MANAGEMENT'S DISCUSSION AND ANALYSIS

CANADIAN EQUIPMENT RENTALS CORP.

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015

Dated August 17, 2016

The following management's discussion and analysis ("MD&A") provides an overview of the events and transactions that have affected the performance of Canadian Equipment Rentals Corp. ("Canadian Equipment Rentals" or the "Company" or "our" or "we") formerly CERF Incorporated for the three and six month periods ended June 30, 2016 when compared to the three and six month periods ended June 30, 2015. The MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto of Canadian Equipment Rentals for the years ended December 31, 2015 and 2014. These consolidated financial statements are available on the Company's website at www.cerfcorp.com as well as on SEDAR at www.sedar.com.

This MD&A is management's assessment of the Company's operations and financial results, as well as management's view of future prospects. These assessments and views are based on certain assumptions related to future events which are uncertain. Statements related to assessments and views which are not statements of historical fact are considered to be forward-looking statements. For a discussion on the risks and uncertainties related to such information please refer to "Forward-Looking Statements" below.

This MD&A has been prepared by management and reviewed and approved by the Board of Directors of Canadian Equipment Rentals as of August 17, 2016.

OVERVIEW AND CORPORATE PROFILE

Canadian Equipment Rentals is a Canadian public corporation with three primary operating segments: Energy Services, General Rentals and Waste Management.

The Energy Services segment provides surface wellsite equipment rentals, downhole equipment and wellsite accommodations rentals to support the drilling operations of energy and production companies operating in the Western Canada Sedimentary Basin. This segment operates as Zedcor Energy Services ("Zedcor") from its main facility in Leduc, Alberta, sales office in Calgary, Alberta and operating yards in Grande Prairie, Alberta, Fort St. John, British Columbia and Estevan, Saskatchewan.

The General Rentals segment operates as 4-Way Equipment Rentals ("4-Way") and provides equipment rental solutions for construction and industrial projects in Edmonton, Alberta and surrounding areas from its facility in Edmonton, Alberta.

The Waste Management segment operates as MCL Waste Systems & Environmental ("MCL") and manages and operates six major landfills, two waste management transfer sites all in Alberta, and provides disposal and recycling services for clientele in a variety of industries.

EXECUTIVE SUMMARY:

Selected Financial Highlights

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

	Three months ended June 30		Six months ended June 30	
(in $000s)	**2016**	**2015**	**2016**	**2015**
Revenue	7,072	9,292	15,612	26,953
Adjusted EBITDA[1,2]	294	1,273	1,426	6,961
Adjusted EBIT[1,2]	(5,011)	(1,654)	(6,925)	1,197
Net (loss) income	(4,775)	(1,966)	(8,877)	(723)
Net (loss) income per share				
Basic	(0.12)	(0.05)	(0.22)	(0.02)
Diluted	(0.12)	(0.05)	(0.22)	(0.02)
Dividends declared	—	2,178	—	4,353

[1] *Adjusted for severances and business acquisition costs*
[2] *See Financial Measures Reconciliations below*

- On February 2, 2016, the Company acquired all the outstanding common and preferred shares of Zedcor Oilfield Rentals Ltd., a private oilfield equipment rental company with operations in Western Canada. This transaction added premier equipment rental assets with an average age of approximately three years and expanded the Company's geographic footprint and customer base. The acquisition was financed through a combination of the issuance of $4.7 million common and preferred shares, the payout of $12.8 million in debt and the issuance of a subordinated vendor take-back note with a fair value of $3.7 million.
- On May 6, 2016, the Company completed the acquisition of all the assets used in the business of Summit Star Energy Services Inc. ("Summit Star"). The Company issued 1,713,318 common shares for the assets of Summit Star, which when multiplied by the volume weighted average price of the common shares of the Company over the 30 preceding trading days resulted in a stated purchase price of $0.8 million. The market closing price of $0.40 per share on the acquisition date was used to value the 1,713,318 common shares, resulting in the recorded purchase price of $0.7 million.
- Revenues for the quarter ended June 30, 2016 decreased by $2.2 million or 24% from $9.3 million to $7.1 million compared to the same quarter in 2015. Reduced drilling activity and pricing pressure decreased Energy Services revenue by $0.9 million. Lower commercial and residential construction due to the continued economic downturn and increased competition reduced both utilization and pricing causing General Rentals revenue to decrease by $1.7 million. Waste Management revenue increased by $0.4 million from the addition of two municipal contracts in early 2016.
- Net loss for the quarter ended June 30, 2016 was $4.8 million, down $2.8 million or 1.4 times from a loss of $2.0 million compared to the same period in 2015. The increased loss is from $3.3 million decrease in gross margin due to the lower revenue and $2.4 million higher depreciation expense, $0.7 million increase in general & administrative expenses mainly from severance and $0.3 million additional finance costs. These were offset by the purchase gain of $0.6 million and other gain of $0.8 million.

- Adjusted EBITDA for the quarter ended June 30, 2016 decreased by $1.0 million from $1.3 million in the same quarter in 2015 to $0.3 million in the current period. Energy Services adjusted EBITDA decreased by $0.9 million and General Rentals adjusted EBITDA decreased by $0.8 million quarter over quarter. Waste Management increased its adjusted EBITDA by $0.6 million compared to the same quarter in 2015.
- On April 28, 2016, the Company's Syndicated Credit Facility was amended under the Third Amending Agreement to amend the financial covenants in respect of the Debt to EBITDA and Interest Coverage ratios.

SELECTED QUARTERLY FINANCIAL INFORMATION

(Unaudited – in $000s)	June 30 2016	Mar 31 2016	Dec 31 2015	Sept 30 2015	June 30 2015	Mar 31 2015	Dec 31 2014	Sept 30 2014
Revenue	7,072	8,540	8,829	10,686	9,292	17,660	20,522	15,006
Net income (loss)	(4,775)	(4,102)	(16,689)	(12,639)	(1,966)	1,242	2,036	1,293
Adjusted EBITDA[1]	294	1,131	649	2,991	1,273	5,687	6,861	5,039
Adjusted EBITDA per share								
- basic[1]	0.01	0.03	0.00	0.08	0.03	0.15	0.19	0.20
Net income (loss) per share								
Basic	(0.12)	(0.11)	(0.46)	(0.35)	(0.05)	0.03	0.06	0.05
Diluted	(0.12)	(0.11)	(0.46)	(0.35)	(0.05)	0.03	0.06	0.05
Dividend per share	—	—	0.02	0.02	0.06	0.06	0.06	0.06
Adjusted free cash flow[1]	3,090	3,014	422	3,423	685	4,017	4,031	3,385
Dividend declared	—	—	728	727	2,178	2,175	2,173	2,130
Annualized payout ratio[1]	n/a	n/a	59%	55%	53%	65%	72%	76%

[1] *See Financial Measures Reconciliations below*

OPERATING SEGMENT REVIEW

The Company reports results (including gross margin) in three business segments: Energy Services, General Rentals, and Waste Management. The reporting structure reflects how the business is managed and how it classifies operations for planning and performance measurement. A discussion of segment operating performance is set out below.

ENERGY SERVICES SEGMENT RESULTS

	Three months ended June 30			Six months ended June 30		
(in $000s)	**2016**	**2015**	**% change**	**2016**	**2015**	**% change**
Revenue	**1,469**	**2,384**	**-38%**	**4,780**	**12,057**	**-60%**
Direct costs and depreciation of operating assets*	**2,970**	**3,175**	**-6%**	**6,074**	**10,146**	**-40%**
Margin	(1,501)	(791)	-90%	(1,294)	1,911	-168%
Margin %	-102%	-33%		-27%	16%	

** Depreciation excludes gain/loss on disposal of assets in segment results.*

Operational Review

Q2 2016 vs Q2 2015

Although commodity price declines appear to have bottomed out and stability has improved compared to prior quarters, crude oil and natural gas prices were significantly lower year over year and this continues to have a negative impact on the oil and gas sector. The Energy Services segment has however increased its market share, but historically low equipment day rates and no meaningful increase in drilling activity after Spring breakup due to weather and customer program suspensions have adversely affected its earnings.

For the quarter ended June 30, 2016, Energy Services revenue of $1.5 million declined by $0.9 million compared to the similar period in 2015. Gross margin of negative $1.5 million decreased $0.7 million compared to the three months ended June 30, 2015. The addition of the Zedcor equipment fleet increased depreciation expense by $0.7 million compared to the same period in the prior year.

Energy Services identified under-utilized equipment during the quarter ended June 30, 2016 which was sold along with some of the Assets Held for Sale as identified in the quarter ended March 31, 2016. The surplus equipment was not reclassified to Assets Held for Sale in the current quarter and had proceeds of $2.2 million, resulting in a net loss on disposal of $1.8 million.

GENERAL RENTALS SEGMENT RESULTS

	Three months ended June 30			Six months ended June 30		
(in $000s)	**2016**	**2015**	**% change**	**2016**	**2015**	**% change**
Revenue	**1,517**	**2,842**	**-47%**	**3,347**	**6,861**	**-51%**
Direct costs and depreciation of operating assets*	**1,693**	**2,570**	**-34%**	**3,509**	**5,284**	**-34%**
Margin	(176)	272	-165%	(162)	1,577	-110%
Margin %	-12%	10%		-5%	23%	

** Depreciation excludes gain/loss on disposal of assets in segment results.*

Operational Review
Q2 2016 vs Q2 2015

The combination of the continued economic downturn in Alberta, excess idle equipment from existing competitors and the entry of new competitors into the Alberta market have created less demand and an oversupply of rental equipment in the general rentals market. As a result of the lower equipment utilization and reduced rental pricing , General Rentals segment revenue decreased by $1.3 million compared to the same quarter in 2015.

Gross margin decreased by $0.4 million from the reduced revenue, however, General Rentals was able to maintain a positive gross margin percentage of 40%, excluding depreciation, in the current period compared to 43% for the three months ended June 30, 2015. The General Rentals segment continues to closely monitor its cost structure and competitors' activities to preserve its margin and customer base.

Sales of Equipment, Fuel and Parts

	Three months ended June 30			Six months ended June 30		
(in $000s)	**2016**	**2015**	**% change**	**2016**	**2015**	**% change**
Revenue	**246**	**620**	**-60%**	**778**	**1,557**	**-50%**
Cost of sales of equipment, fuel and parts	**178**	**471**	**-62%**	**617**	**1,266**	**-51%**
Margin	68	149	-54%	161	291	-44%
Margin %	28%	24%		21%	19%	

Sales of equipment, fuel and parts are a secondary revenue stream within General Rentals and are not relied upon by management to produce consistent margins. The margins can fluctuate significantly in any given quarter, depending on the type and amount of equipment being sold, and the current fuel prices in the wholesale market.

For the three months ended June 30, 2016, sales of equipment, fuel and parts decreased by $0.4 million compared to the same period in 2015 due to weaker industrial activity while gross margin percentage of 28% was slightly higher than for the three months ended 2015 due to reduced overhead costs.

WASTE MANAGEMENT SEGMENT RESULTS

	Three months ended June 30			Six months ended June 30		
(in $000s)	**2016**	**2015**	**% change**	**2016**	**2015**	**% change**
Revenue	**3,840**	**3,446**	**11%**	**6,707**	**6,477**	**4%**
Direct costs and depreciation of operating assets*	**3,023**	**3,198**	**-4%**	**5,545**	**5,844**	**-4%**
Margin	817	248	164%	1,162	633	67%
Margin %	21%	7%		17%	10%	

** Depreciation excludes gain/loss on disposal of assets in segment results.*

Operational Review
Q2 2016 vs Q2 2015

The Waste Management segment's addition of two long-term contracts awarded in the quarter ended March 31, 2016 and cost control measures have made positive contributions to gross margin.

Waste Management's revenue of $3.8 million increased by $0.4 million compared to the same quarter in the prior year due to the two new municipal contracts. However, this was partially offset by the year over year decrease in waste volumes due to less commercial and residential construction activity resultant from the economic downturn, which resulted in lower commercial and residential collections revenue. Gross margin of $0.8 million in the current period increased by $0.6 million from the three months ended June 30, 2015 from the increased revenue and better management of repairs and maintenance of equipment and using less subcontractors.

OTHER EXPENSES

	Three months ended June 30			Six months ended June 30		
(in $000s)	**2016**	**2015**	**% change**	**2016**	**2015**	**% change**
General and administrative	2,877	2,216	30%	5,817	4,414	32%
Depreciation of administrative assets	105	63	67%	205	122	68%
Amortization of intangible assets	220	474	-54%	497	975	-49%
Impairment of property and equipment	257	—	100%	5,409	—	100%
Business acquisition	79	9	778%	422	24	1,658%
Finance costs	762	422	81%	1,414	868	63%
Purchase gain	(556)	—	100%	(2,664)	—	100%
Other gain	(766)	—	100%	(766)	—	100%
Income taxes	(852)	(611)	39%	(3,223)	(118)	2,631%

For the three months ended June 30, 2016, total general and administrative expenses were $2.9 million, an increase of $0.7 million when compared to the second quarter of 2015, mainly due to severance costs of $0.6 million in the current period and additional personnel and infrastructure costs from the Zedcor acquisition.

The impairment to the Energy Services segment intangible assets in 2015 resulted in lower amortization expense by $0.3 million compared to the same quarter in 2015. Business acquisition costs increased by $0.1 million due to advisory fees associated with the Zedcor and Summit Star acquisitions.

ASSETS HELD FOR SALE

As a result of low equipment utilization due to the oil and gas sector's downturn, the Company has decided to sell certain under-utilized and obsolete rental assets in the Energy Services segment. As at March 31, 2016, the Company classified such equipment with a net realizable value of $3.7 million as assets held for sale. An impairment of $5.2 million was recognized prior to reclassification from property and equipment to assets held for sale. During the quarter ended June 30, 2016, $2.3 million of the assets held for sale was sold, but lower than expected proceeds resulted in an additional impairment of $0.2 million in the current quarter. The Company continues to actively market these assets to potential buyers and expects the sale of these assets to be completed within one year.

OUTLOOK

The continued uncertain and challenging economic environment resulting from the decline and instability of commodity prices currently shows no signs of significantly improving. This environment has caused the Company's customers to reduce their 2016 capital expenditure programs and delay investment decisions which has directly impacted the utilization and day rates of equipment in the Company's Energy Services and General Rentals segments.

Management continues to actively manage costs and refine the strategy to ensure maximum equipment utilization. In the first half of 2016, management reduced headcount, including many senior positions, reduced labor hours, consolidated operating facilities and made reductions in discretionary spending to align the cost structure to the level of activity currently experienced.

The start of the third quarter of 2016 has seen improvements in equipment utilization, albeit at historically low rental rates. It is too early to assess if the recent increase in drilling activity is a temporary bump following spring break-up or if it represents the start of a longer term trend in increased demand. Currently management expects activity levels and pricing for Energy Services to remain low until such time that commodity prices stabilize at a level that results in increased producer spending.

The Company's operational performance, service quality and best-in-class equipment rental fleet are instrumental to maintain and grow its market share. Management believes the meaningful actions taken in the first half of 2016 have positioned the Company to weather the current oilfield services downturn and maintain the Company's strong customer base and reputation. The recent sale of under-utilized equipment has resulted in the Company now having the newest fleet of oilfield accommodation and power generation units in the energy services industry.

The Waste Management segment continues to provide steady cash flows from its several government-owned waste facility contracts. While the economic downturn has had a negative impact on disposal volumes for both municipal waste and soil tonnage levels, the steps taken by management in the second quarter to streamline operations has helped to mitigate these volume reductions. The two new major contracts that commenced in the first half of 2016 will assist in delivering year over year EBITDA growth for the segment.

The Company continues to expand its market reach and customer base from beyond its traditional energy services and general commercial customers to new industry segments including industrial facilities and pipeline construction. The assets acquired in the Summit Star acquisition this quarter are experiencing full utilization and are the first steps to adding more diverse revenue streams. It is anticipated that the deployment of such equipment will also increase the utilization of existing rental equipment in these new market segments that are less affected by the current economic downturn.

SEASONALITY OF OPERATIONS

Canadian Equipment Rentals operates in industries that are seasonal by nature. The seasonality experienced by the Waste Management segment is opposite to the seasonality of the Energy Services and the General Rentals segments. Although the Waste Management segment is a much smaller segment than the other segments, this seasonality helps to smooth the Company's cash flow levels throughout the four fiscal quarters.

The General Rentals segment rents equipment in all seasons, but sees an increase in rental revenues in the fourth and first quarters when the construction industry demands the same equipment as in the summer as well as heaters, lighting units and other specialized cold weather equipment in order to keep working through the colder months of the year.

The Energy Services segment operates in the Western Canadian Sedimentary Basin (WCSB), where the activity levels in the oilfield services industry are subject to the ability to move heavy equipment in the oil and natural gas fields. This mobility is dependent on weather conditions. As warm weather returns

in the spring, the winter's frost coming up out of the ground renders many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out ("spring breakup"). In addition, many exploration and production areas in Northern Canada are accessible only in the winter months when the ground is frozen and hard enough to support heavy equipment ("winter freeze up"). The timing of winter freeze up and spring breakup affects the ability to move equipment in and out of these areas, which directly affects the activities of the exploration and development companies serviced by this segment.

Whereas cold weather boosts activity in the equipment rentals segments, it is the warmer weather of Q2 and Q3 that is most advantageous to the Waste Management segment. During the winter months, the volume of waste coming through operated facilities is curtailed, and waste collection operations slow down as construction activity (both commercial and residential) taper off. In the spring, municipalities, businesses and residents begin cleanup activities, and construction activities ramp up, which boosts collection demands, and increases the volume of waste being brought into the landfill facilities. Activities related to non-hazardous waste and impacted soil projects are highest during the summer months, as the reclamation projects that generate this type of waste can only be done when the ground is not frozen. In addition, construction of new landfill cells can only happen when appropriate conditions are at hand for the placement of cell liners.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

The following table shows a summary of the Company's cash flows by source or (use) for the six months ended June 30, 2016 and 2015:

	Six months ended June 30			
(Unaudited – in $000s)	**2016**	**2015**	**change**	**% change**
Cash provided by operating activities	3,450	11,042	(7,592)	(69%)
Cash used in investing activities	(12,007)	(3,653)	(8,354)	229%
Cash provided by (used in) financing activities	11,579	(4,838)	16,417	(339%)

The following table presents a summary of working capital information:

	Six months ended June 30			
(Unaudited – in $000s)	**2016**	**2015**	**change**	**% change**
Current assets	14,761	15,967	(1,206)	(8%)
Current liabilities	3,798	8,145	(4,347)	(53%)
Working capital	10,963	7,822	3,141	40%
Working capital ratio	3.89	1.96	1.93	98%

The primary uses of funds are operations expenses, maintenance and growth capital spending, interest and principal payments on debt facilities, and dividend distributions when appropriate. The Company has a variety of sources available to meet these liquidity needs, including cash generated from operations, drawdowns on the revolving credit facilities, and equity issuances. In general, the Company funds its operations and distributions with cash flow generated from operations, while growth capital and acquisitions are typically funded by issuing new equity or debt.

Cash used in investing activities is primarily for acquisitions and additions to property and equipment. The Company has significantly curtailed capital expenditures to projects where replacement or repair

of the asset is absolutely required or to projects which would generate an acceptable return within an acceptable time period.

The Company anticipates that its existing capital resources including its Credit Facility, cash flows from operations and proceeds from the sale of certain assets will be adequate to satisfy its liquidity requirements through fiscal 2016. This expectation could be adversely affected by a material negative change in the oilfield and general rentals industry, which in turn could lead to covenant breaches on the Company's Credit Facility, which, if not amended or waived, could limit the Company's access to the credit facility. If available liquidity is not sufficient to meet the Company's operating and debt servicing obligations as they come due, management's plans include further expenditure reductions, pursuing alternative financing arrangements, further asset dispositions, or pursuing other corporate strategic alternatives.

Principal Credit Facility

	Effective interest rate	**Final maturity**	**Facility maximum at June 30, 2016**	**Outstanding as at June 30, 2016**	**Outstanding as at June 30, 2015**
Revolving operating facility	3.99%	2018	48,500	38,000	25,500
Revolving capital expenditure facility	4.03%	2018	6,500	6,000	4,502
				44,000	30,002
Current portion				(800)	(1,000)
Long term debt				43,200	29,002

On August 27, 2014, the Company entered into a syndicated credit facility with its banker acting as the lead syndication agent. The credit facilities are 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. Based on margined assets as at December 31, 2015, $44.0 million of the facility was available to draw under the revolving operating facility.

b) 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 property.

On December 29, 2015, the Syndicated Bank Credit Facility was amended to reflect extension of the maturity date of the agreement from August 27, 2017 to August 27, 2018.

On February 2, 2016, the Company's Syndicated Bank Credit Facility was amended under the Second Amending Agreement whereby consent was provided to proceed with the acquisition of Zedcor Oilfield Rentals Ltd., and to amend the financial covenant in respect of the Debt to EBITDA ratio as follows.

Second Amending Agreement	Dec 31 2015	Mar 31 2016	June 30 2016	Sept 30 2016	Dec 31 2016	Thereafter
Debt to EBITDA*	4.00:1	4.25:1	4.00:1	4.00:1	3.50:1	3.00:1
Interest Coverage Ratio**	3.25:1	3.25:1	3.25:1	3.25:1	3.25:1	3.50:1

On April 28, 2016, the Company's Syndicated Bank Credit Facility was amended under the Third Amending Agreement to amend the financial covenant in respect of the Debt to EBITDA and Interest Coverage ratios as follows.

Third Amending Agreement	Mar 31 2016	June 30 2016	Sept 30 2016	Dec 31 2016	Mar 31 2017	Thereafter
Debt to EBITDA*	5.75:1	5.50:1	5.50:1	4.00:1	3.50:1	3.00:1
Interest Coverage Ratio**	3.25:1	3.25:1	2.75:1	2.75:1	3.50:1	3.50:1

The Third Amending Agreement includes a $10.0 million reduction in the authorized amount of the total facility from $65.0 million to $55.0 million. The resulting authorized amount is now comprised of a $48.5 million revolving Operating Facility and a $6.5 million revolving Capex Facility.

Interest payable on all loans drawn under the credit facilities will range from bank prime rate plus 100 bps to bank prime rate plus 400 bps depending on the Company's Debt to EBITDA ratio. The Credit facilities may also be financed through Bankers' Acceptances at the Company's option with stamping fees of between 200 bps to 500 bps depending on the Company's Debt to EBITDA ratio. Under the terms of the Third Amending Credit Agreement, the Company was in compliance of its covenants at June 30, 2016 as follows.

As at June 30, 2016, the Company was in compliance with its financial covenants as follows:

	Requirement	**Actual at June 30, 2016**
Debt to EBITDA*	Maximum of 5.50 times EBITDA	4.90 times EBITDA
Interest Coverage Ratio**	Minimum of 3.25 times adjusted cash flow	3.57 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, and adjustments for acquisition transaction costs and severances incurred.*
*** 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.*

Commitments and obligations

The following table shows the undiscounted contractual maturities of the Company's financial liabilities and finance and operating lease obligations as at June 30, 2016:

(in $000s)	1 Year	2-3 years	4-5 years	Thereafter	Total	Carrying value
Accounts payable and accrued liabilities	2,817	—	—	—	2,817	2,817
Long-term debt	800	43,200	—	—	44,000	44,000
Finance leases	206	352	219	—	777	716
Operating leases	2,381	3,355	1,873	5,352	12,961	—
Total	6,204	46,907	2,092	5,352	60,555	47,533

OUTSTANDING SECURITIES

At August 17, 2016, the Company had the following securities outstanding:

- 41,199,931 common shares issued and outstanding.
- 4,400,000 preferred shares issued and outstanding.
- 2,870,500 options are outstanding exercisable at prices ranging from $0.48 per share to $3.17 per share.

DIVIDENDS

Dividends are declared at the discretion of the Board of Directors. The Company's ability to pay dividends is determined by financial performance, debt repayment requirements, capital and working capital requirements.

Dividends, when paid, are normally declared quarterly to shareholders of record near the last day of the quarter and paid on or about the 15th of the month following the record date.

In conjunction with the announcement of the Zedcor acquisition on February 2, 2016, the Company announced that it suspended payment of further dividends until further notice.

Cash dividends paid per share are summarized below:

Declaration Date	2009	2010	2011	2012	2013	2014	2015	2016
March 31	$0.12	$0.06	$0.06	$0.06	$0.06	$0.06	$0.06	$0.00
June 30	0.12	0.06	0.06	0.06	0.06	0.06	0.06	0.00
September 30	0.12	0.06	0.06	0.06	0.06	0.06	0.02	0.00
December 31	0.06	0.06	0.06	0.06	0.06	0.06	0.02	0.00
Total	$0.42	$0.24	$0.24	$0.24	$0.24	$0.24	$0.16	$0.00

OFF BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements other than the operating leases for the premises and equipment described above under Liquidity and Capital Resources above.

BUSINESS RISKS AND UNCERTAINTIES

Business risks and uncertainties remain substantially unchanged from those disclosed in the annual Management Discussion and Analysis dated April 28, 2016. For a discussion of the business risks and uncertainties related to Canadian Equipment Rentals, please refer to the annual Management Discussion and Analysis dated April 28, 2016 and to Canadian Equipment Rentals' Annual Information Form dated April 28, 2016 both of which can be found on the Company's website or at www.SEDAR.com.

FINANCIAL MEASURES RECONCILIATIONS

Canadian Equipment Rentals uses certain measures in this MD&A 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 MD&A in order to provide shareholders and potential investors with additional information regarding the Company.
Investors are cautioned that EBITDA, adjusted EBITDA and adjusted EBITDA per share, adjusted free cash flow and payout ratio 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, amortization, and gains or losses on disposal of property and equipment. Adjusted EBITDA is calculated as EBITDA before costs associated with business acquisition 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:

	Three months ended June 30		Six months ended June 30	
(in $,000s)	**2016**	**2015**	**2016**	**2015**
Net income	(4,775)	(1,966)	(8,877)	(723)
Add:				
Finance costs	762	422	1,414	868
Depreciation	5,295	2,891	8,347	5,687
Amortization of intangibles	220	474	497	975
Impairment of property and equipment	257	—	5,409	—
Purchase gain	(556)	—	(2,664)	—
Other gain	(766)	—	(766)	—
Income taxes	(852)	(611)	(3,223)	(118)
EBITDA	(415)	1,210	137	6,689
Add:				
Stock based compensation	10	36	4	77
Severance costs	620	18	863	171
Business acquisition costs	79	9	422	24
Adjusted EBITDA	294	1,273	1,426	6,961

Adjusted EBIT

Adjusted EBIT refers to earnings before interest and finance charges, taxes, amortization, impairment of intangibles, purchase gain, other gain, severance costs and business acquisition costs.

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

	Three months ended June 30		Six months ended June 30	
(in $,000s)	**2016**	**2015**	**2016**	**2015**
Net income	(4,775)	(1,966)	(8,877)	(723)
Add:				
Finance costs	762	422	1,414	868
Amortization of intangibles	220	474	497	975
Impairment of property and equipment	257	—	5,409	—
Purchase gain	(556)	—	(2,664)	—
Other gain	(766)	—	(766)	—
Income taxes	(852)	(611)	(3,223)	(118)
Severance costs	620	18	863	171
Business acquisition costs	79	9	422	24
Adjusted EBIT	(5,011)	(1,654)	(6,925)	1,197

Annualized payout ratio

Annualized payout ratio is a non-IFRS measure and is defined by management as dividends declared in the current and preceding 3 quarters divided by adjusted free cash flow generated in the current and preceding three quarters. Management believes that the payout ratio gives readers an indication of the sustainability of dividends. The payout ratio depends on the adjusted free cash flow and the amount of dividends declared payable.

Adjusted free cash flow

Adjusted free cash flow is defined by management as net income plus non-cash expenses, plus or minus the net change in non-cash working capital, plus business acquisition expenses and severance less maintenance capital. Maintenance capital is also a non-IFRS term. Management defines maintenance capital as the amount of capital expenditure required to keep its operating assets functioning at the same level of efficiency and to maintain the average age of the rental fleet at approximately the same average age as it was at the end of the previous year. Management believes that adjusted free cash flow reflects the cash generated from the ongoing operation of the business. Adjusted free cash flow is a non-IFRS measure generally used by dividend-paying companies as an indicator of funds available for re-investment, debt payment and dividend payment. There is no standardized method of determining free cash flow, adjusted free cash flow or maintenance capital prescribed under IFRS and therefore the Company's method of calculating these amounts is unlikely to be comparable to similar terms presented by other issuers.

Adjusted free cash flow is calculated as follows:

	Three months ended June 30		Six months ended June 30	
(in $000s)	**2016**	**2015**	**2016**	**2015**
Net income	(4,775)	(1,966)	(8,877)	(723)
Add non-cash expenses:				
Depreciation	5,295	2,891	8,347	5,687
Amortization of intangibles	220	474	497	975
Impairment of property and equipment	257	—	5,409	—
Stock based compensation	10	36	4	77
Deferred taxes	(726)	(529)	(3,215)	(206)
	281	906	2,165	5,810
Add non-recurring expenses:				
Severance	620	18	863	171
Business acquisition expense	79	9	422	24
	980	933	3,450	6,005
Change in non-cash working capital	2,770	5,142	3,544	5,232
Maintenance capital	(660)	(1,145)	(890)	(2,290)
Adjusted Free Cash Flow	3,090	4,930	6,104	8,947

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this MD&A constitute forward-looking statements or forward-looking information, including management's assessment of expected activity levels continuing through 2016, and expected decrease in demand for rental equipment over the next year as well as forecasted economic measures for the Province of Alberta and oil and natural gas prices and the effect on drilling programs as a result of the decline in oil prices. 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 demand for industrial rental equipment, will remain relatively constant through 2016, that the economic downturn caused by the

low oil price environment will only marginally affect the performance of the waste management segment, that the Company's proactive cost cutting measures currently being implemented will protect future margins and that the Company's diverse 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 MD&A 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 MD&A are expressly qualified by this cautionary statement.

This MD&A also makes reference to certain non-IFRS measures, which management believes assists in assessing the Company's financial performance. Readers are directed to the section above entitled "Financial Measures Reconciliations" for an explanation of the non-IFRS measures used.

ADDITIONAL INFORMATION

Information about Canadian Equipment Rentals Corp. may be found on the SEDAR website at www.sedar.com on the Company's website at www.cerfcorp.com. The Company trades on the TSX Venture Exchange under the symbol CFL.