AVEDA

Transportation and Energy Services

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months and year ended December 31, 2016

Aveda Transportation and Energy Services Inc. – Three months and year ended December 31, 2016

This Management's Discussion and Analysis ("MD&A") for Aveda Transportation and Energy Services Inc. ("Aveda" or the "Company") for the three month period and year ended December 31, 2016 should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2016 ("Annual Financial Statements") which are available at www.sedar.com and on the Company's website at www.avedaenergy.com. All dollar amounts are in Canadian dollars unless otherwise indicated.

The Board of Directors carries out its responsibility for review of the disclosure in this MD&A principally through its Audit Committee, comprised of three directors, one of whom is independent. The Audit Committee reviews this disclosure and recommends its approval to the Board of Directors. This MD&A has been approved by the Board of Directors.

The Company reports on certain non-IFRS measures that are used by management to evaluate the performance of the business. Since non-IFRS measures do not have a standardized meaning, securities regulators require that non-IFRS measures be clearly defined and qualified, reconciled to the nearest IFRS measure, and be given no more prominence than the closest IFRS measures. The definition, calculation, and reconciliation of the non-IFRS measures are provided in the section "Reconciliation of non-IFRS Measure" in this MD&A.

Aveda is publicly traded on the TSX Venture Exchange under the symbol AVE.

This MD&A contains statements that are not historical facts and are forward looking statements (see "Forward Looking Statements" below).

This MD&A is dated as at April 11, 2017.

Section 1: Description of the Business

Aveda earns revenue predominantly by providing specialized transportation services required for the drilling exploration, development and production of petroleum resources in the Western Canadian Sedimentary Basin ("WCSB") and in the United States of America ("US") principally in and around the states of Texas, North Dakota and Oklahoma. Transportation services are provided using assets which are owned by the Company, or through sub-contractors who own their equipment and are contracted by the Company during times of peak demand. Transportation services include both the equipment necessary to move the load as well as a trained, professional driver capable of securing, moving and manipulating the load to its destination.

Aveda's rental operations include the rental of tanks, mats, pickers, light towers, well-site shacks and other equipment necessary for oilfield operations.

Aveda was incorporated in 1994 as a private company to serve the oil and gas industry. In the spring of 2006 the Company went public on the TSX Venture Exchange. Aveda has major operations in Calgary, AB, Leduc, AB, Edson, AB, Pleasanton, TX, Midland, TX, Pecos, TX, Marshall, TX, Williston, ND, Casper, WY and Oklahoma City, OK.

For more information on Aveda please visit www.avedaenergy.com.

Section 2: Key Performance Indicators

Aveda monitors a number of key performance indicators including those set out below:

- **Revenue** provides an overall indication of success and progress toward achieving growing market share;

- **Earnings Per Share** measures the return to shareholders and also allows management to assess whether acquisitions are accretive to earnings;

- **Standardized EBITDA** is earnings before interest, taxes, depreciation and amortization;

- **Adjusted EBITDA**[1] is Standardized EBITDA, excluding foreign exchange gains or losses which are primarily related to the US dollar activities of the Company and can vary significantly depending on exchange rate fluctuations, which are beyond the control of the Company, and write downs of intangible assets, goodwill impairment, financing costs, gains or losses on disposal of assets, stock based compensation, fees and expenses on settlement of debt and losses on extinguishment of debt, acquisition earn out adjustments, and gain or loss on business combination; and

- **Adjusted EBITDA per Share**[1] is Adjusted EBITDA[1] divided by the weighted average number of shares outstanding for the period.

Section 3: Overall Performance

2016 FOURTH QUARTER BUSINESS HIGHLIGHTS

- Despite a 13% decrease in average rig counts in the fourth quarter of 2016 versus the fourth quarter of 2015, revenue for the three months ended December 31, 2016 increased by almost $14.0 million to $31.4 million ($0.4 million higher than the Company's guidance), compared with revenue of $17.5 million for the same period in 2015. Compared to the third quarter of 2016, revenue increased by over $10.4 million from $21.0 million to $31.4 million;
- Gross profit excluding depreciation and amortization[1] in the fourth quarter of 2016 increased by almost $6.0 million to $4.7 million compared to a loss of $1.3 million in 2015. Comparing to the third quarter of 2016, gross profit excluding depreciation and amortization[1] increased by 62% from $2.9 million to $4.7 million;
- Adjusted EBITDA[1] in the fourth quarter of 2016 increased by almost $7.0 million to $0.6 million (excluding the impact of the selling and administrative expense items discussed on page 9 of the MD&A, Adjusted EBITDA would have been $1.0 million in the fourth quarter of 2016) compared to a loss of $6.3 million in the fourth quarter of 2015. Comparing the second half of 2016 to the second half of 2015, Adjusted EBITDA increased by almost $14.0 million;
- Net loss for the three months ended December 31, 2016 decreased by $5.0 million to $6.1 million, compared to a net loss of $11.2 million for the same period in 2015. Loss per share was $0.32 compared to $0.59 in the comparative period;

Notes:

(1) See Section 8: Non-IFRS Measures.

- Aveda expanded its operational footprint by reopening its operations in Williamsport, PA and a new terminal in Casper, WY; and
- Aveda ended the year with a net asset value per share[2] of $1.19, $15.1 million in working capital with a working capital ratio of 2.0:1, and undrawn cash availability of $35.5 million on its senior debt facility.

2016 BUSINESS HIGHLIGHTS

- Due to the significant declines in oil and gas commodity prices and drilling activity in the first half of 2016, as compared to 2015, revenue for the year ended December 31, 2016 declined by 28% to $73.3 million, compared with revenue of $101.3 million for the same period in 2015;
- Generated net loss for the year ended December 31, 2016 of $31.8 million, compared to $26.5 million for the same period in 2015. Loss per share was $1.67 compared to $1.38 in the comparative period;
- Generated an Adjusted EBITDA[1] loss for the year ended December 31, 2016 of $6.9 million, compared with $10.7 million for the same period in 2015; and
- The Company rebuilt most of its senior management team with the hiring of a new President & CEO, Vice-President of US Operations and a Vice-President of Canadian Operations who all have long-standing customer relationships and are focused on both profitable revenue generation and cost management.

2017 FIRST QUARTER HIGHLIGHTS

- The Company anticipates a substantial increase in revenue in the first quarter of 2017 as compared to the first quarter of 2016 due to increased drilling activity as well as enhanced marketing efforts by the new management team, sales team and the Company's terminal managers. Preliminary revenue results for the first quarter of 2017 indicate revenues of approximately $39 - $41 million compared to $12.0 million in the first quarter of 2016. Accordingly, the Company expects to enjoy substantial increases in gross profit and EBITDA in the first quarter of 2017 as compared to the first quarter of 2016;
- Aveda restructured its debt in the first quarter of 2017 as outlined in the news release dated January, 13, 2017;
- The Company also raised gross proceeds of $22.8 million through an equity offering as outlined in the news released dated, February 22, 2017; and
- As a result of both successfully restructuring its debt and raising the equity outlined above, the Company now has a strong balance sheet.

Notes:

(1) See Section 8: Non-IFRS Measures.

(2) Net asset value per share is used in this MD&A by management to determine the Company's equity book value on a per share basis. This ratio is calculated by dividing total equity of $22.7 million at December 31, 2016 divided by common shares outstanding of 19.1 million.

Section 4: Selected Financial Information for the Three Months Ended December 31, 2016

(in thousands, except per share and ratio amounts)

	2016	2015	$ Change 2015 - 2016	% Change 2015 - 2016
Revenue	**31,400**	**17,545**	13,855	79.0%
Gross profit (loss)[1]	**123**	**(8,443)**	8,566	101.5%
Gross margin (loss)	**0.4%**	**-48.1%**	N/A	N/A
Gross profit (loss) excluding depreciation and amortization[1]	**4,696**	**(1,276)**	5,972	468.0%
Gross margin (loss) excluding depreciation and amortization[1]	**15.0%**	**-7.3%**	N/A	N/A
Adjusted EBITDA (loss)[1]	**600**	**(6,271)**	6,871	109.6%
Adjusted EBITDA (loss)[1] as a percentage of revenue	**1.9%**	**-35.7%**	N/A	N/A
Net loss	**(6,148)**	**(11,171)**	5,023	45.0%
Net loss as a percentage of revenue	**-19.6%**	**-63.7%**	N/A	N/A
Adjusted EBITDA (loss) per share	**0.03**	**(0.33)**	0.36	109.1%
Earnings per share - basic and diluted	**(0.32)**	**(0.59)**	0.27	45.8%

Revenue increased by almost $14.0 million as compared to the fourth quarter of 2015 due to strong marketing efforts by the Company's new management team, operational leaders and sales team. Accordingly, gross profit excluding depreciation and amortization[1] increased by almost $6.0 million and Adjusted EBITDA increased by almost $7.0 million compared to the same period in the prior year. Net loss in the fourth quarter of 2016 decreased significantly by $5.0 million as compared to 2015.

Notes:

(1) See Section 8: Non-IFRS Measures.

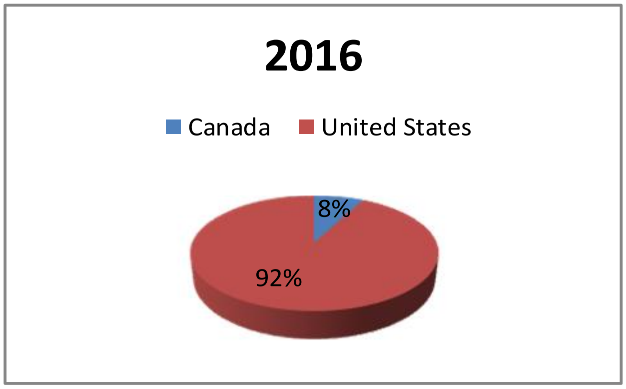
Section 5: Results of Operations for the Three Months Ended December 31, 2016

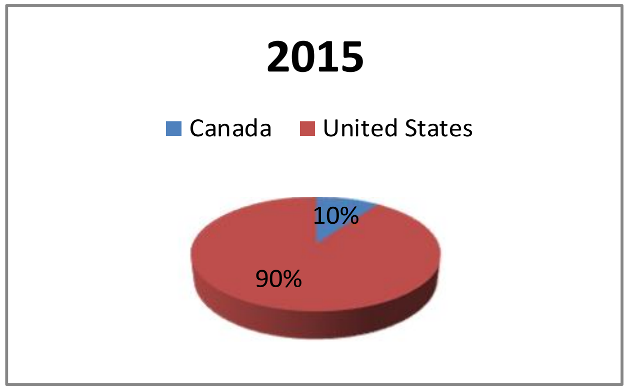
REVENUE

The following table provides a breakdown of the Company's revenue by geography for the three months ended December 31, 2016 and 2015:

(in thousands)

	2016	2015	$ Change 2015 - 2016	% Change 2015 - 2016
Canada	2,413	1,706	707	41.4%
United States	28,987	15,839	13,148	83.0%
	31,400	17,545	13,855	79.0%





TERMINALS	Average Rig Count Q4, 2016	Average Rig Count Q4, 2015	Average Rig Count Change	Rig Count as of: December 31, 2016	Rig Count as of: September 30, 2016	Rig Count as of: Change
Alberta	103	95	8	100	95	5
Oklahoma City, OK(1)	68	75	-7	75	60	15
Pleasanton, TX(1)	37	74	-37	44	32	12
Marshall, TX(1)	26	36	-10	31	21	10
Midland, TX(1)	183	174	9	217	158	59
Pecos, TX(1)(2)	135	132	3	165	118	47
Williamsport, PA(1)	10	12	-2	11	9	2
Williston, ND(1)	32	60	-28	33	30	3
Pecos, TX(1)(2) (common counties with Midland, TX)	-134	-129	-5	-164	-118	-46
	460	529	-69	512	405	107

(1) Rig Count within 100 mile radius of the terminal.

(2) Pecos terminal shares 75% of its counties with Midland terminal; a separate line has been included to remove the common counties from Pecos total.

Compared to the fourth quarter of 2015, the rig count declined in the fourth quarter of 2016 in most regions that Aveda operates in. The average rig count for the last three months of 2016 was substantially below the average experienced in the same period in 2015. However, as compared to the second and third quarters of 2016, rig counts increased in all regions in which the Company operates in. Despite lower rig counts as compared to the last quarter of 2015, revenue for the quarter increased as compared to the same period of the prior year by 79% from $17.5 million in 2015 to $31.4 million in 2016. The increase in revenue can generally be attributed to aggressive marketing efforts by the new management team, operations leaders and sales team. The new team assembled by Aveda has deep rooted customer relationships in the energy industry. The team has successfully leveraged its relationships into driving substantial revenue growth despite unfavourable market conditions.

Due to the factors discussed above, in the fourth quarter of 2016 as compared to the same period of 2015, Aveda's US operations increased revenue by $13.1 million. As rig counts are increasing, the Company expects to see a significant portion of its growth coming from the United States; particularly in the Permian Basin where Aveda opened a new branch in Pecos, Texas in the third quarter of 2016.

Compared to the fourth quarter of 2016, revenue in the WCSB increased by $0.7 million from $1.7 million in 2015 to $2.4 million in 2016. The overall business climate in Canada is expected to continue to be challenging in 2017.

During the quarter, revenue from the use of third party subcontractors was $10.5 million compared to $4.1 million in 2015. Outsourced revenue increased substantially in 2016 compared to 2015 due to: 1) a shortage of hoisting and hauling equipment as activity levels picked-up for Aveda. As outlined below, the Company has activated additional equipment in the fourth quarter of 2016. Further, the Company has continued to activate additional assets in the first quarter of 2017. The Company will also be purchasing additional hoisting equipment in 2017; and 2) the Company performed several long-distance moves in the fourth quarter of 2016 where rigs were relocated substantial distances. Aveda outsourced a significant portion of these rig moves to highway haulers that have equipment better suited for cross country moves.

The average utilization rate for the three months ended December 31, 2016 was 23% (20% in 2015) for power units and 7% (8% in 2015) for rental units. Utilization rates do not include equipment held for future sale or expansion. During the quarter ended December 31, 2016, the Company increased its active equipment count by 35 power units and 31 trailers. These units were transferred out of the equipment held for future sale or expansion.

EXPENSES

The following table sets forth total expenses by function and as a percentage of revenue for the three months ended December 31, 2016 and 2015:

(in thousands)

	2016	2015	$ Change 2015 - 2016	% Change 2015 - 2016
Direct operating	31,277	25,988	5,289	20.4%
Selling and administrative	4,219	5,014	(795)	-15.9%
	35,496	31,002	4,494	14.5%

% of total revenue	2016	2015
Direct operating	99.6%	148.1%
Selling and administrative	13.4%	28.6%
	113.0%	176.7%

Direct Operating Expenses

Direct operating expenses for the fourth quarter of 2016 increased by $5.3 million, from $26.0 million in 2015 to $31.3 million in 2016. As discussed above, gross margin excluding depreciation and amortization[1] increased significantly from negative 7% in 2015 to positive 15% in the current period as the Company was selective in the types of jobs it accepted and through prudent cost management. Management believes there is further opportunity to optimize revenue and costs in the quarters ahead.

Selling and Administrative Expenses

Selling and administrative expenses at $4.2 million for the quarter decreased by $0.8 million as compared to the same period in 2015. The Company has taken aggressive steps to reduce all expenses to weather the current operating environment. Included in the fourth quarter 2016 selling and administrative expenses are unbudgeted bonus accruals for senior management of $0.3 million related to the Company's strong performance over the last nine months of the year. Further, the Company had prior year property tax adjustments which negatively impacted its selling and administrative expenses by $0.1 million for the quarter ended December 31, 2016. The Company anticipates first quarter 2017 selling and administrative expenses of approximately $4.5 - $5.0 million.

FINANCE COSTS

The following table sets forth the Company's finance cost and foreign exchange gains and losses for the three months ended December 31, 2016 and 2015:

(in thousands)

	2016	2015	$ Change 2015 - 2016	% Change 2015 - 2016
Finance costs and interest expenses	1,997	1,620	377	23.3%
Foreign exchange loss (gains)	(154)	(207)	53	-25.6%
	1,843	1,413	430	30.4%

Finance costs and interest expenses are related to the Company's long-term debt and note payable. Please see Section 10 of this MD&A for further information.

Notes:

(1) See Section 8: Non-IFRS Measures.

INCOME TAXES

The following table sets forth the Company's income tax expense (recovery) for the three months ended December 31, 2016 and 2015:

(in thousands)

	2016	2015	$ Change 2015 - 2016	% Change 2015 - 2016
Current tax expense (recovery)	218	58	160	275.9%
Deferred tax recovery	-	(3,971)	3,971	-100.0%
	218	(3,913)	4,131	-105.6%

Income tax expense relates entirely to income earned or loss generated in the United States.

NET LOSS

The following table sets forth the Company's net loss for the three months ended December 31, 2016 and 2015:

(in thousands)

	2016	2015	$ Change 2015 - 2016	% Change 2015 - 2016
Net loss	(6,148)	(11,171)	5,023	-45.0%
Percentage of revenue	-19.6%	-63.7%		

Due to the factors discussed above, the Company generated a net loss of $6.1 million in the fourth quarter of 2016 as compared to $11.2 million in the fourth quarter of 2015.

ADJUSTED EBITDA[1]

The following table sets forth the Company's Adjusted EBITDA[1] for the three months ended December 31, 2016 and 2015:

(in thousands)

	2016	2015	$ Change 2015 - 2016	% Change 2015 - 2016
Adjusted EBITDA[1] (loss)	600	(6,271)	6,871	-109.6%
Percentage of revenue	1.9%	-35.7%		

Adjusted EBITDA[1] for the fourth quarter of 2016 improved by almost $7.0 million to $0.6 million compared with an Adjusted EBITDA[1] loss of $6.3 million in 2015 due to the factors discussed above.

Section 6: Selected Financial Information for the Year Ended December 31, 2016

(in thousands, except per share and ratio amounts)

	2016	2015	2014	$ Change 2015 - 2016	% Change 2015 - 2016	$ Change 2014 - 2015	% Change 2014 - 2015
Revenue	**73,286**	101,315	155,900	(28,029)	-27.7%	(54,585)	-35.0%
Gross profit[1] (loss)	**(10,807)**	(13,217)	27,223	2,410	-18.2%	(40,440)	-148.6%
Gross margin[4]	**-14.7%**	-13.0%	17.5%	N/A	N/A	N/A	N/A
Gross profit (loss) excluding depreciation and amortization[1]	**7,273**	8,339	44,177	(1,066)	-12.8%	(35,838)	-81.1%
Gross margin excluding depreciation and amortization[5]	**9.9%**	8.2%	28.3%	N/A	N/A	N/A	N/A
Adjusted EBITDA[1] (loss)	**(6,940)**	(10,710)	24,533	3,770	-35.2%	(35,243)	-143.7%
Adjusted EBITDA[1] (loss) as a percentage of revenue	**-9.5%**	-10.6%	15.7%	N/A	N/A	N/A	N/A
Net income (loss)	**(31,844)**	(26,541)	2,468	(5,303)	20.0%	(29,009)	-1175.4%
Net income (loss) as a percentage of revenue	**-43.5%**	-26.2%	1.6%	N/A	N/A	N/A	N/A
Adjusted EBITDA (loss) per share	**(0.36)**	(0.56)	1.28	0.20	35.7%	(1.84)	-143.8%
Earnings (loss) per share - basic and diluted	**(1.67)**	(1.38)	0.13	(0.29)	-21.0%	(1.51)	-1161.5%
Current ratio[2]	**2.04**	1.71	1.93	0.33	19.6%	(0.22)	-11.4%
Debt to equity ratio[3]	**4.11**	1.26	0.70	2.85	225.2%	0.57	81.7%
Total assets	**130,793**	138,010	147,614	(7,217)	-5.2%	(9,604)	-6.5%
Total debt	**93,580**	71,740	50,054	21,840	30.4%	21,686	43.3%

Notes:

(1) See Section 8: Non-IFRS Measures.

(2) Current ratio calculated as current assets divided by current liabilities.

(3) Debt includes loans and borrowings and note payable as per their face amount shown on the balance sheet.

(4) Gross margin is calculated as gross profit divided by revenue.

(5) Gross margin excluding depreciation and amortization is calculated by dividing gross profit excluding depreciation and amortization by revenue.

Due to the factors discussed below, revenue decreased by 28% or $28.0 million compared to the same period in the prior year. The Company posted revenue of $73.3 million, an Adjusted EBITDA loss[1] of $6.9 million and a net loss of $31.8 million in the year ended December 31, 2016.

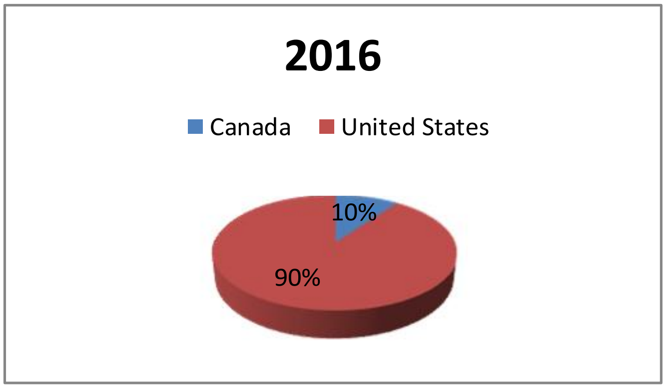
Section 7: Results of Operations for the Year Ended December 31, 2016

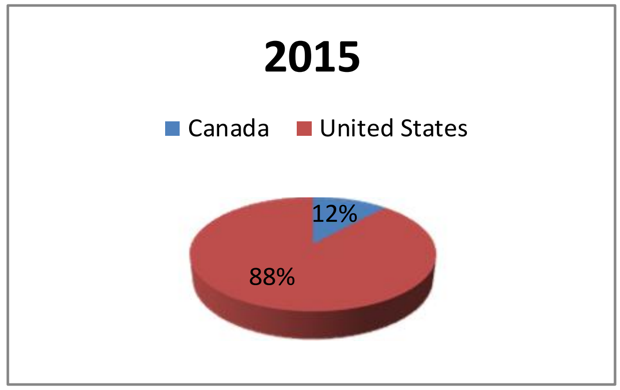
REVENUE

The following table provides a breakdown of the Company's revenue by geography for the year ended December 31, 2016 and 2015:

(in thousands)

	2016	2015	$ Change 2015 - 2016	% Change 2015 - 2016
Canada	7,303	11,861	(4,558)	-38.4%
United States	65,983	89,454	(23,471)	-26.2%
	73,286	101,315	(28,029)	-27.7%





	Average Rig Count			Rig Count as of:		
TERMINALS	**2016**	**2015**	**Change**	**December 31, 2016**	**December 31, 2015**	**Change**
Alberta	69	97	-28	100	49	51
Oklahoma City, OK(1)	59	90	-31	75	73	2
Pleasanton, TX(1)	38	106	-68	44	70	-26
Marshall, TX(1)	21	38	-17	31	33	-2
Midland, TX(1)	147	214	-67	217	167	50
Pecos, TX(1)(2)	114	163	-49	165	125	40
Williamsport, PA(1)	8	16	-8	11	12	-1
Williston, ND(1)	30	84	-54	33	52	-19
Pecos, TX(1)(2) (common counties with Midland)	-112	-159	47	-164	-123	-41
	374	649	-275	512	458	54

(1) Rig Count within 100 mile radius of the terminal.

(2) Pecos terminal shares 75% of its counties with Midland terminal; a separate line has been included to remove the common counties from Pecos total.

Significant declines in oil prices led to drastic declines in rig counts across all of the Company's operating regions as the table above demonstrates. The decline in demand had a negative effect on revenue and profitability as previously discussed. Total revenue decreased by approximately 28% from $101.3 million in 2015 to $73.3 million in 2016. However, it should be noted that revenue for the first 4 months of 2016 was on a declining trend. $52.4 million or 71% of the Company's 2016 revenue was generated in the last half of the year after the new management team was in place and executing on its marketing strategy.

US revenue decreased by $23.5 million or 26% to $66.0 million from $89.5 million in the prior year period and revenue in Canada declined by 38% to $7.3 million. The revenue declines were due to the factors noted above.

In the year ended December 31, 2016, outsourced revenue was $20.9 million compared to $25.3 million in the prior year. Approximately 50% of the outsourced revenue for 2016 was incurred in the fourth quarter of 2016. Factors relating to this were discussed earlier in the MD&A.

The average utilization rate for the year ended December 31, 2016 was 15% (29% in 2015) for power units and 7% (11% in 2015) for rental units. Utilization rates do not include equipment held for future sale or expansion.

EXPENSES

The following table sets forth total expenses by function and as a percentage of revenue for the year ended December 31, 2016 and 2015:

(in thousands)	**2016**	**2015**	**$ Change 2015 - 2016**	**% Change 2015 - 2016**
Direct operating	84,093	114,532	(30,439)	-26.6%
Selling and administrative	14,581	19,895	(5,314)	-26.7%
	98,674	134,427	(35,753)	-26.6%

% of total revenue	**2016**	**2015**
Direct operating	114.7%	113.0%
Selling and administrative	19.9%	19.6%
	134.6%	132.7%

Direct Operating Expenses

Direct operating expenses for the year ended December 31, 2016 decreased by $30.4 million from $114.5 million in 2015 to $84.1 million. Gross margin excluding depreciation and amortization[1] increased from approximately 8% in 2015 to 10% in the current year period. A significant portion of this increase was in the last 6 months of 2016, similar to the increase in revenue activity noted above.

Selling and Administrative Expenses

Selling and administrative expenses for the year ended December 31, 2016 were lower by $5.3 million compared to 2015. To the extent possible, the Company continues to reduce selling and administrative expenses to align with activity levels.

FINANCE COSTS

The following table sets forth the Company's finance cost and foreign exchange gains and losses for the year ended December 31, 2016 and 2015:

(in thousands)

	2016	2015	$ Change 2015 - 2016	% Change 2015 - 2016
Finance costs and interest expense	6,311	5,939	372	6.3%
Foreign exchange losses (gains)	(101)	(480)	379	-79.0%
	6,210	5,459	751	13.8%

Finance costs and interest expense for the year ended December 31, 2016 were relatively flat as compared to 2015. Included in the 2015 amount is a one-time expense of $1.3 million related to the Acquisition. The 2016 finance costs and interest expense reflect higher interest expense related to the Company having higher debt levels as compared to 2015.

INCOME TAXES

The following table sets forth the Company's income tax expense for the year ended December 31, 2016 and 2015:

(in thousands)

	2016	2015	$ Change 2015 - 2016	% Change 2015 - 2016
Current tax expense	228	347	(119)	-34.3%
Deferred tax expense	-	(17,098)	17,098	-100.0%
	228	(16,751)	16,979	-101.4%

Income tax expense (recovery) relates entirely to income earned or net loss generated in the United States.

NET LOSS

The following table sets forth the Company's net loss for the year ended December 31, 2016 and 2015:

(in thousands)

	2016	2015	$ Change 2015 - 2016	% Change 2015 - 2016
Net loss	(31,844)	(26,541)	(5,303)	20.0%
Percentage of revenue	-43.5%	-26.2%		

The Company generated a net loss of $31.8 million in 2016 compared to a net loss of $26.5 million in 2015. Accordingly, Aveda's loss per share for the year ended December 31, 2016 was $1.67 compared to $1.38 in the comparative period.

ADJUSTED EBITDA[1]

The following table sets forth the Company's adjusted EBITDA (loss)[1] for the year ended December 31, 2016 and 2015:

(in thousands)

	2016	2015	$ Change 2015 - 2016	% Change 2015 - 2016
Adjusted EBITDA (loss)[1]	(6,940)	(10,710)	3,770	-35.2%
Percentage of revenue	-9.5%	-10.6%		

Adjusted EBITDA loss[1] for 2016 was $6.9 million compared with $10.7 million in 2015 due to the factors discussed above.

Section 8: Non-IFRS Measures

This MD&A contains the terms "Standardized EBITDA", "Adjusted EBITDA", "gross profit" "gross profit margin", "gross profit excluding depreciation and amortization", "gross margin excluding depreciation and amortization", and "Net asset value per share" which do not have any standardized meanings prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other entities. Management uses Standardized EBITDA, Adjusted EBITDA, gross profit, gross profit margin, gross profit excluding depreciation and amortization, and gross margin excluding depreciation and amortization to analyze the operating performance of the business. These non-IFRS measures presented are not intended to represent cash provided by operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS.

This MD&A contains the terms "cash flow", "working capital" and "working capital ratio", which do not have any standardized meanings prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other entities. As an indicator of the Company's performance, cash flow should not be considered as an alternative to, or more meaningful than, net cash from operating activities as determined in accordance with IFRS. The Company considers cash flow to be a key measure as it demonstrates the Company's underlying ability to generate the cash necessary to fund operations and support activities related to its major assets. Cash flow is determined by adding back changes in non-cash operating working capital to cash from operating activities. Management calculates working capital as current assets less current liabilities and uses this measure to analyze operating performance and leverage.

Notes:

(1) See Section 8: Non-IFRS Measures.

The following table provides a reconciliation of net income to Adjusted EBITDA for the year and three months ended December 31, 2016 and 2015:

(in thousands)	Year ended December 31, 2016	Year ended December 31, 2015	Three months ended December 31, 2016	Three months ended December 31, 2015
Net income (loss)	(31,844)	(26,541)	(6,148)	(11,171)
Add (deduct):				
Finance costs and interest expense	6,311	5,939	1,997	1,620
Income tax expense (recovery)	228	(16,751)	218	(3,913)
Depreciation and amortization	18,471	21,993	4,688	7,282
Standardized EBITDA (loss)	(6,834)	(15,360)	755	(6,182)
Foreign exchange (gains) loss	(101)	(480)	(154)	(207)
Loss (gain) on disposal of assets	18	61	(8)	87
Stock based compensation	(23)	409	7	(96)
Intangible assets and goodwill impairment	-	14,352	-	-
Gain on acquisition, net of acquisition costs	-	(9,692)	-	127
Adjusted EBITDA (loss)	(6,940)	(10,710)	600	(6,271)

Gross profit is used in this MD&A by management to facilitate the readers' understanding of the Company's efficiency at using input costs to generate revenue. Gross profit excluding depreciation and amortization is used to facilitate the readers' understanding of the Company's gross profit without the impact of prior capital allocation decisions and accounting estimates associated with rates used for depreciation and amortization.

The following table provides a reconciliation of gross profit and gross profit excluding depreciation and amortization for the year and three months ended December 31, 2016 and 2015:

(in thousands)	Year ended December 31, 2016	Year ended December 31, 2015	Three months ended December 31, 2016	Three months ended December 31, 2015
Revenue	73,286	101,315	31,400	17,545
Less direct operating expenses	84,093	114,532	31,277	25,988
Gross profit (loss)	(10,807)	(13,217)	123	(8,443)
Addback depreciation and amortization included in direct operating expenses	18,080	21,556	4,573	7,167
Gross profit (loss) excluding depreciation and amortization	7,273	8,339	4,696	(1,276)

Section 9: Summary of Quarterly Results

The following table provides a summary of certain key financial information for Aveda for the last eight quarters:

(in thousands, except per share amounts)	2016				2015			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	31,400	20,955	8,920	12,011	17,545	24,113	23,021	36,636
Adjusted EBITDA (loss)	600	71	(3,745)	(3,865)	(6,271)	(6,648)	(2,177)	4,386
Adjusted EBITDA as a % of revenue	1.9%	0.3%	-42.0%	-32.2%	-35.7%	-27.6%	-9.5%	12.0%
EBITDA per share - basic	0.03	0.00	(0.20)	(0.20)	(0.33)	(0.35)	(0.11)	0.22
Income (loss)	(6,148)	(5,645)	(9,758)	(10,293)	(11,171)	(20,121)	5,890	(1,139)
Income (loss) as a % of revenue	-19.6%	-26.9%	-109.4%	-85.7%	-63.7%	-83.4%	25.6%	-3.1%
Earnings (loss) per share - basic and diluted	(0.32)	(0.30)	(0.51)	(0.54)	(0.59)	(1.05)	0.31	(0.06)
Weighted average shares - basic	19,079	19,079	19,079	19,079	19,079	19,079	19,079	19,619
Weighted average shares - diluted	19,079	19,079	19,079	19,079	19,079	19,079	19,140	19,619

Section 10: Liquidity and Capital Resources

NET WORKING CAPITAL

The following table presents summarized working capital information as at December 31, 2016 and 2015:

(in thousands)	2016	2015	$ Change 2015 - 2016	% Change 2015 - 2016
Current assets	29,521	16,296	13,225	81.2%
Current liabilities	14,465	9,550	4,915	51.5%
Working capital	15,056	6,746	8,310	123.2%
Working capital ratio	2.0	1.7		

During the year ended December 31, 2016, the Company used cash in operating activities of $20.9 million and invested $1.4 million (net of disposals) for the purchase and upgrading of equipment. As a result, the Company borrowed $22.3 million on its senior revolving credit facility.

LIQUIDITY

The Company operates in a cyclical industry, has no contracts that guarantee future revenue and has incurred net losses over the past several quarters due to the considerable decline in oilfield activity given the current commodity price environment.

The Company has loan commitments related to its bank borrowing and note payable, where under certain conditions these facilities may be payable immediately upon demand by its lenders. Most notably, the Company was required to have available $25.0 million of undrawn borrowings on its bank facility as the financial covenants under the facility are waived if the undrawn amount is in excess of $25.0 million. The

Company currently does not comply with certain of the financial covenants, however, it has no impact on the Company as the undrawn amount of the bank borrowing at December 31, 2016 was $35.5 million.

The Company's bank lines are based in part on the appraised value of the long-term assets. The current market environment is putting continued downward pressure on appraised values, which could negatively impact the borrowing base and the amount of lending capacity available to the Company.

On January 12, 2017, the Company entered into a new facility agreement with its banking syndicate. The Company's old asset based operating facility ("Old Facility") was for a maximum amount of $125.0 million and had an expiry date of January 1, 2018. Under the Old Facility covenant tests were waived if undrawn availability was in excess of $25,000. The Company has extended its asset based operating facility ("New Facility") to May 31, 2019. The maximum amount of the New Facility is $92.5 million which consists of a committed facility of $77.5 million and an acquisition line accordion of $15.0 million. Having a lower facility size will reduce the Company's standby fees on the undrawn portion of the facility. Under the New Facility the Company's covenant tests are waived as long as undrawn availability (including suppressed availability) is in excess of $14.0 million.

On January 12, 2017 Werklund Capital Corporation and Werklund Ventures Ltd. (collectively "WCC") has agreed under the New Facility to provide Aveda's banking syndicate (the "Syndicate") with a $5. 0 million standby debt facility (the "Standby Facility") that can be called upon at the sole discretion of the Syndicate in the event of a default under the New Facility.

On February 22, 2017, the Company issued a total of 38.1 million Common Shares, at a price of $0.60 per share, for aggregate gross proceeds of $22.9 million.

With the changes to its debt structure and the equity raised in the first quarter of 2017, the Company has sufficient liquidity to meet its obligations in 2017.

OPERATING ACTIVITIES

Aveda used cash in operating activities of $20.9 million for the year ended December 31, 2016, compared to cash generated in operating activities of $12.9 million in 2015. The change in non-cash balances relating to operations in 2016 was a usage of cash of $8.1 million in the current year compared to $35.5 million generated in the prior year period.

INVESTING ACTIVITIES

Total consideration for purchase and upgrading of assets was $1.4 million net of disposals.

FINANCING ACTIVITIES

During the year ended December 31, 2016, the Company borrowed $22.3 million on its senior debt facility.

OUTSTANDING SHARE DATA

The following data is as of the date of this MD&A, unless otherwise noted.

The Company is authorized to issue an unlimited number of voting common shares and preferred shares. There are 57.2 million common shares outstanding.

The Company has a stock option plan for employees, directors and consultants. A total of 5.7 million shares are reserved under this plan. Options granted generally vest over a three-year period. As of December 31, 2016, 0.9 million options were outstanding with a weighted average exercise price of $1.30 per share. The Company has a restricted share unit plan for employees (the "RSU Plan") and a deferred share unit plan for directors (the "DSU Plan"). As at December 31, 2016 78,000 restricted share units ("RSUs") are outstanding and 125,000 deferred share units are outstanding ("DSUs").

On February 22, 2017, the Company issued 911,089 compensation warrants ("Warrants") to the syndicate of agents who led the Company's equity raise. The Warrants are exercisable at a price of $0.66 per share and have an expiry date of August 22, 2018.

On February 27, 2017, the Company issued 825,000 incentive stock options to officers and employees of Aveda and 200,000 DSUs to directors.

On a fully diluted basis, if all DSUs and RSUs were converted and warrants and options exercised for common shares, the total number of common shares issued and outstanding would be approximately 60.2 million.

Section 11: Seasonality of Business

There are factors causing quarterly variances that may not be reflective of the Company's future performance. The Company's earnings generally follow the seasonal activity pattern of western Canada's and North Dakota's oil and gas industry because of the significance of its operations in these regions. The oil and gas industry in western Canada and North Dakota are typically more active during the winter months as the movement of heavy equipment over frozen ground is generally easier. Rain through the spring, summer and fall reduces activity levels because of the weather's effect on ground conditions and consequently its load bearing capacity. In addition to the impact of rain, thawing ground in the spring tends to make the ground unstable. During this thawing period governments frequently implement restrictions on moving heavy loads on public roadways. This period is often referred to as "spring break-up". The Company's operations in other parts of the United States are generally less affected by weather and are less seasonal by nature. As a result of these seasonal variations, quarterly operating results should not be relied upon as any indication of results for any future period.

Section 12: Adoption of New Accounting Pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements. Management is currently reviewing the standards to determine the impact on the Company's financial statements.

IFRS 9 Financial Instruments

IFRS 9 will be effective for annual periods beginning on or after January 1, 2018. The new standard specifies that financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortized cost or financial assets measured at fair value. Gains or losses on remeasurement of financial assets measured at fair value will be recognized in income or loss, except that for an investment in an equity instrument which is not held-for-trading. The classification and measurement of financial liabilities remain generally unchanged; however, fair value changes attributable to changes in the credit risk for financial liabilities designated at fair value through income or loss are to be recorded in other comprehensive income unless the treatment would create or enlarge an accounting mismatch in income or loss. These amounts are not subsequently reclassified to income or loss. The Company is currently reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers is effective for annual periods beginning on or after January 1, 2018. The Company intends to adopt IFRS 15 for the annual period beginning on January 1, 2018. The Company is currently evaluating the impact that the standard will have on its results of operations and financial position.

IFRS 16 Leases

IFRS 16 Leases is effective for annual periods be beginning on or after January 1, 2019. The new standard specifies that leases will be recognized as asset and liabilities calculated using a prescribed methodology. The Company intends to adopt IFRS 16 for the annual period beginning on January 1, 2019.

Section 13: Critical Accounting Estimates

The Company's significant accounting policies are described in Note 3 to its Consolidated Financial Statements. Inherent in the preparation of those statements are estimates and judgments that affect the reported assets, liabilities, revenues and expenses. These estimates and judgments are based on historical experience and on various other assumptions that management believes are reasonable under the circumstances. Anticipating future events cannot be done with certainty, therefore these estimates may change as new events occur, more experience is acquired and as the Company's operating environment changes.

Identified below are the critical accounting policies and estimates that management believes requiring significant judgment in the preparation of results of operations and financial position.

Allowance for Doubtful Accounts

The Company performs ongoing credit evaluations of its customers and maintains a process to grant credit based upon a customer's credit history and financial condition. Notwithstanding this process the Company's customer base is generally engaged in some aspect of the exploration, development or production of hydrocarbons where a customer's ability to fulfill its obligations is affected by the business risks associated with the industry, including, but not limited to, success in finding new reserves, demand for drilling and completion services, and commodity prices. A customer's ability to fulfill its obligations can change suddenly and without notice.

Useful Life of Equipment and Leasehold Improvement

The Company depreciates its equipment and leasehold improvements and intangible assets using rates sufficient to amortize the asset's cost over its useful life. These estimates are made using historical experience and knowledge of current market conditions however are subject to change as market conditions shift or technological advances are made.

Business Combinations

Significant estimates are used in acquisition accounting. The acquired assets, assumed liabilities (other than deferred taxes) and contingent consideration are recognized at fair value on the date the Company effectively obtains control. The measurement of the assets and liabilities acquired in each business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets (including goodwill), property, plant and equipment and other assets and the liabilities assumed at the date of acquisition as well as the useful lives of the acquired intangible assets and property, plant and equipment is based on assumptions. The measurement is largely based on projected cash flows, discount rates and market conditions at the date of acquisition. Contingent consideration is based on the likelihood of various outcomes of specified future events.

Cash Generating Units

Significant judgments applied in the preparation of these consolidated financial statements include the determination of cash generating units ("CGU") and the determination of the functional currency of the Company's US operations. The determination of CGUs was based on management's judgment in assessing shared infrastructure, independence of revenue earned, operating asset utilization, geographic proximity and exposure to similar risks. The determination of the Company's US operations functional currency was based on management's judgment in assessing the denomination of the currency in which sales are priced, expenses are incurred and the operations reside.

Income Taxes

The Company uses the asset and liability method to account for income taxes whereby future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes, to the extent that they are likely to be realized. Actual income taxes could vary from these estimates as a result of future events, including changes to income tax law or changes in the Company's circumstances.

Valuation of equipment, leasehold improvements and intangible assets

The Company made assumptions about the future cash flows expected from the use of its long-lived assets, such as: applicable industry performance and prospects; general business and economic conditions that prevail and are expected to prevail; expected growth; maintaining its customer base; and, achieving cost reductions. There can be no assurance that expected future cash flows will be realized, or will be sufficient to recover the carrying amount of long-lived assets. Furthermore, the process of determining fair values is subjective and requires management to exercise judgment in making assumptions about future results, including revenue and cash flow projections and discount rates.

Section 14: Risks and Uncertainties

A number of risks and uncertainties affect the Company's operations. Although the Company takes action to mitigate some of these risks, many risks are beyond management's control. The risks discussed in this section are not an exhaustive list of all possible risks.

Volatility of Industry Conditions

The demand, pricing and terms for oilfield services largely depend upon the level of industry activity for North American natural gas and, to a lesser extent, oil exploration and development. Industry conditions are influenced by numerous factors over which Aveda will have no control, including: the level of oil and gas prices; expectations about future oil and gas prices; the cost of exploring for, producing and delivering oil and gas; the expected rates of declining current production; the discovery rates of new oil and gas reserves; available pipeline and other oil and gas transportation capacity; worldwide weather conditions; global political, military, regulatory and economic conditions; and the ability of oil and gas companies to raise equity capital or debt financing.

The level of activity in the oil and gas exploration and production industry is volatile. No assurance can be given that expected trends in oil and gas production activities will continue or that demand for oilfield services will reflect the level of activity in the industry. The prolonged substantial reduction in oil and natural gas prices has affected oil and gas production levels and therefore the demand for services to oil and gas customers. The material decline in oil or gas prices or industry activity had a material adverse effect on Aveda's business, financial condition, results of operations and cash flows. The business and activities of Aveda are directly affected by fluctuations in the levels of exploration, development and production activity carried on by its customers.

Access to Additional Debt and Equity Financing

The contraction from which the global economy has not fully recovered combined with uncertainty in the capital markets, has led to a tightening of traditional equity and debt markets resulting in a reduced availability of external financial resources. This reduced availability of external financial resources may negatively impact the Company's ability to fund growth initiatives such as capital expenditures and acquisitions or other business combination transactions. In addition, a reduction in the Company's existing debt facilities by the Company's lenders, may negatively impact the Company's ability to support ongoing operations.

There is no assurance that additional debt or equity financing, if required, will be available to the Company when needed or on terms acceptable to the Aveda. The Company's inability to obtain additional financing to support ongoing operations or to fund capital expenditures or acquisitions and business combinations could limit Aveda's growth and may have a material, adverse effect upon the Company.

Credit Risk

All of Aveda's trade receivables are from customers involved in the oil and natural gas industry, whose revenues may be impacted by fluctuations in commodity prices. In light of previous industry slow-downs, including a reduced access to equity and debt financing faced by the Company's customers, there is an increased risk of non-payment from some of the Company's customers. To help mitigate some of this risk, Aveda's customers are subject to internal periodic credit reviews along with ongoing monitoring of the age of trade receivables owing and payment histories of customers.

Sources, Pricing and Availability of Equipment and Equipment Parts

Aveda sources its equipment and equipment parts from a variety of suppliers, most of whom are located in Canada and the United States. Should any suppliers of Aveda be unable to provide the necessary equipment or parts or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services or in the time required to find new suppliers could have a material adverse effect on Aveda's business, financial condition, results of operations and cash flows.

Financial Leverage

The Company has grown principally through the acquisition of similar businesses. The Company has borrowed a significant portion of the funds necessary to engage its strategy of growth through acquisition. The business is highly cyclical and there can be no assurance that the Company can generate sufficient funds to meet its obligations as they become due.

Government Regulation

The operations of Aveda are subject to a variety of federal, provincial and local laws, regulations, and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in its operations and the transportation of materials and equipment it provides for its customers. Aveda believes that it is currently in compliance with such laws and regulations. Aveda intends to invest financial and managerial resources to ensure such compliance and will continue to do so in the future. Although such expenditures historically have not been material to Aveda, such laws or regulations are subject to change. Accordingly, it will be impossible for Aveda to predict the cost or impact of such laws and regulations on Aveda's future operations.

Operating Risks and Insurance

Aveda's operations are subject to hazards inherent in the oil and gas industry, such as equipment defects, malfunction and failures, and natural disasters which result in fires, vehicle accidents, explosions and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. These risks could expose Aveda to substantial liability for personal injury, wrongful death, property damage, loss of oil and gas production, pollution, and other environmental damages. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees and regulators.

Aveda monitors its activities for quality control and safety. However, there are no assurances that Aveda's safety procedures will always prevent such damages. Although Aveda maintains insurance coverage that it believes to be adequate and customary in the industry, there can be no assurance that such insurance will be adequate to cover its liabilities. In addition, there can be no assurance that Aveda will be able to maintain adequate insurance in the future at rates it considers reasonable and commercially justifiable. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by Aveda or a claim at a time when it is not able to obtain liability insurance, could have a material adverse effect on Aveda's ability to conduct normal business operations and on its financial condition, results of operations and cash flows.

Agreements and Contracts

The business operations of Aveda depend on performance based agreements with its customer base that are generally cancellable at any time by either Aveda or its customers. The key factors which will determine whether a client continues to use Aveda are service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience, reputation for safety and competitive price. There can be no assurance that Aveda's relationship with its customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on Aveda's business, financial condition, results of operations and cash flows.

Key Personnel

The successful operation of Aveda's business depends upon the abilities, expertise, judgment, discretion, integrity and good faith of Aveda's executive officers, general managers, employees and consultants. In addition, the ability of Aveda to expand its services will depend upon the ability of the Company to attract qualified personnel as needed. The demand for skilled oilfield employees is high, and the supply is limited. The unexpected loss of Aveda's key personnel, or the inability to retain or recruit skilled personnel could have a material adverse effect on Aveda's business, financial condition, results of operations and cash flows.

Competition

Aveda operates in highly competitive segments of the economy - the oil and gas service industry and the oilfield transportation industry. As a result of the competitive nature of the business Aveda must compete on price and quality of service. Furthermore, to remain competitive Aveda must continue to upgrade and expand its fleet to meet customer requirements.

Aveda also actively competes for acquisitions and skilled industry personnel with a substantial number of other oilfield transportation companies, many of which have significantly greater financial resources than Aveda. Aveda's competitors include major integrated trucking companies and numerous other independent trucking companies and individual operators.

Merger and Acquisition Risk

Merger and acquisition activity, in any of the segments in which Aveda operates can impact the demand for services as customers concentrate on reorganization activities prior to proceeding with projects or committing to capital investment. While merger and acquisition activity may have a short-term impact on our business, management believes that in the long-term a more active, stronger market will result providing further opportunities for Aveda.

Reduced levels of activity in the oil and natural gas industry can intensify competition and result in lower revenue to Aveda. Variations in the exploration and development budgets of oil and natural gas companies which are directly affected by fluctuations in energy prices, the cyclical nature and competitiveness of the oil and natural gas industry and governmental regulation, will have an effect upon Aveda’s ability to generate revenue and earnings.

Capital Markets and Liquidity

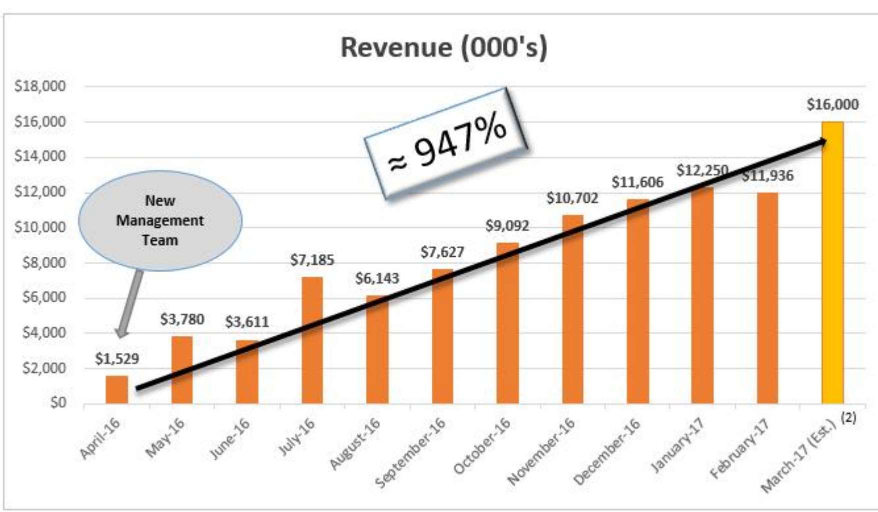
Demand for the Company’s services is dependent upon exploration and production companies having access to capital to invest in drilling, exploration and production programs. This capital may be sourced from internal operating income, equity, debt financing or other external sources. Instability in financial markets may affect the ability of exploration and production companies to access capital at reasonable cost and may in turn affect capital spending decisions.

Section 15: Outlook

Aveda earns revenue primarily by providing specialized transportation services to companies engaged in the exploration, development and production of petroleum resources. As a result, demand for Aveda’s transportation services is generally linked to the economic conditions of the energy industry and the level of drilling activity in the US and the WCSB.

Although 2016 was challenging, the Company has been steadily improving its performance and most recently was able to generate positive Adjusted EBITDA in the third and fourth quarters of 2016. Relative to the first half of 2016, both oil and natural gas prices have rebounded and rig counts in both Canada and the United States have risen in the third and fourth quarters of 2016. Activity levels, particularly in the United States are starting to increase. The Company has seen this positive trend continue in 2017.

The Company restructured its senior leadership team in the first half of 2016 with individuals that have extensive relationships in the oil and gas sector. Through these relationships, the Company is being invited to participate in an increased amount of bid activity. In the second quarter of 2016, the Company had temporarily shuttered its operations in the northeastern United States. The Company’s revenue results since the new management team took over are as follows:



Based on the information above, Aveda expects to see improvements in Adjusted EBITDA and net income results in 2017.

Section 16: Forward Looking Statements

Certain information and statements contained in this MD&A, including, but not limited to, (i) statements that contain words such as "anticipate", "could", "expect", "seek", "may", "intend", "will", "believe", "should", "project", "forecast", "plan" and similar expressions, including the negatives thereof, (ii) statements that are based on current expectations and estimates about the markets in which the Company operates, and (iii) statements of belief, intentions and expectations about developments, results and events that will or may occur in the future, may constitute "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements") as such terms are defined under applicable security laws and are based on certain assumptions and analysis made by the Company's management. Forward-looking statements contained in this MD&A specifically include, but are not limited to, statements with respect to future capital expenditures, including the amount, nature and timing thereof; oil and natural gas prices and demand; other development trends within the oil and natural gas industry; business strategy; expansion and growth of the Company's business and operations including the Company's market share and position in the oilfield service market; and other such matters.

The forward-looking statements contained in this MD&A reflect material factors, expectations and assumptions including, without limitation: (i) oil and natural gas production levels throughout Canada and the United States; (ii) commodity prices and interest rates; (iii) capital expenditure programs and other expenditures; (iv) supply and demand for oil and natural gas and associated oilfield services; (v) expectations regarding the Company's ability to raise capital and to increase its equipment fleets through acquisitions and manufacture; (vi) schedules and timing of certain projects and the Company's strategy for growth; (vii) the Company's future operating and financial results; (viii) the Company's ability to retain and hire qualified personnel; and (ix) treatment under governmental regulatory regimes and tax, environmental and other laws; (x) the exchange rate in effect between Canadian and US currency.

Financial outlook information contained in this MD&A about prospective results of operations, financial position or cash flows may constitute "future oriented financial information", is based on assumptions about future events, is given as at the date hereof and including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this MD&A should not be used for purposes other than for which it is disclosed herein.

Such forward-looking statements and financial outlook information are subject to important risks and uncertainties, which are difficult to predict and that may affect the Company's operations, including but not limited to the impact of general economic conditions in Canada and the United States; industry conditions, including the adoption of new environmental, safety and other laws and regulations and changes in how they are interpreted and enforced; volatility of oil and natural gas prices; oil and natural gas product supply and demand; risks inherent in the Company's ability to generate sufficient cash flow from operations to meet its current and future obligations; increased competition; the lack of availability of qualified personnel or labour unrest; fluctuation in foreign exchange or interest rates; stock market volatility; opportunities available to or pursued by the Company and other factors, many of which are beyond the control of the Company. The Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and financial outlook information, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements and financial outlook information will transpire or occur, or if any of them do transpire or occur, what benefits the Company will derive therefrom. Accordingly, readers should not place undue reliance upon any of the forward-looking information and financial outlook information set out in this MD&A. All of the forward-looking statements in this MD&A are expressly qualified in their entirety by this cautionary statement and made only as of the date hereof. Except as required under applicable securities laws, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Section 17: Subsequent Events

On January 12, 2017, the Company entered into a new facility agreement with its banking syndicate. The Company's old asset based operating facility ("Old Facility") was for a maximum amount of $125.0 million and had an expiry date of January 1, 2018. Under the Old Facility covenant tests were waived if undrawn availability was in excess of $25,000. The Company has extended its asset based operating facility ("New Facility") to May 31, 2019. The maximum amount of the New Facility is $92,500 which consists of a committed facility of $77,500 and an acquisition line accordion of $15,000. Having a lower facility size will reduce the Company's standby fees on the undrawn portion of the facility.

On January 12, 2017 Werklund Capital Corporation and Werklund Ventures Ltd. (collectively "WCC") has agreed under the New Facility to provide Aveda's banking syndicate (the "Syndicate") with a $5.0 million standby debt facility (the "Standby Facility") that can be called upon at the sole discretion of the Syndicate in the event of a default under the New Facility.

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