ZEDCOR ENERGY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2018 AND 2017

Dated March 26, 2019

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, 2018 when compared to the three and twelve month periods ended December 31, 2017. 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, 2018 and 2017. 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 26, 2019.

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, and providing security and surveillance services in Western Canada. The Company trades on the TSX Venture Exchange under the symbol "ZDC". In 2018, the Company operated with two business segments: Energy Services and Security and Surveillance.

The Energy Services segment provides surface equipment rentals and wellsite accommodations to support the drilling and completions operations of energy and production companies operating in the Western Canada Sedimentary Basin. With a fleet of hybrid solar light towers equipped with high resolution security cameras monitored by a central command center, the Security and Surveillance segment provides services to the energy industry, as well as the construction and pipeline industry. The Company operates as Zedcor Energy Services Corp. from its main facility in Leduc, Alberta, with sales office in Calgary, Alberta and operating yards in Grande Prairie, Alberta, and Fort St. John, British Columbia.

EXECUTIVE SUMMARY:

Selected Financial Highlights

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

	Three months ended December 31		Twelve months ended December 31	
(in $000s)	**2018**	**2017**	**2018**	**2017**
Revenue	4,824	4,306	17,452	14,636
Net loss from continuing operations	(15,176)	(2,618)	(20,160)	(8,369)
Adjusted EBITDA[1,2]	1,402	1,417	4,650	3,931
Adjusted EBIT[1,2]	(799)	(555)	(2,490)	(2,579)
Net loss per share from continuing operations				
Basic	($0.29)	($0.05)	($0.39)	($0.17)
Diluted	($0.29)	($0.05)	($0.39)	($0.17)

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

- Revenues for the quarter ended December 31, 2018 increased by $0.5 million or 11% from $4.3 million to $4.8 million compared to the similar quarter in 2017. This increase is due to the revenue generated from the Security and Surveillance segment.
- Net loss from continuing operations for the quarter ended December 31, 2018 increased by $12.6 million from a loss of $2.6 million to a loss of $15.2 million compared to the similar quarter in 2017. This increase is the result of a $7.2 million derecognition of the deferred tax asset and a $5.7 million impairment of goodwill related to the Energy Services segment. See Impairment of Goodwill section.
- Adjusted EBITDA for the quarter ended December 31, 2018 was $1,402, a decrease of $14 from the quarter ended December 31, 2017. This decrease is a result of the decrease in revenue and margin from the Energy Services segment in the last quarter.
- For the year ended December 31, 2018, revenues increased by $2.8 million or 16% from $14.6 million to $17.5 million compared to the year ended December 31, 2017. In direct relation, Adjusted EBITDA increased by $0.7 million from $3.9 million to $4.6 million. The increase is a result of the revenue and EBITDA generated from the Security and Surveillance segment, along with a 21% decrease in general and administrative costs for the twelve months ended December 31, 2018 compared to the twelve months ended December 31, 2017.
- Net loss from continuing operations increased by $11.8 million for the year ended December 31, 2018 compared to the year ended December 31, 2017. This increase is due to a $7.2 million derecognition of deferred tax assets and a goodwill impairment of $5.7 million related to the Energy Services segment.
- During 2018, the Company purchased 130 new hybrid solar light towers, 67 of which were equipped with high resolution security cameras to support the security and surveillance segment. The Company also sold underutilized assets, with the proceeds of $3.0 million being used to reduce debt.
- On March 28, 2018, the Company renewed the Loan and Security Agreement in the amount of $17.5 million for an additional 6 months. On the same day the Company also signed a $13.5 million credit facility, comprised of a $3 million operating loan, a $2.5 million non-revolving

term loan and an $8 million equipment finance term loan. See Liquidity and Capital Resources section.

- On September 28, 2018, the Company renewed the Loan and Security Agreement in the amount of $15.9 million for an additional 6 months. See Liquidity and Capital Resources section.
- On March 25, 2019, the Company renewed the Loan and Security Agreement in the amount of $14.3 million for an additional 12 months. See Liquidity and Capital Resources section.

SELECTED QUARTERLY FINANCIAL INFORMATION

(Unaudited – in $000s)	Dec 31 2018	Sept 30 2018	June 30 2018	Mar 31 2018	Dec 31 2017	Sept 30 2017	June 30 2017	Mar 31 2017
Revenue	4,824	3,992	3,408	5,228	4,306	3,539	2,348	4,442
Net loss from continuing operations	(15,176)	(1,608)	(2,760)	(616)	(2,618)	(1,254)	(3,529)	(969)
Net income (loss) from discontinued operation	—	—	—	—	—	211	—	(427)
Adjusted EBITDA[1]	1,402	1,112	365	1,772	1,417	1,287	36	1,191
Adjusted EBITDA per share - basic[1]	0.03	0.02	0.01	0.03	0.03	0.03	0.00	0.03
Net loss per share from continuing operations								
Basic	(0.29)	(0.03)	(0.05)	(0.01)	(0.05)	(0.02)	(0.07)	(0.02)
Diluted	(0.29)	(0.03)	(0.05)	(0.01)	(0.05)	(0.02)	(0.07)	(0.02)
Net income (loss) per share from discontinued operation								
Basic	—	—	—	—	—	0.00	—	(0.01)
Diluted	—	—	—	—	—	0.00	—	(0.01)
Adjusted free cash flow[1]	(280)	120	1,114	(324)	351	(348)	222	(290)

[1] *See Financial Measures Reconciliations below*

OPERATING SEGMENT REVIEW

In 2018 the Company structured its operations in two operating and reportable segments, the Energy Services segment and the Security and Surveillance segment, based on the way that management organizes the Company's business for making operating decisions and assessing performance.

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

(in $000s)	Three months ended December 31 2018	2017	% change	Twelve months ended December 31 2018	2017	% change
Revenue	3,310	4,306	-30%	13,865	14,636	-6%
Direct costs and depreciation of operating assets *	2,518	3,374	-34%	10,402	11,336	-9%
Margin	792	932	-18%	3,463	3,300	5%
Margin %	24%	22%		25%	23%	

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

Operational Review

Q4 2018 vs Q4 2017

The fourth quarter of 2018 saw a significant decline in commodity pricing, specifically related to Western Canadian Select when compared to West Texas Intermediate. As a result there was a decline in drilling activity in the oil and gas sector in Western Canada compared to the fourth quarter of 2017. Although rental rates remained similar in the fourth quarter of 2018 when compared to the fourth quarter of 2017, there was a decrease in utilization due to the decline in commodity prices and drilling activity.

During the year ended December 31, 2018, the Energy Services segment sold under-utilized assets with a net book value of $4.4 million for proceeds of $3.0 million. The segment also purchased 63 new hybrid solar light towers in order to expand its customer base to new industries, including industrial facilities, pipeline and commercial construction.

For the quarter ended December 31, 2018, revenues decreased by $1.0 million or 31% compared to the similar period in 2017. Gross margin decreased by $0.1 million compared to the three months ended December 31, 2017. The decrease in both revenue and gross margin is a result of the decrease in drilling activity and commodity pricing for the fourth quarter of 2018. Gross margin as a percent of revenue increased from 22% to 24% for the quarter ended December 31, 2018, due to a focus on streamlining costs and improving operational efficiencies.

For the year ended December 31, 2018, revenue decreased by $0.7 million or 6% compared to the year ended December 31, 2017, largely as a result of the decline in activity in the fourth quarter of 2018. Gross margin increased by $0.2 million for the year ended December 31, 2018 when compared to the year ended December 31, 2017 as a result of the above mentioned focus on operational efficiencies and cost reductions.

Security and Surveillance Segment

The Security and Surveillance segment began operations in 2018 on the heels of a contract signed with a Canadian based pipeline company to provide exclusive security and surveillance services for a pipeline replacement project. With a growing fleet of hybrid solar light towers equipped with high resolution security cameras monitored by a central command center, the Security & Surveillance segment is providing services to the energy industry, along with the construction and pipeline industry.

SECURITY AND SURVEILLANCE SEGMENT RESULTS

	Three months ended December 31			Twelve months ended December 31		
(in $000s)	**2018**	**2017**	**% change**	**2018**	**2017**	**% change**
Revenue	1,514	—	100%	3,587	—	100%
Direct costs and depreciation of operating assets *	986	—	100%	2,486	—	100%
Margin	528	—	100%	1,101	—	100%
Margin %	35%	—		31%	—	

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

Operational Review

Q4 2018

On July 17, 2018, the Company signed a Security Services Contract with a Canadian based pipeline company to provide exclusive surveillance and security services for a pipeline replacement project. The project began in the fall of 2018 and will continue into the spring of 2019. In order to support this project and new operating segment, the Company purchased 67 new solar hybrid light towers equipped with high resolution security cameras. The Security and Surveillance segment continues to expand as it moves into alternative industry segments including industrial facilities and commercial construction.

IMPAIRMENT OF GOODWILL

The Company reviews the carrying value of its long-lived assets and cash generating units ("CGU") at each reporting date to determine whether there is any indication of impairment.

At December 31, 2018, the Company performed an impairment test for goodwill on the Energy Services CGU. The Company determined the recoverable amount on the basis of value in use ("VIU"). The VIU was determined by discounting the future cash flows to be generated from the operations of the cash generating unit to which goodwill has been allocated, using a 5-year model, a post-tax discount rate of 15% (pre-tax discount rate of 20%) and a terminal value growth of 2.0%. Budgeted EBITDA margins for the Energy Services CGU were forecasted using historical margins and taking into consideration known or pending factors. EBITDA is a non-IFRS measure which is defined as earnings before interest, taxes, depreciation and amortization.

Revenue, EBITDA and cash flow projection assumptions were based on a combination of past results, current corporate structure and expectations of future growth. Cash flow projections for 2019-2023 assume a gradual recovery to historical activity levels. Impairment losses are allocated first to reduce the carrying cost of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU.

As a result of the impairment test performed, it was determined that the carrying value of the Energy Services CGU exceeded its estimated recoverable amount. Accordingly, the Company has recorded goodwill impairment of $5,746 for the year ended December 31, 2018.

OTHER EXPENSES

	Three months ended Dec. 31			Twelve months ended Dec. 31		
(in $000s)	**2018**	**2017**	**% change**	**2018**	**2017**	**% change**
General and administrative	1,540	1,173	24%	5,919	6,279	-6%
Depreciation of administrative assets	32	36	-13%	128	148	-16%
Loss on sale of equipment	735	285	61%	1,329	336	-75%
Loss on derecognition	—	287	-100%	—	287	-100%
Amortization of intangible assets	165	165	0%	660	660	0%
Provision for onerous lease	—	984	-100%	—	984	-100%
Impairment of goodwill	5,746	—	100%	5,746	—	100%
Finance costs	1,005	903	10%	3,711	3,581	4%

For the three months ended December 31, 2018, total general and administrative expenses were $1.5 million, an increase of 24% when compared to the last three months of 2017. The increase is a result of the addition of the Security and Surveillance segment in 2018, along with $211 of severance costs. For the twelve months ended December 31, 2018, total general and administrative expenses decreased by $0.4 million, from $6.3 million to $5.9 million, when compared to the year ended December 31, 2017. The year over year decrease is a result of the cost cutting measures and administrative efficiencies that have been implemented over the last year.

SUBSEQUENT EVENTS

On March 25, 2019, the Company renewed the Loan and Security agreement in the amount of $14.3 million for an additional 12 months with an option to renewal for an additional 12 months at the satisfaction of the lender. The renewed loan and security agreement bears interest at 12.75% and is serviced by 12 months of interest only payments. The Company also entered into a Warrant Amendment Agreement which amended the exercise price of the previously issued warrants to $0.145 per share from $0.20 per share and extended the expiry date to January 21, 2022. All covenants and collateral remain the same.

On March 25, 2019, the Company issued the lender an additional 2,068 share purchase warrants. Each warrant entitles the lender to acquire one common share in the Company at an exercise price of $0.145 per warrant. The warrants expire on January 21, 2022.

OUTLOOK

There was an absence of stability and confidence in the Canadian energy market due to lack of pipeline infrastructure and resulting over supply of Canadian crude in 2018. This was demonstrated by the unprecedented price differentials between West Texas Intermediate and Western Canadian Select seen in the fourth quarter of 2018. While global commodity prices and drilling activities increased in the oil and gas industry, Canada experienced a slowdown in drilling and completion activity levels over the past year. While the Company was able to achieve some pricing increases on its rental assets the first half of 2018, the lack of increased drilling activity since then has prevented the Company from achieving any further pricing improvements or expanded utilization of its rental fleet. However, with mandated production cuts from the Alberta Government, resulting in a narrowing of oil price differentials, and greater visibility toward pipeline development and improved market access, there is potential for a rebound in activity levels in late 2019 and into 2020.

The Company anticipates that demand for rental equipment which supports drilling and completions activity in the Western Canadian Sedimentary Basin ("WCSB"), along with its associated rental rates, will remain flat for the first half of 2019. As a result, the Company continues to strengthen its fleet of

rental assets with newer equipment which generates higher utilization and pricing, along with lower repairs and maintenance costs while selling off older assets.

The Company also successfully expanded its market reach and customer base in 2018 from beyond its traditional upstream energy services customers with its surveillance and security service offering. These services are targeted to alternative industry segments including industrial facilities, pipeline and commercial construction.

During 2018, the Company purchased 130 new hybrid solar light towers, over half of which were equipped with high resolution security cameras to support this new segment. On July 17, 2018 the Company announced it had signed a Security Services Contract with a Canadian based pipeline company to provide exclusive surveillance and security services for a pipeline replacement project. This project commenced in September 2018 and will continue into the summer of 2019, utilizing almost half of the fleet of new hybrid solar light towers along with supporting surveillance and security services. Heading into 2019, there has been significant demand for the Company's security and surveillance offering and as a result the percentage of hybrid solar light towers equipped with security cameras has been increasing to meet this demand.

The Company continues to focus on strengthening the balance sheet by selling underutilized assets, managing working capital and reducing debt. The Company is further committed to improving its operational and financial performance through efficiencies and cost reductions in its operations while creating shareholder value for the long term.

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, 2018 and 2017:

	Twelve months ended December 31			
(in $000s)	**2018**	**2017**	**change**	**% change**
Cash flow from (used in) continuing operating activities	126	(248)	374	-297%
Cash flow from (used in) continuing investing activities	(4,961)	8,328	(13,289)	268%
Cash flow from (used in) continuing financing activities	3,163	(9,391)	12,554	397%

The following table presents a summary of working capital information:

	Twelve months ended December 31			
(in $000s)	**2018**	**2017**	**change**	**% change**
Current assets	4,617	6,024	(1,407)	-30%
Current liabilities	18,930	21,052	(2,122)	-11%
Working capital	(14,313)	(15,028)	715	-5%
Working capital ratio	0.24	0.29	(0.05)	-21%

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 2018, the Company curtailed capital expenditures to projects only where replacement or repair of the asset was 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 2019.

Principal Credit Facility

	Interest rate	Final maturity	Facility maximum	Outstanding as at December 31, 2018	Outstanding as at December 31, 2017
Loan and security facility	12.75%	2019	15,900	14,162	19,431
Operating loan facility	7.25%	revolving	3,000	690	—
Term loan facility	7.25%	2020	2,500	2,500	—
Equipment term loan facility	6.10%	2021	8,000	5,185	—
				22,537	19,431
Current portion				(16,749)	(19,431)
Long term debt				5,788	—

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 had 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 was to be 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.

On April 21, 2017, 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 on July 21, 2019. The warrants fair value of $300 was recorded as a transaction cost of the loan and is being 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 is 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 previously issues 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.

On September 28, 2018, the Company renewed the Loan and Security agreement in the amount of $15.9 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 is serviced by six months of interest only payments, followed by six months of interest only payments in the event that it is renewed. The Company also entered into a Warrant Amendment Agreement which

amended the exercise price of the previously issues warrants to $0.20 per share from $0.27 per share and extended the expiry date to January 21, 2021. All covenants and collateral remain the same.

On October 1, 2018, the Company issued the lender an additional 248,209 share purchase warrants. Each warrant entitles the lender to acquire one common share in the Company at an exercise price of $0.20 per warrant. The warrants expire on January 21, 2021.

On March 25, 2019, the Company renewed the Loan and Security agreement in the amount of $14.3 million for an additional 12 months with an option to renewal for an additional 12 months at the satisfaction of the lender. The renewed loan and security agreement bears interest at 12.75% and is serviced by 12 months of interest only payments. The Company also entered into a Warrant Amendment Agreement which amended the exercise price of the previously issued warrants to $0.145 per share from $0.20 per share and extended the expiry date to January 21, 2022. All covenants and collateral remain the same.

On March 25, 2019, the Company issued the lender an additional 2,068 share purchase warrants. Each warrant entitles the lender to acquire one common share in the Company at an exercise price of $0.145 per warrant. The warrants expire on January 21, 2022.

Operating loan, term loan and equipment term 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 required 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.

On March 28, 2018, the Company signed a $13.5 million credit facility, comprised of a $3 million operating loan facility, which replaces the $1 million operating loan facility, a $2.5 million non-revolving term loan facility, which was used to pay out the guarantee from the Loan and Security agreement, and an $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 matures 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 to 60 months, bears interest at a rate of 6.1% to 6.2% 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.

As at December 31, 2018, the Company's current ratio, as defined to exclude the current portion of debt, was 2.40:1.00, the debt service coverage ratio was 1.33:1.00 and the share value of the shares pledged under the shareholder guarantee were greater 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, 2018:

(in $000s)	1 Year	2-3 years	4-5 years	Thereafter	Total	Carrying value
Accounts payable and accrued liabilities	1,923	—	—	—	1,923	1,923

Short-term debt	17,039	—	—	—	17,039	16,749
Long-term debt	—	5,788	—	—	5,788	5,788
Note payable	—	3,281	—	—	3,281	2,716
Onerous and operating leases	1,652	2,556	1,878	2,438	8,524	787
Total	20,614	11,625	1,878	2,438	36,555	27,963

OUTSTANDING SECURITIES

At March 26, 2019, the Company had the following securities outstanding:

- 53,225,574 common shares issued and outstanding.
- 4,400,000 preferred shares issued and outstanding.
- 2,900,000 options are outstanding and exercisable at prices ranging from $0.25 per share to $0.50 per share.

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, 2018, the note payable had a carrying value of $2,716.

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 paid interest of 3.0% per annum, through the issuance of shares on the value of the guarantee that remained outstanding. On March 28, 2018, the shareholder guarantee was released from the Loan and Security Agreement and secured against the term loan. The Company pays interest of 5.0% per annum, through the issuance of shares on the value of the guarantee that remains outstanding. As at December 31, 2018 the amount outstanding on the guarantee is $2,500.

During the year ended December 31, 2018, the Company paid rent for two buildings of $310 to a company owned by a director of the Company.

During the year ended December 31, 2018, the Company sold assets of $50 to a company that is owned by a director of the Company.

During the year ended December 31, 2018, the Company paid $141 (2017 - $27) 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, 2018 no amount due from related parties was unpaid (2017 - NIL).

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 refinancing, severance, impairment of goodwill, 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)	**2018**	**2017**	**2018**	**2017**
Net loss from continuing operations	(15,176)	(2,618)	(20,160)	(8,369)
Add:				
Finance costs	1,005	903	3,711	3,581
Depreciation	1,466	1,400	5,811	5,887
Amortization of intangibles	165	165	660	660
Income taxes (recovery)	7,201	6	7,158	(606)
EBITDA	(5,339)	(144)	(2,820)	1,153
Add:				
Stock based compensation	15	5	52	11
Loss on disposal of property and equipment	735	285	1,329	336
Loss on derecognition	—	287	—	287
Impairment of goodwill	5,746	—	5,746	—
Provision for onerous lease	—	984	—	984
Severance costs	245	—	343	121
Refinancing costs	—	—	—	1,039
Adjusted EBITDA	1,402	1,417	4,650	3,931

Adjusted EBIT

Adjusted EBIT refers to earnings before interest and finance charges, stock based compensation, taxes, amortization, impairment of goodwill, refinancing costs, severance costs and provision for onerous lease.

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

	Three months ended December 31		Twelve months ended December 31	
(in $000s)	**2018**	**2017**	**2018**	**2017**
Net loss from continuing operations	(15,176)	(2,618)	(20,160)	(8,369)
Add:				
Finance costs	1,005	903	3,711	3,581
Stock based compensation	15	5	52	11
Amortization of intangibles	165	165	660	660
Provision for onerous lease	—	984	—	984
Impairment of goodwill	5,746	—	5,746	—
Income taxes (recovery)	7,201	6	7,158	(606)
Severance costs	245	—	343	121
Refinancing costs	—	—	—	1,039
Adjusted EBIT	(799)	(555)	(2,490)	(2,579)

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)	**2018**	**2017**	**2018**	**2017**
Net loss from continuing operations	(15,176)	(2,618)	(20,160)	(8,369)
Add non-cash expenses:				
Depreciation	1,466	1,400	5,811	5,887
Amortization of intangibles	165	165	660	660
Provision for onerous lease	—	984	—	984
Loss on sale of equipment	735	285	1,329	336
Loss on derecognition	—	287	—	287
Impairment of goodwill	5,746	—	5,746	—
Stock based compensation	15	5	52	11
Finance costs (non-cash portion)	145	183	519	557
Deferred taxes	7,228	—	7,228	(590)
	324	691	1,185	(237)
Add non-recurring expenses:				
Severance	245	—	343	121
Refinancing costs	—	—	—	1,039
	569	691	1,528	923

Change in non-cash working capital from continuing operations	(849)	(291)	(890)	(797)
Maintenance capital	—	(49)	(7)	(191)
Adjusted Free Cash Flow	(280)	351	631	(65)

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)	**2018**	**2017**	**2016**
Revenue from continuing operations	17,452	14,636	10,598
Net loss from continuing operations	(20,160)	(8,369)	(19,617)
Net loss per share from continuing operations			
Basic	($0.39)	($0.17)	($0.49)
Diluted	($0.39)	($0.17)	($0.49)
Net loss from operations	(20,160)	(8,585)	(24,630)
Net loss per share			
Basic	($0.39)	($0.17)	($0.61)
Diluted	($0.39)	($0.17)	($0.61)
Total Assets	44,132	60,136	77,649
Total Long Term Liabilities	9,033	3,209	4,149

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, 2018, and have not been applied in preparing the Company's consolidated financial statements.

- Leases (IFRS 16) – The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning January 1, 2019. The company has assessed the impact of IRFS 16 on its financial statements as described in the audited consolidated financial statements for the years ending December 31, 2018 and 2017. The actual impacts of adopting IFRS 16 on January 1, 2019 may change as new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application.

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.

The Company tests annually, or when facts and circumstances indicate, whether goodwill and property and equipment 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, 2018, the Company's financial instruments consisted of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, and current and long term debt. The carrying values of these financial instruments approximate their fair values as at December 31, 2018 and 2017, 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 with no significant exposure to any individual customer, other than one large pipeline company with an accounts receivable balance in excess of 19% 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, 2018, 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 $18.

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, 2018 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 60% 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 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.