Condensed Consolidated Interim Financial Statements of

WesternOne

For the three months ended March 31, 2016 and 2015

WESTERNONE INC.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
(Expressed in thousands of Canadian dollars)

	Notes		March 31, 2016		December 31, 2015
Assets					
Current assets:					
Cash and cash equivalents		$	20,839	$	15,597
Accounts receivable			22,061		36,414
Inventories			6,107		6,625
Construction contract assets			1,286		1,000
Deposits and prepaid expenses			1,707		2,231
Current taxes receivable			255		190
			52,255		62,057
Property and equipment			103,770		107,543
Intangible assets			19,813		20,882
Goodwill			18,242		18,242
Deferred income tax assets			4,772		4,908
Other long-term asset			200		-
Total assets		$	199,052	$	213,632
Liabilities and Equity					
Current liabilities:					
Operating loans	3	$	1,619	$	4,059
Accounts payable and accrued liabilities	4		16,304		18,506
Capital loans	3		4,817		4,159
Other current liabilities			4,448		4,449
			27,188		31,173
Capital loans	3		31,975		38,223
2011 Debentures	4		31,430		34,093
2013 Debentures	4		21,625		21,218
Other long-term liabilities	3		5,979		6,361
			118,197		131,068
Equity:					
Common shares	5		226,046		225,954
Contributed surplus			1,349		1,250
Shares issuable			-		92
Foreign currency translation reserve			1,471		1,926
Equity component of Debentures	4		15,640		15,640
Accumulated deficit			(164,099)		(163,808)
Shareholders' equity			80,407		81,054
Non-controlling interest			448		1,510
Total equity			80,855		82,564
Total liabilities and equity		$	199,052	$	213,632

See accompanying notes to condensed consolidated interim financial statements.

WESTERNONE INC.

Condensed Consolidated Interim Statements of Income (Loss)
(Unaudited)
(Expressed in thousands of Canadian dollars)

For the three months ended March 31, 2016 and 2015

	Notes		2016		2015
Revenue	6	$	31,992	$	88,257
Cost of sales	7		19,424		62,996
Gain on sale of property and equipment			611		1,326
Gross profit			13,179		26,587
Expenses:					
General and administration (including depreciation and amortization of operating and intangible assets)	9		13,386		15,731
Finance costs			715		4,813
			14,101		20,544
Income (loss) from continuing operations before income taxes			(922)		6,043
Income tax expense (recovery)			(141)		1,723
Net income (loss) from continuing operations			(781)		4,320
Gain (loss) on disposal of discontinued operations, net of income taxes	12		426		(74)
Net income (loss)		$	(355)	$	4,246
Net income (loss) from continuing operations attributable to:					
Shareholders		$	(717)	$	4,193
Non-controlling interest			(64)		127
Total		$	(781)	$	4,320
Net income (loss) from discontinued operations attributable to:					
Shareholders		$	426	$	(74)
Non-controlling interest			-		-
Total		$	426	$	(74)
Basic and diluted weighted average income (loss) per Share:					
Continuing operations		$	(0.02)	$	0.11
Discontinued operations			0.01		(0.01)
Net income (loss)		$	(0.01)	$	0.10
Basic and diluted weighted average number of Shares			39,660,310		39,250,743

See accompanying notes to condensed consolidated interim financial statements.

WESTERNONE INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
(Unaudited)
(Expressed in thousands of Canadian dollars)

For the three months ended March 31, 2016 and 2015

	2016	2015
Net income (loss)	$ (355)	$ 4,246
Other comprehensive income (loss):		
(Item that may be reclassified to income in the future)		
Unrealized gain (loss) from foreign exchange translation	(288)	453
Comprehensive income (loss)	$ (643)	$ 4,699
Comprehensive income (loss) from continuing operations attributable to:		
Shareholders	$ (1,172)	$ 4,744
Non-controlling interest	103	29
Total	$ (1,069)	$ 4,773
Comprehensive income (loss) from discontinued operations attributable to:		
Shareholders	$ 426	$ (74)
Non-controlling interest	-	-
Total	$ 426	$ (74)
Total comprehensive income (loss)	$ (643)	$ 4,699

See accompanying notes to condensed consolidated interim financial statements.

WESTERNONE INC.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)
(Expressed in thousands of Canadian dollars)

	Common shares	Contributed surplus	Shares issuable	Foreign currency translation reserve	Equity Component of Debentures	Accumulated deficit	Non-controlling interest	Total
Balance, December 31, 2014	$ 223,736	$ 961	$ 1,386	$ 713	$ 15,642	$ (142,313)	$ 2,230	$ 102,355
Issuance of Shares from conversion of Debentures	12	-	-	-	(2)	-	-	10
Issuance of Shares from the Plan, net of expenses	2,206	-	(1,386)	-	-	-	-	820
Dividends declared	-	-	-	-	-	(1,960)	-	(1,960)
Net investment from non-controlling interest	-	-	-	-	-	-	171	171
Net income for the period	-	-	-	-	-	4,119	127	4,246
Other comprehensive income (loss)	-	-	-	551	-	-	(98)	453
Share based compensation expense	-	114	-	-	-	-	-	114
Balance, March 31, 2015	$ 225,954	$ 1,075	$ -	$ 1,264	$ 15,640	$ (140,154)	$ 2,430	$ 106,209
Balance, December 31, 2015	$ 225,954	$ 1,250	$ 92	$ 1,926	$ 15,640	$ (163,808)	$ 1,510	$ 82,564
Net distribution to non-controlling interest	-	-	-	-	-	-	(1,165)	(1,165)
Net loss for the period	-	-	-	-	-	(291)	(64)	(355)
Other comprehensive income (loss)	-	-	-	(455)	-	-	167	(288)
Share based compensation expense	-	99	-	-	-	-	-	99
Conversion of Equity-Settled RSUs to Shares	92	-	(92)	-	-	-	-	-
Balance, March 31, 2016	$ 226,046	$ 1,349	$ -	$ 1,471	$ 15,640	$ (164,099)	$ 448	$ 80,855

See accompanying notes to condensed consolidated interim financial statements.

WESTERNONE INC.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
(Expressed in thousands of Canadian dollars)

For the three months ended March 31, 2016 and 2015

	Notes	2016	2015
Cash provided by (used in):			
Operating activities:			
Net income (loss) from continuing operations		$ (781)	$ 4,320
Items not affecting cash:			
Amortization of tangible and intangible assets		5,959	6,119
Interest expense relating to amortization of transaction costs, conversion of Debentures and change in derivatives		(4)	335
Tax expense (recovery)		(141)	1,723
Share based compensation		99	114
Change in fair value of Debentures		(2,256)	1,152
Gain on sale of property and equipment		(611)	(1,326)
Interest expense		2,933	3,286
		5,198	15,723
Changes in:			
Accounts receivable		14,353	9,656
Inventories		518	1,214
Construction contract assets		(286)	13,098
Deposits and prepaid expenses		524	(200)
Accounts payable and accrued liabilities		(2,202)	(14,876)
Other assets and liabilities		(202)	236
Cash from operating activities of continuing operations		17,903	24,851
Income taxes received (paid)		(8)	191
Net cash from operating activities of continuing operations		17,895	25,042
Investing activities:			
Purchase of property, equipment and software		(1,754)	(1,862)
Proceeds from the sale of property and equipment		1,538	2,590
Net cash from (used in) investing activities of continuing operations		(216)	728
Financing activities:			
Dividends paid		-	(1,687)
Interest received		42	41
Interest paid		(2,975)	(3,327)
Net investment from (distribution to) non-controlling interest		(1,165)	171
Payment of finance lease obligations		(494)	(422)
Repayment of loans		(8,271)	(2,573)
Net cash used in financing activities of continuing operations		(12,863)	(7,797)
Increase in cash and cash equivalents from continuing operations		4,816	17,973
Cash and cash equivalents from (used in) discontinued operations	12	426	(74)
Cash and cash equivalents, beginning of the period		15,597	5,891
Cash and cash equivalents, end of the period		$ 20,839	$ 23,790

See accompanying notes to condensed consolidated interim financial statements.

1. Corporate information:

WesternOne Inc. (the "Company") is incorporated under the *Canada Business Corporations Act*.

The Company is based in Vancouver, British Columbia ("BC"), and focuses on acquiring and growing businesses in the construction and infrastructure services sectors in order to generate value for its Shareholders.

The Company structures its operations in two principal business platforms:

- Heat services and aerial equipment: The Company has acquired seven businesses in this sector and has integrated the operations of these business units under the brand name "WesternOne Infrastructure Services" ("WIS"). This business specializes in providing: *(i)* heat and related services to the construction, infrastructure and oil and gas sectors; and *(ii)* aerial equipment for construction, television, and movie production. Some locations also provide general construction equipment rentals that complement the heat and aerial business. WIS has 13 locations in BC and Alberta.
- Modular building construction and rentals: The Company acquired the assets and business of Britco in June 2011 through its subsidiary, Britco LP ("Britco"). Britco provides innovative modular construction solutions, with design-build and turn-key capabilities, for permanent applications such as multi-user buildings, hotels and lodges, offices, and relocatable structures such as workforce accommodations. Britco also provides temporary space rental solutions to customers. Britco has one of the largest space rental fleets in Western Canada consisting of office complexes, construction site offices, diverse special use buildings, and storage containers. As at March 31, 2016, Britco had four modular construction facilities: (*i*) three locations in BC and Alberta in Canada; and (*ii*) one location in Texas, USA.

2. Basis of preparation:

(a) Statement of compliance:

These condensed consolidated interim financial statements and the notes thereto have been prepared in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting*. The condensed consolidated interim financial statements were authorized for issue by the Directors of the Company on May 12, 2016.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2015 and 2014. These statements follow the same accounting policies and methods of their application as described in the most recent annual financial statements, except for the adoption of the amendments to IAS 16 – *Property, Plant and Equipment* and IAS 38 – *Intangible Assets*, and IAS 1 – *Presentation of Financial statements* on January 1, 2016. These amendments did not have a material impact on the Company's condensed consolidated interim financial statements.

(Expressed in thousands of Canadian dollars,
except Shares, Options, Debenture units, per Option and per Share amounts)

2. Basis of preparation (continued):

(b) New accounting standards not yet adopted:

IAS 7 – *Statement of Cash Flows:*

On January 7, 2016, the International Accounting Standards Board issued amendments to IAS 7. The amendments are effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The Company intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017 and is currently evaluating the impact of the amendments on its consolidated financial statements.

(c) Comparative information

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

3. Credit facilities:

(a) Credit facilities with a single Canadian chartered bank ("the Bank"):

The Company's credit facilities with the Bank consist of the following:

	Carrying value	
	March 31, 2016	December 31, 2015
Operating loans	$ 1,619	$ 4,059
Capital loans	36,792	42,382
Total credit facilities	38,411	46,441
Less current portion:		
Operating loans	1,619	4,059
Capital loans	4,817	4,159
Total long-term credit facilities	$ 31,975	$ 38,223

As at March 31, 2016, interest rates on the operating loans and capital loans were 4.95% and 4.49%, respectively. As at March 31, 2016, the Company had $6,623 in standby guarantees outstanding with interest ranging from 2.17% to 3.25%.

(Expressed in thousands of Canadian dollars,
except Shares, Options, Debenture units, per Option and per Share amounts)

3. Credit facilities (continued):

(a) Credit facilities with a single Canadian chartered bank ("the Bank") (continued):

As at March 31, 2016, the Company was in compliance with all bank covenants associated with the credit facilities with the Bank.

Assuming that the contractual requirements of the capital loans are met, the required minimum principal repayments are as follows:

April 1 to December 31, 2016	$	3,291
2017		33,844
		37,135
Balance of transaction costs to amortize		(343)
Total	$	36,792

(b) Other credit facilities:

The following table summarizes the carrying value of a non-revolving equipment financing loan ("Equipment Financing Loan"), which is included in other current and other long-term liabilities:

	Carrying value	
	March 31, 2016	December 31, 2015
Total Equipment Financing Loan	$ 3,488	$ 3,673
Less current portion	745	736
Total long term Equipment Financing Loan	$ 2,743	$ 2,937

As at March 31, 2016, the interest rate on the Equipment Financing Loan was 4.51%.

Assuming that the contractual requirements of the Term Credit Facility are met, the required minimum principal repayments are as follows:

April 1 to December 31, 2016	$	556
2017		771
2018		808
2019		846
2020		507
Total	$	3,488

(Expressed in thousands of Canadian dollars,
except Shares, Options, Debenture units, per Option and per Share amounts)

4. Debentures:

(a) Convertible series 2 unsecured subordinated debentures (the "2011 Debentures"):

The following table summarizes the face and carrying values of the 2011 Debentures at March 31, 2016:

	Liability Component		Equity Component
	Face Value	Carrying Value	Carrying Value
Balance as at December 31, 2015	$ 71,027	$ 34,093	$ 11,780
Mark to market as at March 31, 2016	-	(1,243)	-
	71,027	32,850	11,780
Less accrued interest[(1)]	-	1,420	-
Balance as at March 31, 2016	$ 71,027	$ 31,430	$ 11,780

(1) Included in Accounts payable and accrued liabilities.

(b) Convertible series 3 unsecured subordinated debentures (the "2013 Debentures"):

The following table summarizes the face and carrying values of the 2013 Debentures at March 31, 2016:

	Liability Component		Equity Component
	Face Value	Carrying Value	Carrying Value
Balance as at December 31, 2015	$ 51,750	$ 21,218	$ 3,860
Mark to market as at March 31, 2016	-	1,216	-
	51,750	22,434	3,860
Less accrued interest[(1)]	-	809	-
Balance as at March 31, 2016	$ 51,750	$ 21,625	$ 3,860

(1) Included in Accounts payable and accrued liabilities.

5. Common shares:

The following table summarizes the changes to the common shares (the "Shares") for the three months ended March 31, 2016:

Issued capital	Shares[(1)]	Shares outstanding
Balance as at December 31, 2015	$ 225,954	39,655,743
Conversion of Equity-Settled RSUs to Shares	92	5,854
Balance as at March 31, 2016	$ 226,046	39,661,597

(1) Amounts are net of transaction costs where applicable.

(Expressed in thousands of Canadian dollars,
except Shares, Options, Debenture units, per Option and per Share amounts)

6. Revenue:

The following table presents the components of the Company's revenues, from continuing operations, for the three months ended March 31, 2016 and 2015:

	2016	2015
Sale of goods	$ 9,830	$ 44,595
Rentals and other services	19,356	23,110
Site construction work	2,806	20,552
Total	$ 31,992	$ 88,257

7. Cost of sales:

The following table presents the components of the Company's cost of sales, from continuing operations, for the three months ended March 31, 2016 and 2015:

	2016	2015
Cost of goods sold	$ 6,133	$ 30,746
Cost of rentals and other services	9,736	28,705
Depreciation of rental equipment	3,555	3,545
Total	$ 19,424	$ 62,996

8. Share based compensation:

The following table summarizes the details of the Share options outstanding at March 31, 2016:

	Number of share options	Exercise price
Outstanding, at December 31, 2015 and March 31, 2016	1,808,519	$ 0.96 - $ 8.54

For the three months ended March 31, 2016, the Company recognized $99 of Share based compensation expense (2015 - $114).

(Expressed in thousands of Canadian dollars,
except Shares, Options, Debenture units, per Option and per Share amounts)

8. Share based compensation (continued):

The following table presents the details of restricted stock units outstanding at March 31, 2016:

	Equity-Settled Restricted Stock Units			Cash-Settled Restricted Stock Units		
	Number		Fair Value Per Unit at Grant Date	Number		Fair Value Per Unit
Outstanding, at December 31, 2015	17,564	$	8.54	554,686	$	0.30
Conversion to Shares	(5,854)		8.54	-		-
Outstanding, at March 31, 2016	11,710	$	8.54	554,686	$	0.32

For the three months ended March 31, 2016, the Company recognized $29 of Cash-Settled RSU expense included in general and administration expense (2015 - nil).

9. General and administration expenses:

The following table presents the Company's general and administration expenses according to their nature, from continuing operations, for the three months ended March 31, 2016 and 2015:

		2016		2015
Employee salaries and benefits	$	5,880	$	8,042
Rent		1,388		1,526
Share based compensation expense		99		114
Depreciation of property and equipment		1,251		1,190
Amortization of intangible assets		1,153		1,384
Professional fees		363		730
Insurance		712		526
Office expenses		1,239		1,344
Property and business taxes		124		193
Other		1,177		682
Total	$	13,386	$	15,731

(Expressed in thousands of Canadian dollars,
except Shares, Options, Debenture units, per Option and per Share amounts)

10. Determination of fair values:

Comparison of fair value to carrying value:

Financial instruments consist of cash and cash equivalents, accounts receivable, operating loans, accounts payable and accrued liabilities, capital loans, Equipment Financing Loan, financial derivatives not designated in an effective hedging relationship, 2011 Debentures, and 2013 Debentures. The carrying values of the financial instruments, except for the financial derivatives, capital loans, Equipment Financing Loan, 2011 Debentures, and 2013 Debentures are considered to approximate their fair values due to their short-term nature. The carrying values of the capital loans and Equipment Financing Loan approximated their fair values as the related interest rates of the loans were at market as at March 31, 2016. The carrying values of the liability components of the 2011 Debentures, and 2013 Debentures are marked to market at the end of each financial reporting period.

Financial instruments carried at fair value in the condensed consolidated interim statement of financial position are categorized in the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the financial instruments carried at fair value:

Liability	Level 1	Level 2	Level 3	Total
Interest rate swap	$ -	$ 155	$ -	$ 155
Liability component of 2011 Debentures	-	-	31,430	31,430
Liability component of 2013 Debentures	-	-	21,625	21,625

For the continuity schedules of the Level 3 valuations, see note 4.

The following table summarizes the valuation method and key inputs for determining the fair values of the liability components of the Debentures:

Valuation approach	Key inputs	Inter-relationship between inputs and fair value measurement
The fair value is determined by applying a discounted cash flow analysis using expected future cash flows and a market-related discount rate. The discount rate used in the discounted cash flow analysis reflects the credit risks associated with the Debentures.	Discount rate (35.0% to 60.4%)	The estimated fair value increases when the discount rate decreases.

The fair values of the liability components of the Debentures are determined by the Company's finance department. The key unobservable input is the discount rate which is comprised of the risk free rate of government bonds, adjusted for a risk premium to reflect the credit risk of the Company.

(Expressed in thousands of Canadian dollars,
except Shares, Options, Debenture units, per Option and per Share amounts)

11. Operating segments:

The Company structures its operations in two reportable segments: *(i)* heat services and aerial equipment (WIS); and *(ii)* modular building construction and rentals (Britco), based on the way that management organizes the Company's businesses for making operating decisions and assessing performance.

Segmented information is prepared using the accounting policies described in note 3 of the Company's consolidated financial statements for the year ended December 31, 2015.

The method used for allocating assets jointly used by the reportable segments and liabilities jointly incurred by the reportable segments is based on a proportion of each segment's assets. Revenues generated and expenses incurred at the corporate level are allocated based on a proportion of each segment's revenues from continuing operations.

The segment reporting below represents the Company's continuing operations for the three months ended March 31, 2016 and 2015:

	WIS		Britco		Consolidated	
	2016	2015	2016	2015	2016	2015
Total segment revenue	$ 22,344	$ 30,295	$ 9,648	$ 57,962	$ 31,992	$ 88,257
Revenue with other segment (eliminated in consolidation)	3	8	7	9	10	17
Depreciation and amortization of:						
Property and equipment	3,581	3,672	1,225	1,063	4,806	4,735
Intangible and other assets	867	900	286	484	1,153	1,384
Finance cost	541	2,024	174	2,789	715	4,813
Current and deferred income tax expense (recovery)	(98)	591	(43)	1,132	(141)	1,723
Net income (loss) from continuing operations	1,982	5,015	(2,763)	(695)	(781)	4,320
Purchase of property and equipment (excluding business acquisitions)	1,097	763	657	1,099	1,754	1,862
Total identifiable assets [(1)]	129,445	136,279	69,607	77,353	199,052	213,632

(1) Balances for 2015 are as of December 31, 2015.

(Expressed in thousands of Canadian dollars,
except Shares, Options, Debenture units, per Option and per Share amounts)

12. Discontinued operations:

Gain (loss) from disposal of discontinued operations for the three months ended March 31, 2016 and 2015 are as follows:

		2016		2015
Recovery (loss) from non-controlling interest partner and voluntary administrators[(1)]	$	426	$	(74)
Gain (loss) from disposal of discontinued operations, net of income taxes	$	426	$	(74)

(1) Includes professional fees and management's estimate of the claims on bank guarantees outstanding.

Net cash flows from (used in) discontinued operations are as follows:

		2016		2015
Cash from (used) in operating activities	$	426	$	(74)
Cash from investing activities		-		-
Cash used in financing activities		-		-
Cash and cash equivalents from (used in) discontinued operations	$	426	$	(74)