



ZEDCOR ENERGY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE THREE MONTHS ENDED
MARCH 31, 2020 AND 2019**

Dated May 19, 2020

ZEDCOR ENERGY INC.
Management's Discussion and Analysis
For the three months ended March 31, 2020

IN THOUSANDS OF CANADIAN DOLLARS

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. (the "Company" or "our" or "we") for the three months ended March 31, 2020 when compared to the three months ended March 31, 2019. 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, 2019 and 2018 and the condensed consolidated interim financial statements for the three months ended March 31, 2020 and 2019. 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 the Company's operations and financial results, as well as management's view of future prospects. These assessments and views are based on certain assumptions related to future events which are uncertain. Statements related to assessments and views which are not statements of historical fact are considered to be forward-looking statements. For a discussion on the risks and uncertainties related to such information please refer to "Forward-Looking Statements" at the end of this MD&A.

This MD&A has been prepared by management and reviewed and approved by the Board of Directors of Zedcor Energy Inc. as of May 19, 2020.

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 providing security & surveillance services, and rental of surface equipment & accommodations in Western Canada. The Company trades on the TSX Venture Exchange under the symbol "ZDC". Zedcor operates with two business segments: Security & Surveillance and Rentals (formerly Energy Services).

With a fleet of hybrid solar light towers equipped with high resolution, technology based security cameras and equipment monitored by a central command center, the Security & Surveillance segment provides technology based remote surveillance, live monitoring and security personnel to customers involved in pipeline construction, civil & municipal construction, oil & gas exploration and emergency response. The Rentals segment provides surface equipment rentals, temporary accommodation rentals, and power generation rentals to customers involved in oil & gas exploration, construction, and emergency response. 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.

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EXECUTIVE SUMMARY:

Selected Financial Highlights

(in \$000s)	Three months ended March 31	
	2020	2019
Revenue	4,715	5,963
Adjusted EBITDA^{1,2}	2,066	2,758
Adjusted EBIT^{1,2}	555	393
Net loss from operations	(287)	(683)
Net loss per share from operations		
Basic	(0.005)	(0.013)
Diluted	(0.005)	(0.013)

¹ Adjusted for severance costs

² See Financial Measures Reconciliations below

- Revenue for the quarter ended March 31, 2020 decreased by \$1,248 from \$5,963 to \$4,715 compared to the same quarter in 2019. This decrease was due to:
 - a. the decrease in revenues in the Security & Surveillance segment which wrapped up a large security project in the first part of the quarter; and
 - b. the decrease in Rentals segment revenues from low utilization and decreased rental rates of equipment as a result of low commodity prices.
- Operating gross margins for both the Security & Surveillance segment and the Rentals segment were mostly consistent for the quarter ended March 31, 2020 when compared to the same quarter in 2019; EBITDA for the quarter ended March 31, 2020 was \$2,066, a decrease of \$692 from the quarter ended March 31, 2019. This decrease is a result of the decrease in revenues in both operating segments.
- During the quarter ended March 31, 2020, the Company retrofitted 45 hybrid solar light towers with high resolution security cameras and motion sensor technology to expand the fleet of surveillance towers to 110. Of these 110 security towers, 45 units are outfitted with both high resolution cameras and ground disturbance sensor technology. The Company also purchased the assets to retrofit an additional 20 units which will increase the fleet to 130.
- A less capital intensive surveillance tower with expanded industrial application was designed and deployed during the quarter. All security towers saw high utilization for the quarter ended March 31, 2020.
- Net loss from operations decreased by \$396 for the quarter ended March 31, 2020 when compared to the quarter ended March 31, 2019. The decrease in net loss is largely due to a gain of \$51 on sale of equipment compared to a loss of \$381 for the quarter ended March 31, 2019 and lower finance costs.

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SELECTED QUARTERLY FINANCIAL INFORMATION

	March 31 2020	Dec 31 2019	Sept 30 2019	Jun 30 2019	Mar 31 2019	Dec 31 2018	Sept 30 2018	Jun 30 2018
(in \$000s)								
Revenue	4,716	3,384	3,865	3,750	5,963	4,824	3,992	3,408
Net loss from continuing operations	(287)	(3,930)	(1,617)	(1,805)	(683)	(15,176)	(1,608)	(2,760)
Adjusted EBITDA ¹	2,066	1,303	1,509	1,264	2,758	1,402	1,112	365
Adjusted EBITDA per share - basic ¹	0.04	0.02	0.03	0.02	0.05	0.03	0.02	0.01
Net loss per share from continuing operations								
Basic	(0.005)	(0.07)	(0.03)	(0.03)	(0.01)	(0.29)	(0.03)	(0.05)
Diluted	(0.005)	(0.07)	(0.03)	(0.03)	(0.01)	(0.29)	(0.03)	(0.05)
Adjusted free cash flow ¹	903	1,240	(264)	2,450	695	(219)	120	1,114

¹ See Financial Measures Reconciliations below

OPERATING SEGMENT REVIEW

The Company structures its operations in two operating and reportable segments, the Security & Surveillance segment and the Rentals segment (formerly Energy Services), based on the way that management organizes the Company's business for making operating decisions and assessing performance.

Security & Surveillance Segment

The Security & Surveillance segment provides technology based remote surveillance and operates a fleet of security towers equipped with high resolution security cameras and disturbance sensors. A central command center provides 24/7 live monitoring to support the fleet of towers and remote monitoring for fixed camera installations. In addition, the segment offers on-site security personnel to customers involved in pipeline construction, civil & municipal construction, oil & gas exploration and emergency response.

SECURITY & SURVEILLANCE SEGMENT RESULTS

	Three months ended March 31		
(in \$000s)	2020	2019	% change
Revenue	1,429	1,797	(20%)
Direct costs and depreciation of operating assets *	850	1,023	(17%)
Gross Margin	579	774	(25%)
Gross Margin %	41%	43%	

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

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Operational Review

Q1 2020 vs Q1 2019

In the first quarter of 2018, the Company signed a security services contract with a Canadian based pipeline company to provide exclusive security and surveillance services for a pipeline replacement project. The project wrapped up in the first part of Q1 2020 which resulted in the decrease in revenues by 20% compared to Q1 2019. This also resulted in operating gross margin being lower by 25%. The decreases in revenue and gross margin were offset by higher utilization and expanded fleet of the Company's security tower rentals.

The Security & Surveillance segment continues to expand as it moves into alternative industry segments including industrial facilities and commercial construction. The company exited the quarter with 45 security towers outfitted with both high resolution cameras and ground disturbance sensor technology and 65 outfitted with high resolution cameras for a total fleet of 110 security towers.

Rentals Segment

The Rentals segment provides provides surface equipment rentals, temporary accommodation rentals, and power generation rentals to customers involved in oil & gas exploration, construction, and emergency response in Western Canada.

RENTALS SEGMENT RESULTS

(in \$000s)	Three months ended March 31		
	2020	2019	% change
Revenue	3,286	4,166	(21%)
Direct costs and depreciation of operating assets *	2,137	2,725	(22%)
Gross Margin	1,149	1,441	(20%)
Gross Margin %	35%	35%	

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

Operational Review

Q1 2020 vs Q1 2019

While the first two months of the quarter saw high utilization of rental assets, activity declined significantly in March as a result of decreased commodity prices and reduced economic activity as a result of the COVID-19 pandemic. Rental rates also dropped as the Company tried to maintain utilization.

For the quarter ended March 31, 2020 revenue was \$3,286, a decrease of \$880 when compared to the same period in 2019. Gross margin decreased by \$292 compared to the quarter ended March 31, 2019. The decrease in both revenue and gross margin is a direct result of the decrease in oilfield activity in the second half of the quarter. However, gross margin as a percent of revenue remained steady at 35% for the three months ended March 31, 2020 as a result of a continued focus on streamlining costs and improving operational efficiencies.

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OTHER EXPENSES

(in \$000s)	Three months ended March 31		
	2020	2019	% change
General and administrative	897	912	(2%)
Depreciation of administrative assets	32	28	14%
Amortization of intangible assets	—	165	(100%)
Finance costs	819	1,091	(25%)

For the three months ended March 31, 2020, total general and administrative expenses decreased slightly due to headcount reductions in sales and operations staff.

Finance costs decreased by 25% for the quarter ended March 31, 2020 when compared to the quarter ended March 31, 2019, due to lower interest rates in January and February 2020 on the Loan and Security Facility, as well as lower total borrowings on the Credit Facilities (\$19.0 million as at March 31, 2020 compared to \$23.0 million as at March 31, 2019).

OUTLOOK

The public health containment measures in place to limit the spread of COVID-19 have significantly reduced economic activity and reduced global oil demand, pressuring oil prices to historical lows. While containment measures are being eased across the world, the pandemic is an unprecedented situation whose ultimate duration and magnitude are currently unknown. While the Company has diversified its revenue streams away from being solely reliant on exploration and production companies in Canada, a large portion of the Company's revenues are still reliant on oilfield activity in Western Canada.

Rental equipment utilization has declined during the first quarter of the year with a significant decline experienced in the second half of March 2020, to historical lows. While the agreement to cut global oil production which was signed on April 12, 2020 was a positive for oil prices, the Company anticipates that demand for rental equipment which supports drilling and completions activity in the Western Canadian Sedimentary Basin ("WCSB") will stay at historical lows during the second quarter of 2020 and possibly into the third and fourth quarter of the year. There may also be further pricing pressure. While the decrease in pricing and low utilization rates were factored into the Company's forecasts, the outlook remains uncertain with a number of customers removing their external guidance. As a result, the Company continues to focus on maintaining strong relationships with existing customers and cost reductions.

Despite the challenging operating environment and reduced economic activity, the Company continues to execute on its long term strategy of growing its Security & Surveillance segment. We continued to effectively use cash flow to retrofit existing equipment in order to use it in providing surveillance services. In addition, the Company has used technological solutions in order to reduce the capital costs of expanding this service line. Utilization of the Company's surveillance towers fitted with high resolution cameras and supported by live, 24/7 remote monitoring, continues to see high utilization. With construction activity expected to increase in the second half of the year as a result of government stimulus, we anticipate that this utilization will continue through the rest of 2020. In addition, the Company continues to expand its security service offerings with on-site security personnel services.

Zedcor is committed to generating strong free cash flow from operations, by focusing on cost efficiencies, in order to further reduce debt and strengthen the financial position of the Company. Where the opportunity arises, the Company will strengthen the balance sheet by selling underutilized assets.

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SEASONALITY OF OPERATIONS

Zedcor Energy Inc. operates in industries that are seasonal by nature. A large portion of the Company's revenues are derived from the construction industry and the oilfield services industry in the Western Canadian Sedimentary Basin ("WCSB"), where the activity is subject to weather conditions and road restrictions. In addition, many exploration and production areas in Northern Canada are accessible only in the winter months when the ground is frozen and hard enough to support heavy equipment. The timing and conditions of weather directly affects the activities of the companies serviced by Zedcor.

PROPERTY AND EQUIPMENT

During the three months ended March 31, 2020, the Company sold assets with a net book value of \$84 for proceeds of \$135, resulting in a gain of \$51 (three months ended March 31, 2019 – loss of \$381).

The Company reviews the carrying value of its long-lived assets and cash generating units at each reporting date to determine whether there is any indication of impairment. No triggers for impairment were identified for the Security & Surveillance cost generating unit ("CGU").

Due to declines in commodity prices and economic activity declines as a result of the global COVID-19 pandemic, the Company performed an impairment test at March 31, 2020 for property and equipment on the Rentals 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, using a 5-year model, a post-tax discount rate of 14% (pre-tax discount rate of 19%) and a terminal value growth of 2.0%. Revenue, EBITDA and cash flow projection assumptions were based on a combination of past results, current corporate structure and expectations of future growth at the balance sheet date budgeted EBITDA margins for the CGUs were forecasted using historical margins and taking into consideration external and internal factors present at the reporting date. EBITDA is a non-IFRS measure which is defined as earnings before interest, taxes, depreciation and amortization.

As a result of the impairment test performed, it was determined that no impairment needed to be recorded. This impairment test is subject to significant estimates and judgement by management, and is sensitive to these estimates and judgments. A 3% change in EBITDA margin would result in a change of \$1,688 in recoverable value. A 0.5% change in discount rate would result in a change of \$764 in recoverable value.

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 three months ended March 31, 2020 and 2019:

(in \$000s)	Three months ended March 31		
	2020	2019	Change
Cash flow from (used in) operating activities	955	726	229
Cash flow used in investing activities	(212)	(888)	676
Cash flow from (used in) financing activities	(704)	174	(878)

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The following table presents a summary of working capital information:

(in \$000s)	Three months ended March 31			
	2020	2019	change	% change
Current assets	4,328	5,818	(1,490)	(26%)
Current liabilities *	21,106	22,185	(1,079)	(5%)
Working capital	(16,778)	(16,367)	(411)	(3%)
Bank working capital ratio **	1.61	4.40	(2.79)	

*Includes \$15.1 million of debt in 2020 and \$19.6 million of debt in 2019

** Bank working capital ratio is defined as current assets divided by current liabilities, excluding the current portion of debt and finance lease receivable/liabilities, plus the amount drawn on the Operating Loan Facility.

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

Principal Credit Facility

	Interest rate	Final maturity	Facility maximum	Outstanding as at March 31, 2020	Outstanding as at December 31, 2019
Loan and Security Facility	12.75%	2020	14,300	12,064	12,094
Operating Loan Facility	6.15%	revolving	3,000	993	878
Term Loan Facility	6.15%	2020	2,500	2,500	2,500
Equipment Term Loan Facility	6.10%	2020 to 2023	8,000	3,444	3,973
				19,001	19,445
Current portion				(15,149)	(2,736)
Long term debt				3,852	16,709

Loan and security facility:

The Loan and Security Facility, which was renewed in December 2019, bears interest at a rate of 12.75% and has a term of 15 months from the renewal date with an option to renew for an additional 12 months at the satisfaction of the lender. The Loan and Security Facility does not require quantitative financial covenants, but imposed restrictions on the Loan's collateral, being the property and equipment of the Company.

On January 10, 2020, as part of the renewal, the Company issued the lender an additional 112,565 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 25, 2023. The Company also entered into a Warrant Amendment Agreement which extended the expiry dated of the previously issued warrants to January 25, 2023.

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Operating Loan, Term Loan and Equipment Term Loan Facility:

The Operating Loan Facility, the Term Loan Facility and the Equipment Term Loan Facility are comprised of a:

- \$3.0 million Operating Loan Facility which 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.
- \$2.5 million term loan which matures on August 16, 2021, bears interest at a rate of Prime plus 3.3%, is secured by a shareholder guarantee and a pledge of shares owned by a shareholder.
- \$8.0 million equipment finance term loan which is amortized over 36 to 60 months, bears interest at a rate of 6.10% to 6.35% and is repayable in equal monthly installments of principal and interest over the term and is secured by certain assets of the Company.

The Credit Facilities require the Company's current ratio does not fall below 1.50:1.00 and the debt service coverage ratio does not fall below 1.00:1.00 till December 31, 2020 and 1.25:1.00 after that; in addition, the shares pledged under the shareholder guarantee must maintain a minimum trading value.

As at March 31, 2020, the Company's current ratio, as defined to exclude the current portion of debt, was 1.61:1.00; the debt service coverage ratio, calculated in accordance with IAS 17 per agreement with lender, was 1.08:1.00. The value of the shares pledged under the shareholder guarantee were below the minimum trade value requirements which resulted in the covenant breach. Subsequent to March 31, 2020, the lender acknowledged the breach and will not call the Credit Facilities but still maintains the right to demand repayment of all amounts under the facility. In addition, the interest rate on the Operating Loan Facility and Term Loan Facility were increased from Prime plus 3.3% to Prime plus 5.0%. The shares pledged under the shareholder guarantee traded above the minimum value requirements subsequent to March 31, 2020, but due to the volatility in the markets as a result of the COVID-19 pandemic, the Company is reliant on the continued support of its lenders. Also, due to these unprecedented factors there is uncertainty regarding future compliance with the Company's debt service coverage ratio. The Company has reviewed its forecasts and while current projections do not show a default, there is no guarantee that projections will be met in order to comply with this ratio in future quarters.

These circumstances cause material uncertainties that may cast significant doubt regarding the Company's ability to continue as a going concern. If the going concern basis was not appropriate for these consolidated financial statements, adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses and the statement of financial position classification used, such adjustments could be material.

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CREDIT RISK

The Company extends credit to customers, primarily comprised of oil and gas exploration companies and construction companies, in the normal course of its operations. Historically, bad debt expenses have been limited to specific customer circumstances. However, the sudden and severe decline in oil prices may result in higher collection risk on trade receivables. The Company has reviewed its outstanding accounts receivable as at March 31, 2020 and believes the expected loss provision is sufficient.

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 March 31, 2020:

(in \$000s)	1 Year	2-3 years	4-5 years	Thereafter	Total	Carrying value
Accounts payable and accrued liabilities	1,696	—	—	—	1,696	1,696
Current debt	15,475	—	—	—	15,475	15,149
Long-term debt	—	3,686	166	—	3,852	3,852
Note payable	3,177	—	—	—	3,177	3,046
Finance lease liabilities	1,899	3,649	3,722	3,885	13,155	10,435
Total	22,247	7,335	3,888	3,885	37,355	34,178

Subsequent to the end of the period, the Company has determined to change certain terms and conditions of the unsecured, subordinated Note Payable presently held by a corporation controlled by a director of the Company. In particular, and subject to the prior approval of the TSX Venture Exchange, it is proposed that the interest rate provided for under the Note Payable will be changed from 5.0% to 7.0% and the maturity date thereunder will be changed from February 2, 2021 to February 2, 2022.

OUTSTANDING SECURITIES

At May 19, 2020, the Company had the following securities outstanding:

- 54,804,873 common shares issued and outstanding.
- 4,400,000 preferred shares issued and outstanding.
- 4,014,343 warrants are outstanding with an exercise price of \$0.145.
- 2,475,000 options are outstanding, of which 1,850,000 are exercisable at prices ranging from \$0.15 per share to \$0.50 per share.

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RELATED PARTY TRANSACTIONS

As at March 31, 2020, the Company owed \$3,046 for a Note Payable to a director of the Company (December 31, 2019 - \$2,979).

The Company had the following related party transactions for the period ended March 31, 2020:

- \$103 in rent paid for two buildings to a company owned by a director of the Company (March 31, 2019 - \$95).
- \$30 paid through the issuance of shares to a director of the Company for a personal guarantee provided on the Long Term Debt (March 31, 2019 - \$30).
- \$42 in wages paid to close family members of an executive officers (March 31, 2019 - \$53).
- \$4 in promotional products purchased from a company owned by a close family member of an executive officer (March 31, 2019 - \$nil)

These related party transactions are in the normal course of business and have been recorded at the exchange amount.

OFF BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

BUSINESS RISKS AND UNCERTAINTIES

Business risks and uncertainties remain substantially unchanged from those disclosed in the annual Management Discussion and Analysis dated April 7, 2020. For a discussion of the business risks and uncertainties related to Zedcor Energy Inc., please refer to the annual Management Discussion and Analysis and to Zedcor Energy Inc.'s Annual Information Form dated April 7, 2020, both of which can be found on the Company's website or at www.SEDAR.com.

ACCOUNTING POLICIES

The Company's accounting policies are set out in Note 2 of the Annual Financial Statements.

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 severance, gains and losses on sale of equipment and stock 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.

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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.

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

(in \$000s)	Three months ended March 31	
	2020	2019
Net loss and comprehensive loss	(287)	(683)
Add:		
Finance costs	819	1,091
Depreciation	1,553	1,793
Amortization of intangibles	—	165
Income taxes	(19)	(19)
EBITDA	2,066	2,347
Add:		
Stock based compensation	9	26
(Gain) loss on sale of equipment	(51)	381
Severance costs	42	4
Adjusted EBITDA	2,066	2,758

Adjusted EBIT

Adjusted EBIT refers to earnings before interest and finance charges, taxes, and severance costs.

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

(in \$000s)	Three months ended March 31	
	2020	2019
Net income from continuing operations	(287)	(683)
Add:		
Finance costs	819	1,091
Income taxes	(19)	(19)
Severance costs	42	4
Adjusted EBIT	555	393

Adjusted free cash flow

Adjusted free cash flow is defined by management as net income plus non-cash expenses, plus or minus the net change in non-cash working capital, plus 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. 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 as an indicator of funds available for re-investment and debt 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.

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Adjusted free cash flow from continuing operations is calculated as follows:

(in \$000s)	Three months ended March 31	
	2020	2019
Net income from continuing operations	(287)	(683)
Add non-cash expenses:		
Depreciation	1,553	1,793
(Gain) loss on disposal of property and equipment	(51)	381
Amortization of intangibles	—	165
Stock based compensation	9	26
Finance costs (non-cash portion)	130	146
Current taxes	(19)	(19)
	1,335	1,809
Add non-recurring expenses:		
Severance	42	4
	1,377	1,813
Change in non-cash working capital	(436)	(1,137)
Maintenance capital	(38)	—
Adjusted Free Cash Flow	903	676

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 streamlining rental assets with newer equipment will drive improvements in equipment rental rates and utilization, 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 new solar hybrid light tower and related security and surveillance service offerings will lead to more diversity in revenue streams and protect against future down swings in the economic environment. Although management believes these assumptions are reasonable, there can be no assurance that they will prove to be correct, and actual results will differ materially from those anticipated. For this purpose, any statements herein that are not statements of historical fact may be deemed to be forward-looking statements. The forward-looking statements or information contained in this MD&A are made as of the date hereof and the Company assumes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new contrary information, future events or any other reason, unless it is required by any applicable securities laws. The forward-looking statements or information contained in this MD&A are expressly qualified by this cautionary statement.

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

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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.