



MANAGEMENT'S DISCUSSION AND ANALYSIS

**For the three months and year ended
December 31, 2017**

Management's Discussion and Analysis

Aveda Transportation and Energy Services Inc. – Three months and year ended December 31, 2017

Section 1: Description of the Business	3
Section 2: Key Performance Indicators	4
Section 3: Overall Performance	4
Section 4: Selected Financial Information for the Three Months Ended December 31, 2017	6
Section 5: Results of Operations for the Three Months Ended December 31, 2017	7
Section 6: Selected Financial Information for the Year Ended December 31, 2017	11
Section 7: Results of Operations for the Year Ended December 31, 2017	12
Section 8: Non-IFRS Measures	15
Section 9: Summary of Quarterly Results	17
Section 10: Liquidity and Capital Resources.....	17
Section 11: Adoption of New Accounting Pronouncements.....	19
Section 12: Critical Accounting Estimates	20
Section 13: Risks and Uncertainties	22
Section 14: Outlook.....	26
Section 15: Forward Looking Statements	26
Section 16: Subsequent Event.....	27

Aveda Transportation and Energy Services Inc. – Three months and year ended December 31, 2017

This Management's Discussion and Analysis ("MD&A") for Aveda Transportation and Energy Services Inc. ("Aveda" or the "Company") for the three months and year ended December 31, 2017 should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017 ("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, two of whom are 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 "Non-IFRS Measures" 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 12, 2018.

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 Pennsylvania, Texas, North Dakota, Wyoming, Ohio 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. Aveda balances Performance, Safety and Value for our Customers through Leadership, Financial Discipline and Proper Planning, while providing a culture of Family for our employees. Aveda strives for a world where its operations improve the daily experience of our customers, our employees, and every person we meet on the road to success.

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 Leduc, AB, Grande Prairie, AB, Edson, AB, Pleasanton, TX, Midland, TX, Pecos, TX, Marshall, TX, Williston, ND, Williamsport, PA, Martins Ferry, OH and Oklahoma City, OK. Aveda is publicly traded on the TSX Venture Exchange under the symbol AVE. Aveda has 12 locations which cover North America's most prolific oil and gas plays. The Company has almost 1,500 pieces of modern, well maintained equipment and employs

approximately 610 team members. Aveda's unique differentiator is our advanced operational and safety culture.

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 EBITDA¹** is earnings before interest, taxes, depreciation and amortization;
- **Adjusted EBITDA¹** 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 Share¹** is Adjusted EBITDA¹ divided by the weighted average number of shares outstanding for the period.

Section 3: Overall Performance

2017 FOURTH QUARTER BUSINESS HIGHLIGHTS

- Generated revenue for the three months ended December 31, 2017 of \$53.1 million. Revenue in the fourth quarter of 2017 increased by \$21.7 million or almost 70%, compared with revenue of \$31.4 million for the same period in 2016;
- For the three months ended December 31, 2017, the Company reported gross profit before depreciation and amortization¹ of \$7.8 million. Gross profit excluding depreciation and amortization¹ in the fourth quarter of 2017 increased by \$3.1 million or 66% compared to \$4.7 million in 2016;
- Generated Adjusted EBITDA¹ of \$3.6 million for the three months ended December 31, 2017. This amount of Adjusted EBITDA¹ continues the strong performance the Company has experienced throughout fiscal 2017. Adjusted EBITDA¹ in the fourth quarter of 2017 increased by \$3.0 million or almost 500% compared to \$0.6 million in the fourth quarter of 2016;
- Net loss for the three months ended December 31, 2017 decreased by \$3.9 million to \$2.2 million, compared to a net loss of \$6.1 million for the same period in 2016. Loss per share was \$0.04

Notes:

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

compared to \$0.32 in the comparative period; and

- Aveda ended the year with a net asset value per share² of \$0.60, \$18.4 million in working capital with a current ratio of 1.6:1, and undrawn cash availability of \$34.3 million on its senior debt facility.

2017 BUSINESS HIGHLIGHTS

- Generated record revenue for the year ended December 31, 2017 of almost \$200.0 million. This is the most revenue that Aveda has ever reported in any year in the Company's history. Revenue for 2017 increased by \$126.3 million or 172%, compared with revenue of \$73.3 million in 2016;
- Gross profit excluding depreciation and amortization¹ in 2017 increased by \$26.2 million to \$33.5 million compared to \$7.3 million in 2016;
- Reported Adjusted EBITDA¹ of \$15.9 million for the year ended December 31, 2017. Adjusted EBITDA¹ in 2017 increased by almost \$23.0 million compared to a loss of \$6.9 million in 2016;
- Net loss for the year ended December 31, 2017 decreased by almost \$24.0 million to \$8.0 million, compared to a net loss of \$31.8 million in 2016. Loss per share was \$0.15 compared to \$1.67 in the comparative period;
- Aveda expanded its operational footprint by opening terminals in Martins Ferry, OH and Midland, Texas in 2017;
- Aveda restructured its debt in the first quarter of 2017 as further outlined in this MD&A and in the news release dated January 13, 2017;
- The Company also raised gross proceeds of \$22.9 million through an equity offering as outlined in the news release 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 significantly stronger 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 \$34.4 million at December 31, 2017 divided by common shares outstanding of 57.4 million.

Section 4: Selected Financial Information for the Three Months Ended December 31, 2017

(in thousands, except per share and ratio amounts)

	2017	2016	\$ Change 2016 - 2017	% Change 2016 - 2017
Revenue	53,091	31,400	21,691	69%
Gross profit ¹	3,790	123	3,667	-2981%
Gross margin ²	7%	0%	N/A	N/A
Gross profit excluding depreciation and amortization ¹	7,783	4,696	3,087	66%
Gross margin excluding depreciation and amortization ³	15%	15%	N/A	N/A
Adjusted EBITDA ¹	3,567	600	2,967	495%
Adjusted EBITDA ¹ as a percentage of revenue	7%	2%	N/A	N/A
Net loss	(2,217)	(6,148)	3,931	-64%
Net loss as a percentage of revenue	-4%	-20%	N/A	N/A
Adjusted EBITDA ¹ per share	0.06	0.03	0.03	N/A
Loss per share - basic and diluted	(0.04)	(0.32)	0.28	-88%

Notes:

- (1) See Section 8: Non-IFRS Measures.
- (2) Gross margin is calculated as gross profit divided by revenue.
- (3) Gross margin excluding depreciation and amortization is calculated by dividing gross profit excluding depreciation and amortization by revenue.

Revenue increased to \$53.1 million as compared to the fourth quarter of 2016 due to strong marketing efforts by the Company's new management team, operational leaders and sales team as well as substantially improved rig counts across all regions in which Aveda operates. Accordingly, gross profit excluding depreciation and amortization¹ increased by \$3.1 million and Adjusted EBITDA¹ increased by \$2.9 million compared to the same period in the prior year. Net loss in the fourth quarter of 2017 decreased significantly by almost \$4.0 million as compared to 2016.

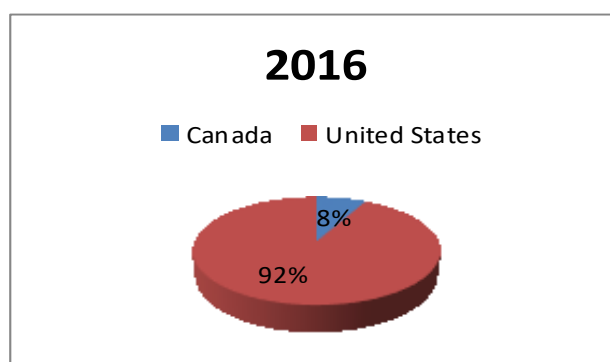
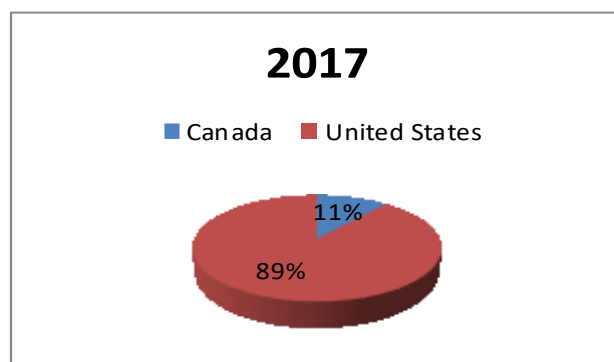
Section 5: Results of Operations for the Three Months Ended December 31, 2017

REVENUE

The following table provides a breakdown of the Company's revenue by geography for the three months ended December 31, 2017 and 2016:

(in thousands)

	2017	2016	\$ Change 2016 - 2017	% Change 2016 - 2017
Canada	5,862	2,413	3,449	143%
United States	47,229	28,987	18,242	63%
	53,091	31,400	21,691	69%



Three Months Ended December 31, 2017

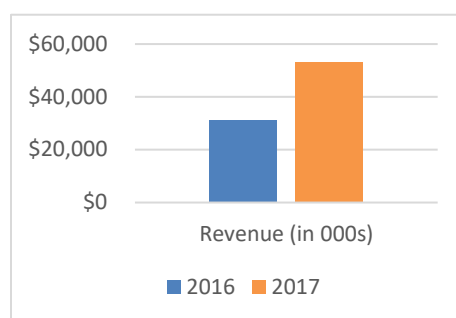
TERMINALS	Average Rig Count			Rig Count as of:		
	Q4, 2017	Q4, 2016	Change	December 31, 2017	September 30, 2017	Change
Alberta	125	103	22	118	144	-26
Oklahoma City, OK ⁽¹⁾	115	68	47	114	114	0
Pleasanton, TX ⁽¹⁾	60	37	23	59	62	-3
Marshall, TX ⁽¹⁾	49	26	23	51	50	1
Midland, TX ⁽¹⁾	391	231	160	401	388	13
Pecos, TX ⁽¹⁾⁽²⁾	235	135	100	238	228	10
Williamsport, PA ⁽¹⁾	15	10	5	15	15	0
Williston, ND ⁽¹⁾	48	32	16	47	49	-2
Martins Ferry, OH ⁽¹⁾	52	38	14	53	55	-2
Casper, WY ⁽¹⁾	8	5	3	8	8	0
Pecos, TX ⁽¹⁾⁽²⁾ (common counties with Midland, TX)	-235	-135	-100	-238	-228	-10
	863	550	313	866	885	-19

⁽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 that overlap with Pecos and Midland.

Aveda Transportation and Energy Services Inc. – Three months and year ended December 31, 2017

Compared to the fourth quarter of 2016, the rig count improved substantially in the fourth quarter of 2017 in all regions that Aveda operates in. The average rig count for the three months ended December 31, 2017 was substantially above the average experienced in the same period in 2016. With the improved rig counts, revenue for the quarter increased as compared to the same period of the prior year by almost 70% from \$31.4 million in 2016 to \$53.1 million in 2017. The increase in revenue can generally be attributed to aggressive marketing efforts by the new management team, operations leaders and sales team as well as the improved rig counts. The new team assembled by Aveda has deep rooted customer relationships in the energy industry. The team has successfully leveraged its relationships to continue to drive substantial revenue growth.



Due to the factors discussed above, in the fourth quarter of 2017 as compared to the same period of 2016, Aveda's US operations increased revenue by \$18.2 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.

During the quarter, revenue from the use of third party sub-contractors was \$19.5 million compared to \$10.5 million in 2016. Outsourced revenue increased substantially in 2017 compared to 2016 due to: 1) a shortage of hoisting and hauling equipment as activity levels grew for Aveda; 2) also significantly contributing to the increase in the use of third party-sub contractors is rigs "stacking up" against each other. The Company quotes its jobs based on its equipment availability. However, sometimes the date a rig is supposed to move will change due to rig operations not going according to plan. As a result, if a rig move date changes, it may stack up against or be concurrent with another rig move. This requires Aveda to split its fleet to complete both rig moves simultaneously and supplement equipment with the use of third party sub-contractors; and 3) long-distance rig moves that require relocation of a rig greater than 250 miles. The Company's equipment is not suited for these types of rig moves and as such, the Company will outsource the long-distance portion of these rig moves.

In the latter half of October 2017, the Company had particular challenges with rigs stacking up. This resulted in both increased payroll costs due to overtime and management of crews as well as higher than normal third-party costs which eroded margins. During that month Aveda generated less than \$0.3 million in Adjusted EBITDA¹.

In order to reduce its reliance on third party subcontractors, the Company embarked on a program in the third quarter of 2017 to activate and refurbish equipment that was previously held for future expansion as well as upgrade its existing fleet. This program was completed early in the first quarter of 2018.

The average utilization rate for the three months ended December 31, 2017 was 48% (23% in 2016) for power units. Utilization rates do not include equipment from the 2015 Hodges acquisition that remained idled at the end of the quarter.

Notes:

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

Management's Discussion and Analysis

Aveda Transportation and Energy Services Inc. – Three months and year ended December 31, 2017

EXPENSES

The following table sets forth total expenses by function and as a percentage of revenue for the three months ended December 31, 2017 and 2016:

(in thousands)

	2017	2016	\$ Change 2016 - 2017	% Change 2016 - 2017
Direct operating	49,301	31,277	18,024	58%
Selling and administrative	4,348	4,219	129	3%
	53,649	35,496	18,153	51%

% of total revenue

	2017	2016
Direct operating	93%	100%
Selling and administrative	8%	13%
	101%	113%

Direct Operating Expenses

Direct operating expenses for the fourth quarter of 2017 increased by \$18.0 million, from \$31.3 million in 2016 to \$49.3 million in 2017. The primary cause of the increase in direct operating expenses is related to an increase in business volume. However, as percentage of revenue, direct operating expenses decreased from 100% of revenue in 2016 to 93% of revenue in 2017. Accordingly, gross profit excluding depreciation and amortization¹ increased from \$4.7 million to \$7.8 million in the current year period. As mentioned above, gross profit was negatively impacted by jobs stacking up at during the latter half of October which resulted in higher than anticipated wage and third-party costs.

Selling and Administrative Expenses

Selling and administrative expenses of \$4.3 million for the quarter were relatively flat as compared to the same period in 2016. However, as a percentage of revenue, selling and administrative expenses decreased from 13% in the fourth quarter of 2016 to 8% in the fourth quarter of 2017.

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, 2017 and 2016:

(in thousands)

	2017	2016	\$ Change 2016 - 2017	% Change 2016 - 2017
Finance costs and interest expenses	1,760	1,997	(237)	-12%
Foreign exchange loss (gain)	25	(154)	179	-116%
	1,785	1,843	(58)	-3%

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.

Management's Discussion and Analysis

Aveda Transportation and Energy Services Inc. – Three months and year ended December 31, 2017

INCOME TAXES

The following table sets forth the Company's income tax expense for the three months ended December 31, 2017 and 2016:

(in thousands)

	2017	2016	\$ Change 2016 - 2017	% Change 2016 - 2017
Current tax expense (recovery)	(164)	218	(382)	-175%

Income taxes relate entirely to the Company's operations in the United States.

NET LOSS

The following table sets forth the Company's net loss for the three months ended December 31, 2017 and 2016:

(in thousands)

	2017	2016	\$ Change 2016 - 2017	% Change 2016 - 2017
Net loss	(2,217)	(6,148)	3,931	-64%
Percentage of revenue	-4%	-20%		

Due to the factors discussed above, the Company generated a net loss of \$2.2 million in the fourth quarter of 2017 as compared to \$6.1 million in the fourth quarter of 2016.

ADJUSTED EBITDA¹

The following table sets forth the Company's Adjusted EBITDA¹ for the three months ended December 31, 2017 and 2016:

(in thousands)

	2017	2016	\$ Change 2016 - 2017	% Change 2016 - 2017
Adjusted EBITDA ¹	3,567	600	2,967	495%
Percentage of revenue	7%	2%		

Adjusted EBITDA¹ for the fourth quarter of 2017 improved by \$3.0 million to \$3.6 million compared with \$0.6 million in 2016 due to the factors discussed above.

Notes:

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

Section 6: Selected Financial Information for the Year Ended December 31, 2017

(in thousands, except per share and ratio amounts)

				\$ Change 2016 - 2017	% Change 2016 - 2017	\$ Change 2015 - 2016	% Change 2015 - 2016
	2017	2016	2015				
Revenue	199,614	73,286	101,315	126,328	172%	(28,029)	-28%
Gross profit ¹ (loss)	17,791	(10,807)	(13,217)	28,598	265%	2,410	18%
Gross margin ⁴	9%	-15%	-13%	N/A	N/A	N/A	N/A
Gross profit excluding depreciation and amortization ¹	33,459	7,273	8,339	26,186	360%	(1,066)	-13%
Gross margin excluding depreciation and amortization ⁵	17%	10%	8%	N/A	N/A	N/A	N/A
Adjusted EBITDA ¹ (loss)	15,937	(6,940)	(10,710)	22,877	330%	3,770	35%
Adjusted EBITDA ¹ (loss) as a percentage of revenue	8%	-9%	-11%	N/A	N/A	N/A	N/A
Net loss	(8,019)	(31,844)	(26,541)	23,825	-75%	(5,303)	20%
Net loss as a percentage of revenue	-4%	-43%	-26%	N/A	N/A	N/A	N/A
Adjusted EBITDA (loss) ¹ per share	0.31	(0.36)	(0.56)	0.67	186%	0.20	36%
Loss per share - basic and diluted	(0.15)	(1.67)	(1.38)	1.52	-91%	(0.29)	21%
Current ratio ²	1.6	2.0	1.7	(0.44)	-22%	0.33	20%
Debt to equity ratio ³	2.1	4.1	1.3	(2.00)	-49%	2.85	225%
Total assets	137,822	130,793	138,010	7,029	5%	(7,217)	-5%
Total debt	72,752	93,580	71,740	(20,828)	-22%	21,840	30%

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.

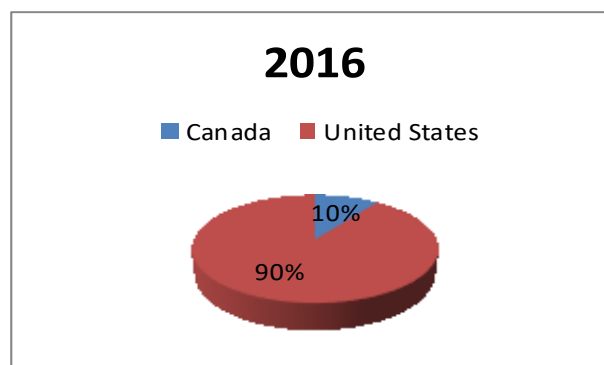
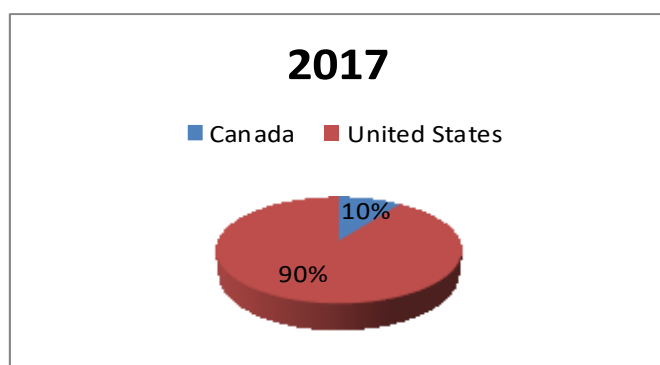
Due to the factors discussed below, revenue increased by 172% or \$126.3 million compared to the prior year. The Company posted record revenue of almost \$200.0 million, Adjusted EBITDA¹ of \$15.9 million and a net loss of \$8.0 million in 2017.

Section 7: Results of Operations for the Year Ended December 31, 2017**REVENUE**

The following table provides a breakdown of the Company's revenue by geography for the years ended December 31, 2017 and 2016:

(in thousands)

	2017	2016	\$ Change 2016 - 2017	% Change 2016 - 2017
Canada	19,464	7,303	12,161	167%
United States	180,150	65,983	114,167	173%
	199,614	73,286	126,328	172%

**Fiscal Year Ended December 31, 2017**

	Average Rig Count			Rig Count as of:		
	2017	2016	Change	December 31, 2017	December 31, 2016	Change
TERMINALS						
Alberta	144	86	58	118	122	-4
Oklahoma City, OK ⁽¹⁾	108	59	49	114	75	39
Pleasanton, TX ⁽¹⁾	66	38	28	59	44	15
Marshall, TX ⁽¹⁾	46	21	25	51	31	20
Midland, TX ⁽¹⁾	358	184	174	401	266	135
Pecos, TX ⁽¹⁾⁽²⁾	214	114	100	238	165	73
Williamsport, PA ⁽¹⁾	14	8	6	15	11	4
Williston, ND ⁽¹⁾	46	30	16	47	33	14
Martins Ferry, OH ⁽¹⁾	50	32	18	53	38	15
Casper, WY ⁽¹⁾	8	3	5	8	6	2
Pecos, TX ⁽¹⁾⁽²⁾ (common counties with Midland, TX)	-214	-114	-100	-238	-165	-73
	840	461	379	866	626	240

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

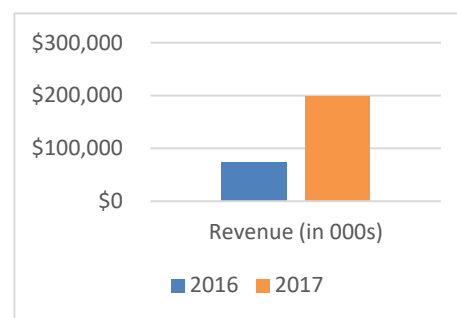
⁽²⁾ Pecos terminal shares 75% of its counties with Midland terminal; a separate line has been included to remove the common counties that overlap with Pecos and Midland.

Management's Discussion and Analysis

Aveda Transportation and Energy Services Inc. – Three months and year ended December 31, 2017

As the table above illustrates, in 2017 the Company benefited from average rig count increases in all the areas in which it operates. For the same reasons as outlined in the Revenue Section of the fourth quarter of 2017, total revenue increased by 172% from \$73.3 million in 2016 to almost \$200.0 million in 2017.

US revenue increased by \$114.1 million or 173% to \$180.2 million from \$66.0 million in the prior year and revenue in Canada increased by 167% to almost \$20.0 million.



For the year ended December 31, 2017, outsourced revenue was \$74.0 million compared to \$20.9 million in the prior year. Factors relating to this were discussed earlier in the MD&A.

The average utilization rate for 2017 was 45% (15% in 2016) for power units. Utilization rates do not include equipment that from the Hodges acquisition in 2015 that remained idle throughout the year.

EXPENSES

The following table sets forth total expenses by function and as a percentage of revenue for the years ended December 31, 2017 and 2016:

(in thousands)

	2017	2016	\$ Change 2016 - 2017	% Change 2016 - 2017
Direct operating	181,823	84,093	97,730	116%
Selling and administrative	18,421	14,581	3,840	26%
	200,244	98,674	101,570	103%

% of total revenue

	2017	2016
Direct operating	91%	115%
Selling and administrative	9%	20%
	100%	135%

Direct Operating Expenses

Due to similar factors as discussed in the fourth quarter operating results, direct operating expenses for the year ended December 31, 2017 increased by \$97.7 million from \$84.1 million in 2016 to \$181.8 million. Gross margin excluding depreciation and amortization¹ increased from 10% in 2016 to 17% in the current year period.

Selling and Administrative Expenses

Selling and administrative expenses in 2017 were higher by \$3.8 million compared to 2016. However, as a percentage of revenue, selling and administrative expenses declined to 9% as compared to 20% in 2016.

Note:

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

Management's Discussion and Analysis

Aveda Transportation and Energy Services Inc. – Three months and year ended December 31, 2017

FINANCE COSTS

The following table sets forth the Company's finance cost and foreign exchange gains and losses for the years ended December 31, 2017 and 2016:

(in thousands)

	2017	2016	\$ Change 2016 - 2017	% Change 2016 - 2017
Finance costs and interest expense	6,992	6,311	681	11%
Foreign exchange losses (gains)	224	(101)	325	-322%
	7,216	6,210	1,006	16%

Finance costs and interest expense for the year ended December 31, 2017 were higher due to increased fees and interest expense related to the Company's banking facility.

INCOME TAXES

The following table sets forth the Company's income tax expense for the years ended December 31, 2017 and 2016:

(in thousands)

	2017	2016	\$ Change 2016 - 2017	% Change 2016 - 2017
Current tax expense	151	228	(77)	-34%

Income tax expense relates entirely to the Company's operations in the United States.

NET LOSS

The following table sets forth the Company's net loss for the years ended December 31, 2017 and 2016:

	2017	2016	\$ Change 2016 - 2017	% Change 2016 - 2017
Net loss	(8,019)	(31,844)	23,825	-75%
Percentage of revenue	-4%	-43%		

The Company generated a net loss of \$8.0 million in 2017 compared to \$31.8 million in 2016. Accordingly, Aveda's loss per share for the year ended December 31, 2017 was \$0.15 compared to \$1.67 in the comparative period.

ADJUSTED EBITDA¹

The following table sets forth the Company's Adjusted EBITDA (loss)¹ for the years ended December 31, 2017 and 2016:

(in thousands)

	2017	2016	\$ Change 2016 - 2017	% Change 2016 - 2017
Adjusted EBITDA (loss) ¹	15,937	(6,940)	22,877	330%
Percentage of revenue	8%	-9%		

Aveda's Adjusted EBITDA¹ in 2017 was \$15.9 million compared to an Adjusted EBITDA loss¹ for the comparative period in 2016 of \$6.9 million 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.

Note:

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

Management's Discussion and Analysis

Aveda Transportation and Energy Services Inc. – Three months and year ended December 31, 2017

The following table provides a reconciliation of net income to Adjusted EBITDA for the year and three months ended December 31, 2017 and 2016:

(in thousands)	Year ended December 31, 2017	Year ended December 31, 2016	Three months ended December 31, 2017	Three months ended December 31, 2016
Net loss	(8,019)	(31,844)	(2,217)	(6,148)
Add (deduct):				
Finance costs and interest expense	6,992	6,311	1,760	1,997
Income tax expense (recovery)	151	228	(164)	218
Depreciation and amortization	15,980	18,471	4,073	4,688
Standardized EBITDA (loss)	15,104	(6,834)	3,452	755
Foreign exchange loss (gain)	224	(101)	25	(154)
Loss (gain) on disposal of assets	(23)	18	(7)	(8)
Stock based compensation expense (recovery)	587	(23)	52	7
Acquisition costs	45	-	45	-
Adjusted EBITDA (loss)	15,937	(6,940)	3,567	600

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, 2017 and 2016:

(in thousands)	Year ended December 31, 2017	Year ended December 31, 2016	Three months ended December 31, 2017	Three months ended December 31, 2016
Revenue	199,614	73,286	53,091	31,400
Less direct operating expenses	181,823	84,093	49,301	31,277
Gross profit (loss)	17,791	(10,807)	3,790	123
Addback depreciation and amortization included in direct operating expenses	15,668	18,080	3,993	4,573
Gross profit excluding depreciation and amortization	33,459	7,273	7,783	4,696

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)	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	53,091	53,502	52,059	40,962	31,400	20,955	8,920	12,011
Adjusted EBITDA (loss)	3,567	4,708	5,103	2,559	600	71	(3,745)	(3,865)
Adjusted EBITDA as a % of revenue	7%	9%	10%	6%	2%	0%	-42%	-32%
Adjusted EBITDA (loss) per share	0.06	0.08	0.09	0.07	0.03	0.00	(0.20)	(0.20)
Net loss	(2,217)	(1,105)	(1,285)	(3,412)	(6,148)	(5,645)	(9,758)	(10,293)
Net loss as a % of revenue	-4%	-2%	-2%	-8%	-20%	-27%	-109%	-86%
Loss per share - basic and diluted	(0.04)	(0.02)	(0.02)	(0.10)	(0.32)	(0.30)	(0.51)	(0.54)
Weighted average shares - basic and diluted	57,362	57,354	57,278	35,167	19,079	19,079	19,079	19,079

Section 10: Liquidity and Capital Resources

NET WORKING CAPITAL

The following table presents summarized working capital information as at December 31, 2017 and 2016:

(in thousands)	2017	2016	\$ Change	% Change
			2016 - 2017	2016 - 2017
Current assets	49,009	29,521	19,488	66.0%
Current liabilities	30,607	14,465	16,142	111.6%
Working capital	18,402	15,056	3,346	22.2%
Working capital ratio	1.6	2.0		

During the year ended December 31, 2017, the Company generated cash from operations of \$2.5 million and invested \$8.9 million (net of disposals) for the purchase and upgrading of equipment.

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 \$25.0 million. 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 smaller facility 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. As at December 31, 2017, undrawn availability (including suppressed availability) was \$61.6 million.

Management's Discussion and Analysis

Aveda Transportation and Energy Services Inc. – Three months and year ended December 31, 2017

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 (net proceeds of approximately \$21.0 million). The majority of this equity raise went to paying down Aveda's debt obligations.

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 is required to have available \$14.0 million of availability (including suppressed availability) on its bank facility as the financial covenants under the facility are waived if the availability is in excess of \$14.0 million. Had covenant tests not been waived, the Company would have complied with its financial covenants.

The Company's bank lines are based in part on the appraised value of the long-term assets. In prior quarters, the market environment put downward pressure on appraised values. However, the trend reversed with the most recent appraisals with asset values remaining stable compared to the prior valuations. The most recent appraisal was completed on November 17, 2017 by Gordon Brothers. The Company's assets were appraised to have a fair market value of \$113.8 million, an orderly liquidation value of \$95.7 million and a forced liquidation value of \$78.8 million. The appraisal does not include the Company's owned property in Mineral Wells, TX nor does it include the Company's office and computer equipment and leasehold improvements.

With the changes to its debt structure and the equity raised in 2017, the Company has sufficient liquidity to meet its obligations in 2018.

OPERATING ACTIVITIES

Aveda generated cash from operating activities of \$2.5 million in 2017, compared to a use of cash of \$20.9 million in 2016. The change in non-cash balances relating to operations in 2017 was a use of cash of \$5.1 million in the current year compared to \$8.1 million in the prior year.

INVESTING ACTIVITIES

Total expenditures for purchase and upgrading of assets was \$8.9 million net of disposals.

FINANCING ACTIVITIES

During the year ended December 31, 2017, the Company repaid \$14.8 million on its senior debt facility due to the cash generated by the placement of equity mentioned above.

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 57.4 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, 2017, 1.6 million options were outstanding with a weighted average exercise price of \$0.86 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, 2017, 0.4 million restricted share units ("RSUs") are outstanding and 0.3 million deferred share units are outstanding ("DSUs").

On February 22, 2017, the Company issued 0.9 million 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 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 60.6 million.

Section 11: 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, 2017, and have not been applied in preparing these consolidated financial statements.

IFRS 9 Financial Instruments

In July, 2014 the IASB issued the complete IFRS 9, Financial Instruments, ("IFRS 9 2014"). Under the new standard, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through OCI ("FVOCI") and fair value through profit and loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Further, IFRS 9 (2014) includes a new general hedge standard that is better aligned with companies' risk management, expands the scope of the hedging strategies, and introduces more judgment to assess the effectiveness of the hedge relationship. The amendments to IFRS 9 (2014) are effective for annual periods beginning or after January 1, 2018, and are available for early adoption.

The Company expects IFRS 9 will impact the Company's current policies and procedures regarding provisions on trade receivables. Trade receivables are recorded at its original invoice less any amounts estimated to be uncollectable. Under IFRS 9, the expected loss impairment model replaces the current incurred loss model and is based on forward looking approach which includes earlier recognition of losses. Given the short-term nature of these receivables, the Company does not anticipate these changes to have a material financial impact. IFRS 9 also contains a new model to be used for hedge accounting. The

Company does not currently apply hedge accounting.

IFRS 15 Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers, was issued on May 28, 2014. The Standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Standard replaces IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfer of Assets from Customers, and SIC 31, Revenue – Barter Transactions Involving Advertising Services. The new standard is effective for annual periods beginning on or after January 1, 2018. The Company has completed its assessment and determined that there is no material impact to the timing of recognition or measurement of revenue under IFRS 15. Additional disclosures will be required to meet the requirement of the new standard.

IFRS 16 Leases

IASB issued IFRS 16, Leases, in January 2016. The new standard replaces IAS 17, Leases. It is in effect for accounting periods beginning on or after January 1, 2019. Early adoption is permitted only if the Company has adopted IFRS 15, Revenue from Contracts with Customers. Under the new standard, more leases will come on-balance sheet for lessees, with the exception of leases with a term not greater than 12 months and "small value" leases. Lease accounting for lessors remains substantially the same as existing guidance. As at December 31, 2017, the Company has completed a scoping exercise to identify the potential number and types of contracts that may contain leases within the Company and does not anticipate early adoption of this standard. In 2018, the Company will complete an assessment to document the potential impacts of IFRS 16 on its consolidated financial statements.

The Company's initial assessments on the IFRS 9 and IFRS 16 are based on work completed to date and may be subject to change as the assessments continue.

Section 12: 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

Management's Discussion and Analysis

Aveda Transportation and Energy Services Inc. – Three months and year ended December 31, 2017

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 assessment of impairment indicators. 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.

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 13: 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.

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.

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.

Management's Discussion and Analysis

Aveda Transportation and Energy Services Inc. – Three months and year ended December 31, 2017

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.

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.

Management's Discussion and Analysis

Aveda Transportation and Energy Services Inc. – Three months and year ended December 31, 2017

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

Management's Discussion and Analysis

Aveda Transportation and Energy Services Inc. – Three months and year ended December 31, 2017

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 14: 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.

Relative to 2017, both oil and natural gas prices have rebounded and rig counts in both Canada and the United States have risen in the first quarter of 2018. Based both on general market enthusiasm with respect to commodity prices and discussions with Aveda's customers, management expects 2018 to be an even stronger year in terms of drilling activity. Preliminary results for the first quarter of 2018 indicate that the Company expects to report revenue of \$59.0 million to \$60.5 million, Adjusted EBITDA¹ of \$4.4 million to \$4.6 million and a net loss of \$0.5 million to \$1.0 million. During the first quarter of 2017, the Company generated revenue of \$40.1 million, Adjusted EBITDA¹ of \$2.6 million and a net loss of \$3.4 million. Using the first quarter of 2018 versus 2017 as a proxy, the Company expects activity levels to be robust. Accordingly, the Company is planning to invest \$12.0 million in its capital program in 2018, with approximately \$4.0 to \$5.0 million allocated towards maintenance capital and the remainder towards purchasing and reengineering hoisting and revenue producing equipment.

Based on the information above, Aveda expects to see continued improvements in revenue, Adjusted EBITDA and net income results in 2018.

Section 15: 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 Note:

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

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 16: Subsequent Event

On March 14, 2018, the Company entered into a letter of intent ("LOI") with Daseke, Inc. ("Daseke") whereby Daseke proposed to acquire all of the Common Shares of the Company (the "Transaction") for \$0.90 per share plus contingent consideration (if any) should certain EBITDA levels be met post

Management's Discussion and Analysis

Aveda Transportation and Energy Services Inc. – Three months and year ended December 31, 2017

Transaction. The Company expects to enter into a formal Arrangement Agreement with Daseke for the Transaction. Should the Transaction be completed, it would be subject to customary shareholder and regulatory approvals, none of which had been obtained at the time these financial statements were approved.