13,471
Reclassification of warrants exercised	—	813
Issuance of common shares under dividend reinvestment program	31,683	97
Issued as consideration in a business acquisitions	15,457,405	54,114
Share issue costs, net of deferred tax benefit of $46	—	(136)
Balance, December 31, 2014	**36,213,917**	**102,350**
Shares forfeited	(15,817)	(38)
Issuance of shares under dividend reinvestment program	86,331	147
Balance, June 30, 2015	**36,284,431**	**102,459**

7. 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	(212,000)	(94,000)	2.71 to 3.17	2.75	3.00
Options vested	—	54,000	3.09	2.54	3.09
Options as at June 30, 2015	**1,675,500**	**381,300**	—	**3.72**	**3.05**

During the six months ended June 30, 2015, $77 of stock based compensation related to these stock options was recorded in general and administrative expenses (2014 - $40).

IN THOUSANDS OF CANADIAN DOLLARS

8. REVENUE:

Revenues are comprised of the following:

	For the three months ended		For the six months ended	
	June 30, 2015	**June 30, 2014**	**June 30, 2015**	**June 30, 2014**
Total revenues – oilfield services division	**2,384**	**1,217**	**12,057**	**3,705**
Industrial equipment rental and service revenue	2,842	3,369	6,862	8,896
Sales of equipment, fuel and parts	620	1,134	1,557	2,871
Total revenues – industrials division	**3,462**	**4,503**	**8,419**	**11,767**
Total revenues - waste management division	**3,446**	**4,294**	**6,477**	**6,967**
	9,292	**10,014**	**26,953**	**22,439**

9. GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses are comprised of the following:

	For the three months ended		For the six months ended	
	June 30, 2015	**June 30, 2014**	**June 30, 2015**	**June 30, 2014**
Administrative salaries and office costs	1,160	1,032	2,542	2,046
Stock based compensation	36	19	77	40
Professional and consulting fees	196	101	302	214
Advertising, promotion, and investor relations	100	109	217	238
Computer and technology related expenses	174	61	347	117
Bad debt expenses	(74)	2	(57)	153
	1,592	1,324	3,428	2,808

IN THOUSANDS OF CANADIAN DOLLARS

10. FINANCE COSTS:

Finance costs are comprised of the following:

	For the three months ended		For the six months ended	
	June 30, 2015	**June 30, 2014**	**June 30, 2015**	**June 30, 2014**
Bank charges and interest	36	61	91	165
Interest on long term debt	284	169	531	271
Interest on finance leases	109	114	220	231
Loan syndication fees	—	—	36	—
Interest income	(7)	(5)	(10)	(12)
	422	339	868	655

11. CHANGES IN NON-CASH WORKING CAPITAL:

Changes in non-cash working capital related to operating activities

	For the three months ended		For the six months ended	
	June 30, 2015	**June 30, 2014**	**June 30, 2015**	**June 30, 2014**
Accounts receivable	7,326	813	9,543	(64)
Inventory	86	(687)	41	(700)
Income taxes recoverable	(231)	—	(166)	—
Prepaid expenses	(185)	(160)	(67)	(122)
Accounts payable and accrued liabilities	(1,853)	(345)	(4,619)	(558)
	5,143	(379)	4,732	(1,444)
Less: change in non-cash working capital related to investing activities	—	804	(500)	157
Change in non-cash working capital	**5,143**	**(1,183)**	**5,232**	**(1,601)**
Supplementary information:				
Taxes paid (recovered)	149	733	254	1,032
Interest paid	422	317	868	633

Changes in non-cash working capital related to investing activities

	For the three months ended		For the six months ended	
	June 30, 2015	**June 30, 2014**	**June 30, 2015**	**June 30, 2014**
Accounts payable related to the purchase of PP&E	—	804	(500)	157

IN THOUSANDS OF CANADIAN DOLLARS

12. OPERATING SEGMENTS:

The Company structures its operations in three operating and reportable segments: (i) industrial rental, service and sales; (ii) oilfield rental, services and sales; and (iii) waste management, based on the way that management organizes the Company's businesses to make operating decisions and assess performance.

The industrial rental segment includes the operations of 4-Way Equipment Rentals Corp. The oilfield rental segment includes the aggregate operations of TRAC Energy Services Ltd and Winalta Inc. The waste management segment includes the operations of MCL Waste Systems & Environmental Inc.

Information regarding results of the segments is 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 three months ended June 30, 2015 and 2014:

	Three months ended June 30, 2015				
	Industrial Rentals	Oilfield Rentals	Waste Management	Corporate	Total
Total segment revenue	3,462	2,384	3,446	—	9,292
Segment profit (loss)	(3)	(907)	152	(923)	(1,681)
Depreciation of property and equipment	957	1,533	396	5	2,891
Amortization of intangible assets	—	356	118	—	474
Finance costs	235	50	134	3	422
Income taxes expense (recovery)	(131)	(532)	(60)	112	(611)
Additions to property and equipment	282	405	611	6	1,304

	Three months ended June 30, 2014				
	Industrial Rentals	Oilfield Rentals	Waste Management	Corporate	Total
Total segment revenue	4,503	1,217	4,294	—	10,014
Segment profit (loss)	560	62	980	(649)	953
Depreciation of property and equipment	890	343	360	3	1,596
Amortization of intangible assets	—	121	114	—	235
Finance costs	234	24	42	39	339
Income taxes expense (recovery)	29	(95)	158	30	122
Additions to property and equipment	3,362	52	343	6	3,763

IN THOUSANDS OF CANADIAN DOLLARS

Six months ended June 30, 2015	Industrial Rentals	Oilfield Rentals	Waste Management	Corporate	Total
Total segment revenue	8,419	12,057	6,477	—	26,953
Segment profit (loss)	1,077	1,379	392	(1,846)	1,002
Depreciation of property and equipment	1,889	3,092	694	12	5,687
Amortization of intangible assets	—	713	262	—	975
Finance costs	433	187	185	63	868
Income taxes (recovery)	37	(204)	(75)	124	(118)
Additions to property and equipment	956	1,938	888	59	3,841

Six months ended June 30, 2014	Industrial Rentals	Oilfield Rentals	Waste Management	Corporate	Total
Total segment revenue	11,766	3,705	6,968	—	22,439
Segment profit (loss)	2,835	1,305	558	(1,162)	3,536
Depreciation of property and equipment	1,672	590	750	6	3,018
Amortization of intangible assets	—	240	245	—	485
Finance costs	432	90	74	59	655
Income taxes (recovery)	512	131	(30)	37	650
Additions to property and equipment	4,812	1,585	408	11	6,816

Goodwill	Industrial Rentals	Oilfield Rentals	Waste Management	Corporate	Total
As at December 31, 2014 and June 30, 2015	—	29,791	1,513	—	31,304

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

As at June 30, 2015	Industrial Rentals	Oilfield Rentals	Waste Management	Corporate	Total
Total assets	23,605	97,857	10,883	1,667	134,012
Total liabilities	5,366	3,645	826	32.365	42,202

As at December 31, 2014	Industrial Rentals	Oilfield Rentals	Waste Management	Corporate	Total
Total assets	26,111	108,178	10,951	(919)	144,321
Total liabilities	6,413	7,616	865	32,782	47,676

IN THOUSANDS OF CANADIAN DOLLARS

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

	Three months ended		Six months ended	
	June 30, 2015	**June 30, 2014**	**June 30, 2015**	**June 30, 2014**
Segment profit	(1,681)	953	1,002	3,536
Deduct:				
Finance costs	422	339	868	655
Amortization of intangibles	474	235	975	485
(Loss) Income before taxes	(2,577)	379	(841)	2,396