ZEDCOR ENERGY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2017 AND 2016

Dated March 28, 2018

The following management's discussion and analysis ("MD&A") provides an overview of the events and transactions that have affected the performance of Zedcor Energy Inc. (formerly Canadian Equipment Rentals Corp.) (the "Company" or "our" or "we") for the three and twelve month periods ended December 31, 2017 when compared to the three and twelve month periods ended December 31, 2016. The MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto of Zedcor Energy Inc. for the years ended December 31, 2017 and 2016. These consolidated financial statements are available on the Company's website at www.zedcor.ca as well as on SEDAR at www.sedar.com.

This MD&A is management's assessment of Zedcor Energy Inc'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 Zedcor Energy Inc. as of March 28, 2018.

OVERVIEW AND CORPORATE PROFILE

Zedcor Energy Inc. is a Canadian public corporation and is currently the parent company to Zedcor Energy Services Corp. ("Zedcor"). Zedcor is engaged in the rental of surface equipment and accommodations to the Western Canadian Oil and Gas Industry. The Company trades on the TSX Venture Exchange under the symbol "ZDC". In 2017 the Company had one operating segment, the Energy Services segment. In 2016 results were reported in three business segments: Energy Services, General Rentals (Discontinued), and Waste Management (Discontinued).

The Energy Services segment provides surface equipment rentals, and wellsite accommodations rentals to support the drilling and completions operations of energy and production companies operating in the Western Canada Sedimentary Basin and provides rental equipment to support construction and infrastructure projects in the same region. This segment operates as Zedcor Energy Services Corp. from its main facility in Leduc, Alberta, sales office in Calgary, Alberta and operating yards in Grande Prairie, Alberta, and Fort St. John, British Columbia.

The General Rentals segment operated as 4-Way Equipment Rentals ("4-Way") and provided equipment rental solutions for construction and industrial projects in Edmonton, Alberta and surrounding areas from its facility in Edmonton, Alberta. On January 31, 2017, the Company announced that it had entered into an asset purchase and sale agreement with Cooper Rentals Canada Inc. to sell all the net assets of 4-Way Equipment Rentals. The sale closed on February 9, 2017.

The Waste Management segment operated as MCL Waste Systems & Environmental ("MCL") and managed and operated six major landfills, two waste management transfer sites all in Alberta, and provided disposal and recycling services for clientele in a variety of industries. On November 17, 2016, the Company announced it has signed a share purchase agreement to sell MCL to a private Canadian waste management and recycling services company. The sale closed December 1, 2016.

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 December 31		Twelve months ended December 31	
(in $000s)	**2017**	**2016**	**2017**	**2016**
Revenue	4,306	3,444	14,636	10,598
Adjusted EBITDA[1,2]	1,417	258	3,931	(349)
Adjusted EBIT[1,2]	(555)	(3,346)	(2,579)	(18,114)
Net loss from continuing operations	(2,618)	(3,106)	(8,369)	(19,617)
Net loss per share from continuing operations				
Basic	($0.05)	($0.08)	($0.17)	($0.49)
Diluted	($0.05)	($0.08)	($0.17)	($0.49)

Amounts in table represents continuing operations, which are comprised of the Energy Services segment and Corporate

[1] *Adjusted for severances, business acquisition costs, provision for onerous lease and refinancing costs*
[2] *See Financial Measures Reconciliations below*

- Revenues for the quarter ended December 31, 2017 increased by $0.9 million or 20% from $3.4 million to $4.3 million compared to the similar quarter in 2016. Commodity prices in the fourth quarter of 2017 were stronger than the fourth quarter of 2016, which in part resulted in increased demand for drilling services and ancillary support equipment.
- Net loss from continuing operations for the quarter ended December 31, 2017 decreased by $0.5 million from a loss of $3.1 million to a loss of $2.6 million compared to the similar quarter in 2016. The decrease in the net loss from continuing operations quarter over quarter, excluding the provision for onerous lease, is $1.5 million. This is directly related to the increase in revenues and a decrease in general administrative costs quarter over quarter resulting from the corporate restructuring that occurred in early 2017.
- Adjusted EBITDA for the quarter ended December 31, 2017 increased by $1.1 million or 82% from $0.3 million to $1.4 million compared to the similar quarter in 2016. This increase is a result of increased revenue and a decrease in general and administrative costs of $1.0 million resulting from the cost saving initiatives put in place over the past year.
- For the year ended December 31, 2017, revenues increased by $4.0 million or 28% from $10.6 million to $14.6 million compared to the year ended December 31, 2016. In direct relation, Adjusted EBITDA increased by $4.3 million from $(0.3) million to $3.9 million. This is due in part to increased commodity prices and in direct relation increased drilling activity in Western Canada when compared to 2016. As a result there has been an increase in demand for rental equipment and a modest improvement in rental rates.
- On April 27, 2017, the Company entered into a Loan and Security Agreement with a new lender for a term of 12 months. See Liquidity and Capital Resources section.
- On January 31, 2017, the Company announced that it had entered into an asset purchase and sale agreement with Cooper Rentals Canada Inc. to sell all the assets of 4-Way Equipment Rentals. The transaction closed on February 9, 2017. Net proceeds were used to pay down senior debt.

SELECTED QUARTERLY FINANCIAL INFORMATION

(Unaudited – in $000s)	Dec 31 2017	Sept 30 2017	June 30 2017	Mar 31 2017	Dec 31 2016	Sept 30 2016	June 30 2016	Mar 31 2016
Revenue	4,306	3,539	2,348	4,442	3,444	2,374	1,469	3,311
Net loss from continuing operations	(2,618)	(1,254)	(3,529)	(969)	(3,106)	(8,680)	(4,683)	(3,148)
Net income (loss) from discontinued operation	—	211	—	(427)	(3,062)	(904)	(92)	(954)
Adjusted EBITDA[1]	1,417	1,497	36	1,371	258	461	294	1,131
Adjusted EBITDA per share - basic[1]	0.03	0.03	0.00	0.03	0.01	0.01	0.01	0.03
Net loss per share from continuing operations								
Basic	(0.05)	(0.02)	(0.07)	(0.02)	(0.08)	(0.21)	(0.12)	(0.08)
Diluted	(0.05)	(0.02)	(0.07)	(0.02)	(0.08)	(0.21)	(0.12)	(0.08)
Net income (loss) per share from discontinued operation								
Basic	—	0.00	—	(0.01)	(0.07)	(0.02)	0.00	(0.02)
Diluted	—	0.00	—	(0.01)	(0.07)	(0.02)	0.00	(0.02)
Adjusted free cash flow[1]	168	(707)	222	(488)	386	(1,807)	1,011	3,112

[1] *See Financial Measures Reconciliations below*

OPERATING SEGMENT REVIEW

In 2017 the Company had one operating segment, the Energy Services segment. In 2016 results were reported in three business segments: Energy Services, General Rentals (Discontinued), and Waste Management (Discontinued). A discussion of operating margin performance is set out below.

Energy Services Segment

The Energy Services segment provides surface equipment rentals and wellsite accommodation rentals to support the drilling and completions operations of energy and production companies operating in the Western Canada Sedimentary Basin and provides rental equipment to support construction and infrastructure projects in the same region.

ENERGY SERVICES SEGMENT RESULTS

	Three months ended December 31			Twelve months ended December 31		
(in $000s)	**2017**	**2016**	**% change**	**2017**	**2016**	**% change**
Revenue	4,306	3,444	20%	14,636	10,598	28%
Direct costs and depreciation of operating assets *	3,374	3,408	-1%	11,336	12,333	-9%
Margin	932	36	96%	3,300	(1,735)	153%
Margin %	22%	1%		23%	(16%)	

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

Operational Review
Q4 2017 vs Q4 2016

The fourth quarter of 2017 saw an improvement in commodity prices and an increase in drilling activity in the oil and gas sector in Western Canada compared to the fourth quarter of 2016. As a result there has been an increase in utilization of rental equipment and an increase in rental rates for equipment compared to the fourth quarter of 2016. Despite the increase in drilling activity, there is still strong competition from other service providers with idle assets which is preventing a full recovery in rental pricing.

For the quarter ended December 31, 2017, revenues increased by $0.9 million or 20% compared to the similar period in 2016. Gross margin increased by $0.9 million compared to the three months ended December 31, 2016. The increase in both revenue and gross margin is a result of the increase in drilling activity and the Company's streamlined cost structure established through the restructuring efforts in 2017.

General Rentals (Discontinued)

General Rentals segment provided equipment rental solutions for construction and industrial projects in Edmonton and surrounding areas. The General Rentals segment was sold as at February 9, 2017.

GENERAL RENTALS SEGMENT RESULTS (Discontinued)

	Three months ended December 31		Twelve months ended December 31	
(in $000s)	**2017**	**2016**	**2017**	**2016**
Revenue	—	1,831	662	7,780
Direct costs and depreciation of operating assets *	—	1,768	525	7,974
Margin	—	63	137	(194)
Margin %	—	3%	21%	-2%

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

Waste Management Segment (Discontinued)

The Waste Management segment managed and operated five major landfills, two waste management facility contracts in Central and Northern Alberta, and provided disposal and recycling services for clientele in a variety of industries. The Waste Management segment was sold as at December 1, 2016.

WASTE MANAGEMENT SEGMENT RESULTS (Discontinued)

	Three months ended December 31		Twelve months ended December 31	
(in $000s)	**2017**	**2016**	**2017**	**2016**
Revenue	—	2,150	—	12,665
Direct costs and depreciation of operating assets *	—	1,754	—	10,555
Margin	—	396	—	2,110
Margin %	—	18%	—	17%

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

OTHER EXPENSES

	Three months ended Dec. 31			Twelve months ended Dec. 31		
(in $000s)	**2017**	**2016**	**% change**	**2017**	**2016**	**% change**
General and administrative	1,173	2,162	-84%	6,279	7,607	-21%
Depreciation of administrative assets	36	72	-100%	148	186	-26%
Loss on sale of equipment	285	672	-136%	336	9,878	-284%
Loss on derecognition	287	—	100%	287	—	100%
Amortization of intangible assets	165	165	0%	660	661	0%
Provision for onerous lease	984	—	100%	984	—	100%
Impairment of property and equipment	—	21	-100%	—	7,822	-100%
Business acquisition	—	—	0%	—	472	-100%
Finance costs	903	327	64%	3,581	1,046	71%
Purchase gain	—	—	0%	—	(2,664)	100%
Income taxes	6	(1,246)		(606)	(7,126)	

For the three months and twelve months ended December 31, 2017, total general and administrative expenses were $1.2 million and $6.3 million respectively, a decrease of 84% and 21% when compared to the last three months and twelve months of 2016. The large decrease in the three months ended December 31, 2017 highlights the impact of the cost cutting measure that have been implemented over the last year. The general and administrative costs for the twelve months ended December 31, 2017 include $1.0 million of costs incurred in the first six months of the year to secure alternative financing. Included in general and administrative costs for three months ended December 31, 2017 and the year ended December 31, 2017, are $71 and $233 of lease payment related to legacy buildings with terms ended between April 1, 2018 and December 31, 2027.

The onerous lease relates to a provision for a non-cancellable facility lease contract that expires on June 30, 2027. Due to the sale of the General Rentals segment on February 9, 2017 the Company no longer uses the facility. The facility has been subleased at rates lower than those contracted under the head lease. The provision represents the obligation of the discounted future payments, net of expected rental income. The net lease payments are also included in general and administration expenses.

Finance costs consist of both interest costs on borrowed debt and loan syndication fees. Finance costs for the quarter ended and year ended December 31, 2017 increased by 64% and 71% respectively, this is a result of higher interest rates under the new loan and security agreement.

SUBSEQUENT EVENTS

On March 28, 2018, the Company signed a $13.5 million credit facility with a tier 1 bank, comprised of a $3 million operating loan facility, which replaces the previous $1 million operating loan facility, a $2.5 million non-revolving term loan facility, which will be used to pay out the guarantee from the Loan and Security agreement, and a $8 million equipment finance term loan facility. The operating loan facility is payable on demand by the Lender, bears interest at a rate of prime plus 3.3% and is secured by the Company's accounts receivable. The term facility will mature in two years, bears interest at a rate of prime plus 3.3% and is secured by a shareholder guarantee. The shareholder guarantee bears interest at a rate of 5.0% per annum and is paid monthly through the issuance of shares. The equipment finance loan is amortized over 36 months, bears interest at a rate of 6.1% and is repayable in equal monthly installments of principal and interest over the term. The equipment finance loan will be used to finance 75% of the cost of new equipment purchased. The credit facility requires that the Company's current ratio does not fall below 1.50:1.00, the debt service coverage ratio does not fall

below 1.25:1.00 and the share value of the shares pledged under the shareholder guarantee not be less than 1.25 times the value of the outstanding term facility.

On March 28, 2018, the Company renewed the Loan and Security agreement in the amount of $17.5 million for an additional six months with an option to renew for an additional six months at the satisfaction of the lender. The renewed Loan and Security agreement bears interest at 12.75% and will be serviced by six months of interest only payments, followed by six months of principal and interest payments in the event that it is renewed. The Company also entered into a Warrant Amendment Agreement which amended the exercise price of the warrants to $0.27 per share from $0.25 per share and extended the expiry date to July 21, 2020. The facility no longer has any shareholder guarantees pledged as security, and all covenants and collateral remain the same.

OUTLOOK

While global commodity prices increased throughout 2017, oilfield activity levels in Canada only increased marginally year over year due to take away capacity constraints and uncertainty surrounding a lack of governmental support for the industry. This has limited investment in the oil and gas sector in Canada when compared to other global opportunities as these other opportunities currently deliver far superior returns on invested capital. While the Company was able to achieve some pricing increases in the first half of 2017, the flat demand for rental equipment through the second half of the year meant the Company was unable to achieve any further pricing improvements.

The Company anticipates that demand for rental equipment in 2018 to support drilling activity in the Western Canadian Sedimentary Basin ("WCSB") will be flat when compared to the 2017 demand. Equipment rentals in support of completions activities however is likely to be stronger in 2018 when compared to 2017. The Company is thus focusing on expanding customer relationship in order to capture a greater portion of the completions related rental equipment demand.

As there is currently much stronger demand for oil and gas services in the United States, especially in the Permian Basin, compared to the WCSB, the Company is reviewing the utilization of all its assets to determine what underutilized equipment can be sold into the United States at reasonable prices. The sale of such equipment will result in improved equipment utilization in Canada and a more streamlined fleet of rental assets which will reduce repairs and maintenance costs. Proceeds from any assets sales will be used to pay down debt or reinvested in new equipment for which there is strong demand in Canada.

The Company continues to expand its market reach and customer base from beyond its traditional upstream energy services customers to new industry segments including industrial facilities and pipeline construction. This strategy includes purchasing new hybrid solar light towers which reduce both the customers operating costs for lighting and their carbon footprint. A number of these light towers are also being equipped with high resolution security cameras to provide the customer with surveillance services. Although Zedcor has just begun to pursue this new service offering, initial interest from new and existing customers appears to be strong. Developing this market should lead to more diversity in the Company's revenue streams and help increase the utilization of existing rental equipment by penetrating market segments that are less affected by seasonal fluctuations.

In order to finance the growth of the lighting and surveillance business line and to also reduce the Company's cost of capital, the Company recently signed a $13.5 million credit facility with a tier one bank that includes a $8.0 million equipment financing facility which bears interest at prime plus 3.3%. The Company also renewed its Loan and Security facility in the amount of $17.5 million for six months with interest only payments required and bearing interest at 12.75%, followed by an optional six month renewal with principle and interest. The willingness of a tier one lender to support the growth of the Company and the reduction in the more expensive loan facility are milestones in the Company's plan to strengthen the balance sheet through growth.

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 year ended December 31, 2017 and 2016:

	Twelve months ended December 31			
(in $000s)	**2017**	**2016**	**change**	**% change**
Cash flow from (used in) continuing operating activities	(248)	(3,582)	3,334	-1344%
Cash flow from (used in) continuing investing activities	8,328	3,277	5,051	61%
Cash flow from (used in) continuing financing activities	(9,391)	(3,844)	(5,547)	59%

The following table presents a summary of working capital information:

	Twelve months ended December 31			
(in $000s)	**2017**	**2016**	**change**	**% change**
Current assets	6,024	16,995	(10,971)	-182%
Current liabilities	21,052	31,380	(10,328)	-49%
Working capital	(15,028)	(14,385)	(643)	4%
Working capital ratio	0.29	0.54	(0.25)	-86%

The primary uses of funds are operations expenses, maintenance and growth capital spending, and interest and principal payments on debt facilities. 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. During 2017, the Company significantly curtailed capital expenditures to projects only where replacement or repair of the asset was absolutely required or to projects which would generate an acceptable return within an acceptable time period.

The Company anticipates that future financing (see subsequent events) and cash flows from operations will be adequate to satisfy its liquidity requirements through fiscal 2018.

Principal Credit Facility

	Interest rate	**Final maturity**	**Facility maximum**	**Outstanding as at December 31, 2017**	**Outstanding as at December 31, 2016**
Revolving operating facility	—	—	—	—	29,041
Loan facility	12.75%	2018	19,431	19,431	—
Operating loan facility	6.0%		1,000	—	—
				19,431	29,041
Current portion				(19,431)	(29,041)
Long term debt				—	—

Revolving operating facility:

On February 16, 2017, the Company's Syndicated Credit Facility was amended under the Sixth Amending Agreement in which the lenders agreed to forbear from demanding repayment or enforcing its security under the agreement until April 28, 2017. The sixth amending agreement included a reduction in the revolving facility amount from $32.5 million to $20.97 million.

On April 21, 2017, the Syndicated Credit Facility was repaid in full and forthwith cancelled.

Loan and security facility:

On April 21, 2017, the Company entered into a Loan and Security Agreement with a new lender. The Loan and Security Agreement in the amount of $20.4 million was used to repay the Syndicated Credit Facility, bears interest at a rate of 12.75% and has a term of 12 months with an option to extend for an additional 12 months at the satisfaction of the lender. The Loan and Security Agreement is serviced by six months of interest only payments, followed by six months of blended principal and interest payments. The Loan and Security Agreement does not require quantitative financial covenants, but imposes restrictions on the Loan's collateral, being the property and equipment of the Company.

The Company issued the lender 3,651,501 share purchase warrants. Each warrant entitles the lender to acquire one common share in the Company at an exercise price of $0.25 per warrant. The warrants expire 90 days after the term of the loan, July 21, 2019. The warrants fair value of $300 was recorded as a transaction cost of the loan and will be expensed over the term of the loan.

On March 28, 2018, the Company renewed the Loan and Security agreement in the amount of $17.5 million for an additional six months with an option to renew for an additional six months at the satisfaction of the lender. The renewed Loan and Security agreement bears interest at 12.75% and will be serviced by six months of interest only payments, followed by six months of principal and interest payments in the event that it is renewed. The Company also entered into a Warrant Amendment Agreement which amended the exercise price of the warrants to $0.27 per share from $0.25 per share and extended the expiry date to July 21, 2020. The facility no longer has any shareholder guarantees pledged as security, and all covenants and collateral remain the same.

Operating loan facility:

On May 10, 2017, the Company signed a $1 million operating loan agreement bearing interest at a rate of prime plus 3.3% and secured by the Company's accounts receivables and restricted cash. The operating loan facility requires that the Company's current ratio does not fall below 1.50:1.00 and effective September 30, 2017, the debt service coverage ratio not be less than 1.50:1.00, calculated in accordance with the formula set forth in the agreement. As at December 31, 2017 the Company's current ratio, as defined to exclude the loan facility, was 4.4:1.00 and the debt service coverage ratio was 1.5:1.00.

On March 28, 2018, the Company signed a $13.5 million credit facility with a tier 1 bank, comprised of a $3 million operating loan facility, which replaces the previous $1 million operating loan facility, a $2.5 million non-revolving term loan facility, which will be used to pay out the guarantee from the Loan and Security agreement, and a $8 million equipment finance term loan facility. The operating loan facility is payable on demand by the Lender, bears interest at a rate of prime plus 3.3% and is secured by the Company's accounts receivable. The term facility will mature in two years, bears interest at a rate of prime plus 3.3% and is secured by a shareholder guarantee. The shareholder guarantee bears interest at a rate of 5.0% per annum and is paid monthly through the issuance of shares. The equipment finance loan is amortized over 36 months, bears interest at a rate of 6.1% and is repayable in equal monthly installments of principal and interest over the term. The equipment finance loan will be used to finance 75% of the cost of new equipment purchased. The credit facility requires that the Company's current ratio does not fall below 1.50:1.00, the debt service coverage ratio does not fall below 1.25:1.00 and the share value of the shares pledged under the shareholder guarantee not be less than 1.25 times the value of the outstanding term facility.

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 December 31, 2017:

(in $000s)	1 Year	2-3 years	4-5 years	Thereafter	Total	Carrying value
Accounts payable and accrued liabilities	1,162	—	—	—	1,162	1,162
Income taxes payable	217	—	—	—	217	217
Short-term debt	19,664	—	—	—	19,664	19,431
Note payable	—	3,281	—	—	3,281	2,467
Onerous and operating leases	1,610	2,899	1,962	3,242	9,713	984
Total	22,653	6,180	1,962	3,242	34,037	24,261

RELATED PARTY TRANSACTIONS

On February 2, 2016 the Company issued a vendor take back note as part of the Zedcor acquisition. During 2017, the holder of the vendor take back note was elected as a director of the Company. As at December 31, 2017, the note payable had a carrying value of $2,467.

On April 27, 2017, a director of the Company provided a $2,500 guarantee for the Loan and Security Agreement the Company entered into on April 21, 2017. The Company pays interest of 3.0% per annum, through the issuance of shares on the value of the guarantee that remains outstanding. As at December 31, 2017 the amount outstanding on the guarantee is $2,500.

During the year ended December 31, 2017, the Company paid rent for a building of $249 to a company owned by a director of the Company.

During the year ended December 31, 2017, the Company incurred bad debt expense of $48 from a company owned by a former director. The Company also incurred a loss on derecognition of $287. The assets derecognized were under construction with a Company owned by a former director, but were not completed and determined to be unusable. As a result they provided no future economic benefits to the Company.

During the year ended December 31, 2017, the Company paid $27,000 (2016 - $80,000) in wages to close family members of directors and executive officers.

These related party transactions are in the normal course of business and have been recorded at the exchange amount. At December 31, 2017 no amount due from related parties was unpaid (2016 - $69).

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.

FINANCIAL MEASURES RECONCILIATIONS

Zedcor Energy Inc. 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, adjusted EBITDA per share, Adjusted EBIT and adjusted free cash flow are not acceptable alternatives to net income or net income per share, a measurement of liquidity, or comparable measures as determined in accordance with IFRS.

EBITDA and Adjusted EBITDA

EBITDA refers to net income before finance costs, income taxes, depreciation and amortization. Adjusted EBITDA is calculated as EBITDA before costs associated with business acquisition costs, refinancing, severance, gains or losses on disposal or derecognition of property and equipment, provision for onerous lease and share based compensation. These measures do not have a standardized definition prescribed by IFRS and therefore may not be comparable to similar captioned terms presented by other issuers.

Management believes that EBITDA and Adjusted EBITDA are useful measures of performance as they eliminate non-recurring items and the impact of finance and tax structure variables that exist between entities. "Adjusted EBITDA per share – basic" refers to Adjusted EBITDA divided by the weighted average basic number of shares outstanding during the relevant periods.

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

	Three months ended December 31		**Twelve months ended December 31**	
(in $000s)	**2017**	**2016**	**2017**	**2016**
Net loss from continuing operations	(2,618)	(3,106)	(8,369)	(19,617)
Add:				
Finance costs	903	327	3,581	1,046
Depreciation	1,400	2,932	5,887	7,887
Amortization of intangibles	165	165	660	661
Income taxes (recovery)	6	(1,246)	(606)	(7,126)
EBITDA	(144)	(928)	1,153	(17,149)
Add:				
Stock based compensation	5	15	11	136
Loss on disposal of property and equipment	285	672	336	9,878
Loss on derecognition	287	—	287	—
Provision for onerous lease	984	—	984	—
Impairment of property and equipment	—	21	—	7,822
Purchase gain	—	—	—	(2,664)
Severance costs	—	478	121	1,156
Business acquisition costs	—	—	—	472
Refinancing costs	—	—	1,039	—
Adjusted EBITDA	1,417	258	3,931	(349)

Adjusted EBIT

Adjusted EBIT refers to earnings before interest and finance charges, stock based compensation, taxes, amortization, impairment of property and equipment, purchase gain, refinancing costs, severance costs, provision for onerous lease and business acquisition costs.

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

	Three months ended December 31		Twelve months ended December 31	
(in $000s)	**2017**	**2016**	**2017**	**2016**
Net loss from continuing operations	(2,618)	(3,106)	(8,369)	(19,617)
Add:				
Finance costs	903	327	3,581	1,046
Stock based compensation	5	15	11	136
Amortization of intangibles	165	165	660	661
Provision for onerous lease	984	—	984	—
Impairment of property and equipment	—	21	—	7,822
Purchase gain	—	—	—	(2,664)
Income taxes (recovery)	6	(1,246)	(606)	(7,126)
Severance costs	—	478	121	1,156
Business acquisition costs	—	—	—	472
Refinancing costs	—	—	1,039	—
Adjusted EBIT	(555)	(3,346)	(2,579)	(18,114)

Adjusted free cash flow

Adjusted free cash flow is defined by management as net income (loss) plus non-cash expenses, plus or minus the net change in non-cash working capital, plus business acquisition costs, refinancing costs, and severance costs, 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 from continuing operations is calculated as follows:

	Three months ended December 31		Twelve months ended December 31	
(in $000s)	**2017**	**2016**	**2017**	**2016**
Net loss from continuing operations	(2,618)	(3,106)	(8,369)	(19,617)
Add non-cash expenses:				
Depreciation	1,400	2,932	5,887	7,887
Amortization of intangibles	165	165	660	661
Provision for onerous lease	984	—	984	—
Impairment of property and equipment	—	21	—	7,822
Loss on sale of equipment	285	672	336	9,878
Loss on derecognition	287	—	287	—
Purchase gain	—	—	—	(2,664)
Stock based compensation	5	15	11	136
Deferred taxes	—	(1,177)	(590)	(7,076)
	508	(478)	(794)	(2,973)
Add non-recurring expenses:				
Severance	—	478	121	1,156
Refinancing costs	—	—	1,039	—

Business acquisition expense	—	—	—	472
	508	—	366	(1,345)
Change in non-cash working capital from continuing operations	(291)	404	(797)	(247)
Maintenance capital	(49)	(18)	(191)	(700)
Adjusted Free Cash Flow	168	386	(622)	(2,292)

Selected Annual Information

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

			Twelve months ended December 31
(in $000s)	**2017**	**2016**	**2015**
Revenue from continuing operations	14,636	10,598	17,438
Net loss from continuing operations	(8,369)	(19,617)	(29,520)
Net loss per share from continuing operations			
Basic	($0.17)	($0.49)	($0.81)
Diluted	($0.17)	($0.49)	($0.81)
Net loss from operations	(8,585)	(24,630)	(30,052)
Net loss per share			
Basic	($0.17)	($0.61)	($0.82)
Diluted	($0.17)	($0.61)	($0.82)
Total Assets	60,136	77,649	99,848
Total Long Term Liabilities	3,209	4,149	34,416
Dividends declared	—	—	5,808

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 belief that improvement in demand should begin to drive improvements in equipment rental rates and that the expanded market reach and customer base will lead to more diversity in the Company's revenue stream and increase utilization. Forward-looking statements or information may contain statements with the words "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "budget", "should", "project", "would have realized', "may have been" or similar words suggesting future outcomes or expectations. Although the Company believes that the expectations implied in such forward-looking statements or information are reasonable, undue reliance should not be placed on these forward-looking statements because the Company can give no assurance that such statements will prove to be correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of assumptions about the future and uncertainties. These assumptions include that the Company's cost cutting measures that have been implemented will protect future margins and that the Company's lean operations will protect against profound down swings in the economic environment. Although management believes these assumptions are reasonable, there can be no assurance that they will be proved to be correct, and actual results will differ materially from those

anticipated. For this purpose, any statements herein that are not statements of historical fact may be deemed to be forward-looking statements. The forward-looking statements or information contained in this 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 below entitled "Financial Measures Reconciliations" for an explanation of the non-IFRS measures used.

NEW ACCOUNTING STANDARDS AND AMENDMENTS

New accounting standards not yet adopted:
A number of new standards and amendments to standards and interpretations are not yet effective for the year ended December 31, 2017, and have not been applied in preparing the Company's consolidated financial statements.

- Financial Instruments (IFRS 9) - The Company intends to adopt IFRS 9 in its financial statements for the annual period beginning January 1, 2018. The Company has assessed the potential impact on its consolidated financial statements and does not expect any significant difference to arise on adoption.
- Revenue from Contracts with Customers (IFRS 15) – The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning January 1, 2018. The Company has assessed the potential impact on its consolidated financial statements and does not expect any significant difference to arise on adoption.
- Leases (IFRS 16) – The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning January 1, 2019. The company is currently assessing the impact of IRFS 16 on its financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The following judgments and estimates are those deemed by management to be material to the Company's consolidated financial statements.

Critical Accounting Estimates

Amounts recorded for depreciation and amortization are based on the estimated useful lives and residual values of the underlying assets. Useful lives and residual values are based on Management's best estimate using knowledge of past transactions and as such are subject to measurement uncertainty. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear and legal or other limitations to use. It is possible that changes in these factors may cause changes in the estimated useful lives and residual values of the Company's property, plant and equipment and intangible assets in the future.

When determining the fair value of assets acquired and liabilities assumed in business combinations, the Company uses various valuation techniques including income based approaches, which involves estimating the future net cash flows and applying the appropriate discount rate to those future cash flows to determine the fair value of the identifiable intangible assets acquired.

The Company tests annually, or when facts and circumstances indicate, whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units are determined using the greater

of fair value and value-in use. Fair value and value in use calculations require the use of estimates, assumptions, and judgments. Value-in-use calculations require Management to use assumptions regarding projected future sales, earnings, and capital investment, consistent with strategic plans presented to the Board. Discount rates are consistent with external industry information reflecting the risk associated with specific cash flows. Fair value requires Management to make judgments of fair value using such estimates of market rental rates for equipment, discount rates, capitalization rates, and terminal capitalization rates.

Tax interpretations, regulations, and legislation, in the various jurisdictions in which the Company operate are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred taxes are assessment by Management at the end of the reporting period to determine the likelihood that they may be realized from future taxable earnings.

Significant Management Judgments

The Company's assets are segregated into cash-generating-units based on their ability to generate largely independent cash flows and used for impairment testing. The determination of the Company's cash-generating-units is subject to Management's judgment. The going concern assessment and disclosures of liquidity and related financing received subsequent to year end was a matter of significant judgement.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2017, the Company's financial instruments consisted of cash, restricted cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values as at December 31, 2017 and 2016, due to their short-term maturities.

In addition to liquidity risk described in "Liquidity and Capital Resources" above, the Company is exposed to credit, interest rate, and foreign exchange risks associated with its financial assets and liabilities.

Credit risk:

Credit risk is the risk of financial loss resulting from a customer or counter party to a financial instrument failing to meet its obligation to the Company.

The Company is exposed to credit risk with respect to accounts receivable as it has a concentration of customers involved in the oil and gas industry. The Company's accounts receivable represent balances owing by a number of unrelated companies and no single customer has an accounts receivable balance in excess of 17% of the year end receivable balance. Management believes that the Company's credit risk with respect to accounts receivable is limited due to the Company's broad customer base and management's conservative credit policy. Historically credit losses have not been material.

Interest rate risk:

Interest rate risk is the risk that the fair value of a financial instrument or its cash flows will fluctuate as a result of changes in interest rates.

At December 31, 2017, a 1% change in interest rates on the floating rate debt would result in an increase or decrease in annual net income before income taxes of $197,000.

Currency risk:

Currency risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Company purchases equipment, parts and supplies from foreign suppliers that are denominated in United States dollars. At December 31, 2017 accounts payable and accrued liabilities did not include

any material amounts denominated in foreign currencies. Management does not believe that its foreign currency risk would result in a material loss due to the short term nature of the foreign currency denominated payables and does not employ derivative instruments to manage foreign currency risk.

BUSINESS RISKS AND UNCERTAINTIES

The following is a summary of certain, but not all, risk factors relating to the Company's business.

Impact of Economic Cycle and Commodity Prices

The Company's equipment rental customers consist of companies operating primarily in the construction and oil and gas industries which are all affected by trends in the general economic conditions within their respective markets. Changes in the price of oil, interest rates, commodity prices, exchange rates, availability of capital, general economic prospects and adverse weather conditions may all impact their businesses by affecting levels of consumer, corporate and government spending. The Company's business and financial performance is largely affected by the impact of such business cycle factors on its customer base.

Competition

Competition in the oilfield rental and construction industry is intense and growing. Zedcor Energy Inc. competes with national and international companies that have substantially greater personnel and financial resources, as well as better name recognition and larger customer bases. Also, given the potential size of the market, it is foreseeable that new competition with greater resources will be entering the marketplace on an on-going basis.

No Long Term Rental Contracts

The Energy Services segment rents equipment to customers for a limited time on a purchase order basis rather than on a long-term contractual basis. This causes short-term variability in demand by customers. Customers requesting equipment or submitting a purchase order may cancel, reduce or delay their order for a variety of reasons. This will affect the level and timing of orders placed and any resulting cancellations, reductions or delays in customer orders could negatively impact the Company's operating results.

Dependence on Major Customers

The Company generates approximately 62% of its revenue from its top ten customers, and there can be no assurance that the current customers will continue their relationships with the Company. The loss of one or more major customers, or any significant decrease in services provided to a customer, prices paid or any other changes to the terms of service with customers, could have a material adverse effect on the financial results, cash flows, and the overall financial condition of the Company.

Reliance upon Management

Zedcor Energy Inc. is involved in the oilfield and construction equipment rental industry. These industries may involve a substantial degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome.

Dependence on Suppliers

Failure of suppliers to deliver equipment in a timely and efficient manner could be detrimental to the Company's ability to keep customers and to expand. No assurances can be given that the Company will be successful in maintaining its required supply of equipment.

Safety

The services provided by the Company involve a number of hazards and risks on well-sites. To address these risks, the Company has developed and implemented safety and training programs. In addition, a comprehensive insurance and risk management program has been established to protect the Company's assets and operations.

Economic and Political Conditions

Changes in economic conditions, including, without limitation, recessionary or inflationary trends, commodity prices, equity market levels or strength, consumer credit availability, interest rates, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows. In addition, economic and business conditions in our markets may be affected by disruptions in the financial markets caused by political or other events and such affects may adversely impact the Company's business, financial condition, and results of operations or cash flows.

Capital Markets

As a result of the volatility in global economic markets, the Company, along with national and international companies with which it competes, have restricted access to capital, bank debt and equity, and is likely to face increased borrowing costs. The lending capacity of all financial institutions to lend into the oil and gas industry has diminished and risk premiums have increased. As future capital expenditures will be financed out of funds generated from operations, borrowings and possible future equity sales, the Company's ability to do so is dependent on, among other factors, the overall state of capital markets and investor appetite for investments in the rental industry and the Company's securities in particular.

To the extent that external sources of capital become limited or unavailable or available on onerous terms, the Company's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

Future Acquisitions

The Company's growth strategy is based, in part, on its ability to acquire other assets or businesses. The success of this acquisition strategy will depend, in part, on its ability to:

- identify suitable assets or businesses to buy;
- negotiate the purchase price of those assets or businesses on acceptable terms;
- complete the acquisitions within the Company's expected time frame;
- improve the results of operations of the assets or businesses that the Company buys and successfully integrate their operations into its own; and
- respond to any concerns expressed by regulators, including anti-trust or competition law concerns.

Zedcor Energy Inc. may fail to properly complete any or all of these steps.

Future Capital Requirements

The Company will require alternative financing in order to sustain, grow and expand its operations. It is possible that required financing will not be available or, if available, will not be available on favorable terms. If the Company issues Common Shares to finance its operations, shareholders may suffer dilution of their investment. If adequate funds are not available on acceptable terms, the Company may not be able to take advantage of opportunities, or otherwise optimally respond to competitive pressures.

Capital Requirements for Future Acquisitions

The company cannot be certain that it will have enough capital or that it will be able to raise capital by issuing equity or debt securities or through other financing methods on reasonable terms, if at all, to complete the purchases of any oilfield equipment or businesses that it wants to acquire. Acquisitions will generally increase the Company's capital requirements unless they are funded from excess free cash flow. Acquisitions financed with debt or equity capital will result in higher long-term debt or equity amounts recorded on the Company's consolidated statement of financial position. Higher debt levels can increase the Company's borrowing rates and can be expected to increase interest expense due to higher levels of outstanding indebtedness.

Successfully Managing its Growth

The Company's growth strategy will continue to place significant demands on its financial, operational and management resources. In order to continue its growth, the Company may need to add administrative, management and other personnel, and make additional investments in operations and systems. The Company cannot provide assurance that it will be able to find and train qualified personnel, or do so on a timely basis, or expand its operations and systems.

Adequacy of Insurance Coverage

The Company seeks to obtain and maintain, at all times, insurance coverage in respect of its potential liabilities and the accidental loss of value of its assets from risks, in those amounts, with those insurers, and on those terms it considers appropriate, taking into account all relevant factors, including the practices of owners of similar assets and operations. However, not all risks are covered by insurance, and the Company cannot provide assurance that insurance will be available consistently or on an economically feasible basis or that the amounts of insurance will be sufficient to cover losses or claims that may occur involving its assets or operations.

Volatility of Market Price

The market price of the Common Shares could be subject to significant fluctuation in response to variations in quarterly and yearly operating results, the success of the Company's business strategy and other factors. In addition, the stock market experiences price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of affected issuers. These fluctuations may adversely affect the market price of the Common Shares.

Uncertain Operating Conditions

The Company's financial results will be affected by a number of factors. The primary factors affecting the Company's operating results are changes in technology, equipment costs, labor costs, overhead costs and quantity of customer orders. In addition to this, other factors having an impact on results are competition; asset and capacity management; customer service effectiveness; and overall industry economic conditions. Variability of results can be caused by any one or any combination of these factors.

Zedcor Energy Inc. Operations are Geographically Concentrated and Susceptible to Local Economies, Regulations and Seasonal Fluctuations

The Company's operations are concentrated in the Province of Alberta and are susceptible to that market's local economy, regulations and seasonal fluctuations. Seasonality may temporarily affect the Company's revenues and expenses. Seasonal factors and unexpected weather patterns may lead to declines in the activity levels of exploration, development and production companies and corresponding declines in the demand for goods and services of the Company.

Potential Replacement of or Reduced Use of Products and Services

Certain equipment of the Company may become obsolete or experience a decrease in demand through the introduction of competing products or new technologies that are lower in cost, exhibit enhanced performance characteristics or are determined by the market to be more preferable for environmental or other reasons. The changes could have a material adverse effect on the Company's business, financial condition, results or operations and cash flows.

Environmental Requirements

The Company could be subject to legal action relating to compliance with environmental laws or regulations, and to civil claims from parties alleging some harm as a consequence of contamination, odours and other releases to the environment or other environmental matters (including the acts or omissions of its predecessors) for which the Company may be responsible. In general, environmental, health and safety laws authorize federal, provincial or local environmental regulatory agencies (and in some cases, private citizens) to bring administrative or judicial actions for violations of environmental laws or to revoke or deny the renewal of a permit. Potential penalties for such violations may include, among other things, civil and criminal monetary penalties, imprisonment, permit suspension or revocation, and injunctive relief. These agencies may also attempt to revoke or deny renewal of the Company's permits or licenses for violations or alleged violations of environmental, health and safety laws or regulations. Under certain circumstances, citizens are also authorized to file lawsuits to compel compliance with environmental laws, regulations or permits under which Zedcor Energy Inc. operates and to impose monetary penalties. Surrounding landowners or community groups may also assert claims alleging environmental damage, personal injury or property damage in connection with the Company's operations. Potential changes in requirements may result in increased operating costs and capital expenditures for oil and gas companies, thereby delaying or decreasing the demand for the Company's services.

Conflicts of Interest

The directors of the Company may become engaged in different activities, both on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers may be in direct competition with the Company and conflicts of interest, if any, which arise will be subject to and governed by the procedures prescribed by the Alberta Business Corporations Act.

Climate Change Regulations

Environmental advocacy groups and regulatory agencies in Canada have been focusing considerable attention on the emissions of greenhouse gases and their potential role in climate change. As a consequence, governments have begun (and are expected to continue) devising and implementing laws and regulations that require reduced, or are intended to reduce, greenhouse gas emissions. The adoption of such laws and regulations and the imposition of fees, taxes or other costs, could adversely affect The Company's operations

Technology Risk

The Company's ability to meet customer demands in respect of performance and cost will depend upon continuous improvements in services, and there can be no assurance that the Company will be successful in this regard or that the Company will have resources available to meet this continuing demand. Failure to meet this demand could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. No assurances can be given that the Company's competitors will not achieve technological advantages.

Dilution

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation which may be dilutive.

Litigation

In the normal course of the Company's operations, it may become involved in, named as party to, or be the subject of, various legal proceedings, tax proceedings, and legal actions, related to personal injuries, property damage, property tax, land rights, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Company and as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, the Company may disclose confidential information relating to the business, operations or affairs of the Company. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put the Company at competitive risk and may cause significant damage to its business. The harm to the Company's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Company will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damages to its business that such a breach of confidentiality may cause.

Forward-Looking Statements may Prove Inaccurate

Undue reliance should not be placed on forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties are found in this Annual Information Form under the heading "*Forward-Looking Statements*".

ADDITIONAL INFORMATION

Information about Zedcor Energy Inc. may be found on the SEDAR website at www.sedar.com on the Company's website at www.zedcor.ca. The Company trades on the TSX Venture Exchange under the symbol ZDC.