Condensed Consolidated Interim Financial Statements of

WesternOne

For the three months ended March 31, 2018 and 2017

Suite 910, 925 West Georgia Street • Vancouver • British Columbia • Canada • V6C 3L2 • Telephone (604) 678-4042 • Fax (604) 681-5969

WESTERNONE INC.

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

	Notes		March 31, 2018		December 31, 2017
Assets					
Current assets:					
Cash and cash equivalents		$	4,808	$	8,667
Restricted cash			233		343
Accounts receivable			30,125		20,986
Inventories			2,621		2,698
Deposits and prepaid expenses			1,113		1,226
			38,900		33,920
Property and equipment			64,857		64,829
Intangible assets			813		879
Other long term asset			450		450
Total assets		$	105,020	$	100,078
Liabilities and Equity					
Current liabilities:					
Accounts payable and accrued liabilities		$	10,914	$	13,454
Other current liabilities	3(b)		2,214		2,342
			13,128		15,796
Bank loans	3(a)		23,339		19,581
2013 Debentures	4		43,309		44,505
Other long-term liabilities	3(b)		4,887		5,111
			84,663		84,993
Equity:					
Common shares	5		273,766		280,372
Contributed surplus			1,527		1,413
Equity component of Debentures	4		3,860		3,860
Accumulated other comprehensive income	2(b)(iii),4		8,809		-
Accumulated deficit			(267,605)		(270,560)
Total equity			20,357		15,085
Total liabilities and equity		$	105,020	$	100,078

Contingencies (note 11)

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, 2018 and 2017

	Notes		2018		2017
Revenue	7	$	34,335	$	26,027
Cost of sales	8		19,979		16,064
Gain on sale of property and equipment			200		706
Gross profit			14,556		10,669
Expenses:					
General and administration (including depreciation and amortization of operating and intangible assets)	9		8,722		8,667
Finance costs	4		1,733		6,769
			10,455		15,436
Income (loss) from continuing operations before income taxes			4,101		(4,767)
Income tax expense			-		-
Net income (loss) from continuing operations			4,101		(4,767)
Loss from discontinued operations, net of income taxes, Pacific Coast (formerly Britco LP)	10(a)		-		(2,663)
Gain (loss) on disposal of discontinued operations, net of income taxes, Pacific Coast (formerly Britco LP)	10(a)		(79)		2,287
Gain (loss) on disposal of discontinued operations, net of income taxes, APB Britco	10(b)		(1)		167
Net loss from discontinued operations			(80)		(209)
Net income (loss)		$	4,021	$	(4,976)
Net income (loss) from continuing operations attributable shareholders		$	4,101	$	(4,767)
Net loss from discontinued operations attributable to:					
Shareholders		$	(77)	$	(168)
Non-controlling interest			(3)		(41)
Total		$	(80)	$	(209)
Basic and diluted weighted average income (loss) per share:					
Continuing operations		$	0.24	$	(0.28)
Discontinued operations			(0.01)		(0.01)
Net income (loss)		$	0.23	$	(0.29)
Basic and diluted weighted average number of shares			16,802,396		17,017,044

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, 2018 and 2017

		2018		2017
Net income (loss)	$	4,021	$	(4,976)
Other comprehensive income:				
(Item that may be reclassified to income in the future)				
Fair value of financial instruments though other comprehensive income		1,738		-
Comprehensive income (loss)	$	5,759	$	(4,976)
Comprehensive income (loss) from continuing operations attributable to shareholders	$	5,839	$	(4,767)
Comprehensive loss from discontinued operations attributable to:				
Shareholders	$	(77)	$	(168)
Non-controlling interest		(3)		(41)
Total	$	(80)	$	(209)
Total comprehensive income (loss)	$	5,759	$	(4,976)

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)

For the three months ended March 31, 2018

			Accumulated other comprehensive income					
	Common shares	Contributed surplus	Foreign currency translation reserve	Fair value changes of debentures	Equity component of debentures	Accumulated deficit	Non-controlling interest	Total
Balance, January 1, 2018	$ 280,372	$ 1,413	$ -	$ -	$ 3,860	$ (270,560)	$ -	$ 15,085
Impact of the adoption of IFRS 9 (note 2(b)(iii))	-	-	-	7,071	-	(7,071)	-	-
Net distribution from non-controlling interest	-	-	-	-	-	-	3	3
Net income (loss) for the period	-	-	-	-	-	4,024	(3)	4,021
Share based compensation expense	-	114	-	-	-	-	-	114
Share repurchases and cancellations	(6,606)	-	-	-	-	6,002	-	(604)
Fair value of financial instruments through other comprehensive income (note 4)	-	-	-	1,738	-	-	-	1,738
Balance, March 31, 2018	$ 273,766	$ 1,527	$ -	$ 8,809	$ 3,860	$ (267,605)	$ -	$ 20,357

For the three months ended March 31, 2017

			Accumulated other comprehensive income					
	Common shares	Contributed surplus	Foreign currency translation reserve	Fair value changes of debentures	Equity component of debentures	Accumulated deficit	Non-controlling interest	Total
Balance, January 1, 2017	$ 280,717	$ 1,448	$ 1,678	$ -	$ 3,860	$ (246,616)	$ 78	$ 41,165
Disposal of Pacific Coast (formerly Britco LP)	-	-	(423)	-	-	-	(83)	(506)
Net distribution from non-controlling interest	-	-	-	-	-	-	46	46
Net loss for the period	-	-	-	-	-	(4,935)	(41)	(4,976)
Share based compensation expense	-	4	-	-	-	-	-	4
Balance, March 31, 2017	$ 280,717	$ 1,452	$ 1,255	$ -	$ 3,860	$ (251,551)	$ -	$ 35,733

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, 2018 and 2017

	Notes	2018	2017
Cash provided by (used in):			
Operating activities:			
Net income (loss) from continuing operations		$ 4,101	$ (4,767)
Items not affecting cash:			
Amortization of tangible and intangible assets		4,059	3,957
Interest expense relating to amortization of transaction costs, conversion of Debentures and change in derivatives		31	343
Share-based compensation expense	6	114	4
Change in fair value of Debentures	4	542	5,014
Gain on sale of property and equipment		(200)	(706)
Interest expense		1,150	1,410
		9,797	5,255
Changes in:			
Accounts receivable		(8,682)	(1,930)
Inventories		77	(39)
Deposits and prepaid expenses		113	409
Accounts payable and accrued liabilities		(3,003)	(2)
Other assets and liabilities		39	(6)
Net cash from (used in) operating activities of continuing operations		(1,659)	3,687
Investing activities:			
Proceeds from sale of Pacific Coast (formerly Britco LP)	10(a)	-	44,519
Purchase of property, equipment and software		(4,005)	(2,386)
Proceeds from the sale of property and equipment		374	1,482
Net cash from (used in) investing activities of continuing operations		(3,631)	43,615
Financing activities:			
Share issuance costs and share repurchases	5	(604)	-
Interest received		10	2
Interest paid		(1,160)	(1,413)
Payment of finance lease obligations		(339)	(445)
Advance from loans		3,732	-
Repayment of loans		(294)	(32,257)
Net cash from (used in) financing activities of continuing operations		1,345	(34,113)
Increase (decrease) in cash and cash equivalents from continuing operations		(3,945)	13,189
Cash and cash equivalents from (used in) discontinued operations, Pacific Coast (formerly Britco LP)	10(a)	(22)	982
Cash and cash equivalents from (used in) discontinued operations, APB Britco	10(b)	(2)	167
Cash and cash equivalents and restricted cash, beginning of the period		9,010	3,828
Cash and cash equivalents and restricted cash, end of the period		$ 5,041	$ 18,166

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 seeks to acquire and grow businesses in the construction and infrastructure services sectors in Western Canada. The Company has acquired seven businesses in the heat services and aerial equipment sectors, and has integrated the operations of these business units under the brand name WesternOne Infrastructure Services ("WIS"). WIS is a leading provider of construction heat services and aerial equipment rentals to businesses in the construction, infrastructure, film and television industries in Western Canada. WIS has 13 locations in BC, Alberta and Manitoba.

2. Basis of preparation:

(a) Discontinued operations:

On March 6, 2017, the Company completed the sale of a significant portion of the assets of Pacific Coast Modular Construction LP ("Pacific Coast") (formerly Britco LP), including its modular rental business ("Modular Rentals") and its majority equity interest in Pacific Coast's construction business in the United States ("US Modular Manufacturing"). On May 2, 2017, the Company completed the sale of substantially all of the remaining assets of Pacific Coast relating to its Canadian manufacturing business ("Canada Modular Manufacturing"). The results for Pacific Coast have been presented as discontinued operations in the comparative condensed consolidated interim statements of income (loss) separately from continuing operations. See note 10(a) for further information.

(b) 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 9, 2018.

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, 2017 and 2016. 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 IFRS 15, IFRS 9 and amendments to IFRS 2 on January 1, 2018 as described below.

(*i*) IFRS 2 - *Share-based Payment*:

The Company adopted the amendments to IFRS 2 - *Share-based Payment* on January 1, 2018. The amendments clarified how to account for certain types of share-based payment transactions and did not have a material impact on the financial statements.

2. Basis of preparation (continued):

(b) Statement of compliance (continued):

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

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 - *Revenue*, IAS 11 - *Construction Contracts* and other interpretive guidance associated with revenue recognition.

The Company adopted IFRS 15 using the cumulative effect method with the effect of initially applying this standard recognized at the date of initial application, January 1, 2018. Accordingly, the information presented for 2017 has not been restated. There was also no impact on retained earnings on adoption. There were no differences in the accounting of the Company's revenues under its previous accounting policy and IFRS 15. IFRS 15 did not have a significant impact on the Company's condensed consolidated interim financial statements. The Company will disclose in its consolidated financial statements for the year ended December 31, 2018 qualitative and quantitative information about contracts, customers, and significant judgements made, consistent with the new requirements based on the Company's assessment of the standard.

(*iii*) IFRS 9 - *Financial Instruments*:

IFRS 9 sets out requirements for recognizing and measuring financial assets and financial liabilities. This standard replaces IAS 39 - *Financial Instruments: Recognition and Measurement*.

The Company adopted IFRS 9 in its condensed consolidated interim financial statements for the annual period beginning on January 1, 2018. The Company has taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement (including impairment) requirements.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

1. It is held with a business model whose objective is to hold assets to collect contractual cash flows; and
2. Its contractual term gives rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding.

As summarized below, all of the Company's financial assets are classified as amortized cost under IFRS 9 and the new classification requirements did not have a material impact on the Company's financial assets.

IFRS 9 largely retained the existing requirements in IAS 39 for the classification of financial liabilities. IFRS 9 did not have any impact regarding the classification of its financial liabilities.

2. Basis of preparation (continued):

(b) Statement of compliance (continued):

(*iii*) IFRS 9 - *Financial Instruments (continued)*:

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" ("ECL") model. The new impairment model will apply to financial assets measured at amortized cost or FVOCI. All of the Company's financial assets are classified as amortized cost. Under IFRS 9, loss allowances are measured on either of the following bases:

1. 12-month ECLs: these are ECLs that result from possible default events within 12 months after the reporting date; and
2. Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of the financial instruments.

The Company measures loss allowances as an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's experience and informed credit assessment.

IFRS 9 offers a simplified approach in which the loss allowance for accounts receivable is equal to the life expected credit losses for trade receivables that do not contain a significant financing component. The new impairment requirements did not have an impact on its financial statements.

The following financial assets and liabilities were classified as loans and receivables under IAS 39 and are now classified as amortized cost under IFRS 9: cash and cash equivalents and restricted cash, accounts receivable, accounts payable and accrued liabilities, bank loans, other credit facilities, and finance lease commitments. The 2013 Debentures were classified as FVTPL under IAS 39 and continue to be classified as FVTPL under IFRS 9. Under IAS 39, all fair value changes of liabilities designated at FVTPL were recognized in the statement of income. Under IFRS 9, the amount of change in fair value attributable to changes in the credit risk of the 2013 Debentures is presented in other comprehensive income. The remaining amount of change in the fair value is presented in the statement of income. On the date of initial application, the Company has reclassified $7,071 from accumulated deficit to accumulated other comprehensive income to reflect the cumulative changes in credit risk since inception of the 2013 Debentures.

There are no differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9.

The Company has adopted IFRS retrospectively except as described below:

- the Company elected not to restate comparative information in respect of classification and measurement; and
- the Company designated irrevocably on initial recognition a financial liability measured at FVTPL.

(Expressed in thousands of Canadian dollars,
except shares, options, debenture units, per option and per share amounts)

2. Basis of preparation (continued):

(c) Comparative figures:

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

3. Credit facilities:

(a) ABL Facility with the Bank:

As at March 31, 2018, the Company was in compliance with all bank covenants associated with the ABL Facility. The ABL Facility does not have scheduled repayments until its maturity.

As at March 31, 2018, the interest rate for the bank loans ranged from 4.20% to 6.00%. As at March 31, 2018, the Company had $898 standby guarantees outstanding with the Bank bearing 1.50% interest and $233 standby guarantees outstanding with a Canadian chartered bank with interest rates ranging from 3.65% to 4.50% which have been classified within restricted cash.

(b) Other credit facilities:

The Company has a Leasehold Improvement Loan and Equipment Financing Loan which are included in other current and long-term liabilities. As at March 31, 2018, the interest rates for the other credit facilities ranged from 5.32% to 6.00%.

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

The following table summarizes the changes to the 2013 Debentures for the three months ended March 31, 2018:

	Liability Component		Equity Component
	Face Value	Carrying Value	Carrying Value
Balance as at December 31, 2017	$ 51,750	$ 44,505	$ 3,860
Mark-to-market for the period ended March 31, 2018[1]	-	1,351	-
Fair value through other comprehensive income	-	(1,738)	-
Less accrued interest[1]	-	(809)	-
Balance as at March 31, 2018	$ 51,750	$ 43,309	$ 3,860

(1) Included in Finance costs.

(Expressed in thousands of Canadian dollars,
except shares, options, debenture units, per option and per share amounts)

5. Common shares:

The following table summarizes the changes to the common shares (the "Shares") for the three months ended March 31, 2018:

Issued capital		Shares[1]	Shares outstanding
Balance as at December 31, 2017	$	280,372	16,997,044
Shares repurchased and cancelled[2]		(6,606)	(400,500)
Balance as at March 31, 2018	$	273,766	16,596,544

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

(2) Volume weighted average price of $1.50.

6. Share-based compensation:

On January 1, 2018, 107,664 Equity-Settled RSUs were granted to the Board of Directors for their services to be provided in 2018. 26,914 of these RSUs vested immediately, 26,918 vest on April 1, 2018, 26,914 vest on July 1, 2018, and 26,918 vest on October 1, 2018. The fair value of the Equity-Settled RSUs at the time of grant was $1.50 per unit. Upon completion of the initial vesting conditions set forth above, the vested Equity-Settled RSUs shall entitle the holder to receive common shares of the Company upon the earlier of: (*i*) January 1, 2021; (*ii*) the director ceasing to be a director of the Company; and (*iii*) a change in control.

The following table summarizes the changes to restricted stock units for the three months ended March 31, 2018:

	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, 2017	66,994	$	1.52	1,268,431	$	1.52
Granted	107,664		1.50	-		-
Outstanding, at March 31, 2018	174,658	$	1.51	1,268,431	$	1.39

For the three months ended March 31, 2018, the Company recognized $114 share-based compensation expense (2017 - $4) which includes the Equity-Settled RSUs.

(Expressed in thousands of Canadian dollars,
except shares, options, debenture units, per option and per share amounts)

7. Revenue:

The following table presents the components of the Company's revenues, for the three months ended March 31, 2018 and 2017:

	2018	2017
Sale of goods	$ 12,548	$ 8,286
Rentals and other services	21,787	17,741
Total	$ 34,335	$ 26,027

Aside from evaluating the Company's revenue results based on the two main revenue streams (sale of goods and rentals and other services), the Company's senior management also disaggregates revenue into heat services ("Heat") and aerial equipment services ("Aerial"). The Company designates all revenue from each branch location as either Heat or Aerial based on the predominant type of revenues sold. The following table shows the breakdown of the Company's revenue into Heat, Aerial, and other for the three months ended March 31, 2018 and 2017:

	2018	2017
Heat	$ 26,190	$ 19,490
Aerial	8,140	6,536
Other	5	1
Total	$ 34,335	$ 26,027

8. Cost of sales:

The following table presents the components of the Company's cost of sales, for the three months ended March 31, 2018 and 2017:

	2018	2017
Cost of goods sold	$ 7,877	$ 4,977
Cost of rentals and other services	8,990	8,103
Depreciation of rental equipment	3,112	2,984
Total	$ 19,979	$ 16,064

(Expressed in thousands of Canadian dollars,
except shares, options, debenture units, per option and per share amounts)

9. General and administrative expenses:

The following table presents the Company's general and administration expenses according to their nature, for the three months ended March 31, 2018 and 2017:

		2018		2017
Employee salaries and benefits	$	3,779	$	3,781
Severance		6		185
Rent		1,173		1,280
Share-based compensation expense		114		4
Depreciation of property and equipment		881		728
Amortization of intangible assets		66		245
Professional fees		233		140
Insurance		618		563
Office expenses		958		968
Property and business taxes		176		122
Other		718		651
Total	$	8,722	$	8,667

10. Discontinued operations:

(a) Pacific Coast:

Loss on discontinued operations, net of income taxes, for the three months ended March 31, 2018 and 2017 is as follows:

		2018		2017[(1)]
Revenue	$	-	$	14,240
Cost of sales		-		13,394
Gain on sale of property and equipment		-		121
Gross profit		-		967
Expenses:				
General and administration (including depreciation and amortization of operating and intangible assets)		-		2,739
Finance costs		-		28
Impairment of fixed assets		-		249
Restructuring costs		-		614
		-		3,630
Net loss discontinued operations	$	-	$	(2,663)

(1) For the period from January 1, 2017 to March 6, 2017 for Modular Rentals and US Modular Manufacturing and for the three months ended March 31, 2017 for Canada Modular Manufacturing.

(Expressed in thousands of Canadian dollars,
except shares, options, debenture units, per option and per share amounts)

10. Discontinued operations (continued):

(a) Pacific Coast (continued):

The effect of the disposal of Pacific Coast on the Company's financial position as at March 31, 2018 and 2017 is as follows:

	2018	2017
Cash proceeds	$ -	$ 45,119
Net assets disposed	-	(40,465)
Restructuring and other costs[(1)]	(32)	(660)
Working capital adjustment	-	(497)
Derecognition of non-controlling interest	-	83
Derecognition of foreign currency translation reserve	-	423
Provision for long-term lease liability (note 12)	(47)	(1,716)
Gain (loss) on disposal of discontinued operations of, net of income taxes	$ (79)	$ 2,287

[(1)] Includes professional fees and other costs.

Net cash flows from discontinued operations for the three months ended March 31, 2018 and 2017 are as follows:

	2018	2017
Cash used in operating activities	$ (22)	$ (3,683)
Cash from investing activities	-	858
Cash from financing activities	-	3,807
Cash and cash equivalents from (used in) discontinued operations	$ (22)	$ 982

(b) APB Britco Pty Limited ("APB Britco"):

In completing the winding down of APB Britco's affairs, net gain on discontinuation of and effect of disposal of APB Britco for the three months ended March 31, 2018 and 2017 comprised of professional fees and changes in management's estimate of the claims on bank guarantees outstanding.

11. Contingencies and commitments:

On December 10, 2014, Robert Krten and 2381371 Ontario Inc. filed a securities class action against the Company and certain of its directors and executives alleging misrepresentation. On March 23, 2018, the parties to the pending class action lawsuit entered into an agreement to settle the proceedings. The claims are unproven, and the settlement is made without any admission of liability. The agreement will result in the dismissal of the action in its entirety, and all members of the class bound by the settlement will be prohibited from bringing further actions relating to the same subject matter of the lawsuit. The settlement is subject to court approval. The agreement provides for a total settlement payment of $1,000. The entire settlement amount will be fully funded by insurance.

12. Provisions:

As at March 31, 2018, the Company recognized a provision of $1,863 included in other long-term liabilities related to an onerous office lease contract. The provision represents the present value of the difference between the minimum future lease payments the Company is obligated to make under the non-cancellable onerous operating lease contract and an estimate of sublease recoveries. This estimate may vary as a result of changes in assumptions. The onerous contract provision is estimated to be settled in 2024. On May 2, 2017, the Company entered into an agreement to sublease this office lease contract for one year and expects to receive $60 in sublease payments for the remainder of the sublease.