ZEDCOR ENERGY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2019 AND 2018

Dated April 7, 2020

The following management's discussion and analysis ("MD&A") provides an overview of the events and transactions that have affected the performance of Zedcor Energy Inc. (formerly Canadian Equipment Rentals Corp.) (the "Company" or "our" or "we") for the three and twelve month periods ended December 31, 2019 when compared to the three and twelve month periods ended December 31, 2018. The MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto of Zedcor Energy Inc. for the years ended December 31, 2019 and 2018. These consolidated financial statements are available on the Company's website at www.zedcor.ca as well as on SEDAR at www.sedar.com.

This MD&A is management's assessment of Zedcor Energy Inc's operations and financial results, as well as management's view of future prospects. These assessments and views are based on certain assumptions related to future events which are uncertain. Statements related to assessments and views which are not statements of historical fact are considered to be forward-looking statements. For a discussion on the risks and uncertainties related to such information please refer to "Forward-Looking Statements" below.

This MD&A has been prepared by management and reviewed and approved by the Board of Directors of Zedcor Energy Inc. as of April 7, 2020.

OVERVIEW AND CORPORATE PROFILE

Zedcor Energy Inc. is a Canadian public corporation and is currently the parent company to Zedcor Energy Services Corp. ("Zedcor"). Zedcor is engaged in the rental of surface equipment and accommodations, and providing security and surveillance services in Western Canada. The Company trades on the TSX Venture Exchange under the symbol "ZDC". In 2019, the Company operated with two business segments: Energy Services and Security and Surveillance.

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

EXECUTIVE SUMMARY:

Selected Financial Information

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

(in $000s)	Three months ended December 31 2019	Three months ended December 31 2018	Twelve months ended December 31 2019	Twelve months ended December 31 2018
Revenue	3,384	4,824	16,962	17,452
Net loss	(3,930)	(15,176)	(8,035)	(20,160)
Adjusted EBITDA[1,2]	1,303	1,402	6,834	4,650
Adjusted EBIT[1,2]	(718)	(964)	(1,705)	(3,150)
Net loss per share				
Basic	($0.07)	($0.29)	($0.15)	($0.39)
Diluted	($0.07)	($0.29)	($0.15)	($0.39)

[1] *Adjusted for severances, impairment of goodwill and property and equipment, and stock based compensation.*
[2] *See Financial Measures Reconciliations below*

- Revenues for the quarter ended December 31, 2019 decreased by $1,440 or 30% from $4,824 to $3,384 compared to the similar quarter in 2018. This decrease is due to the substantial decline in drilling activity in the second half of 2019 compared to the second half of 2018.
- Net loss from continuing operations for the quarter ended December 31, 2019 decreased by $11,246 from a loss of $15,176 to a loss of $3,930 compared to the similar quarter in 2018. This decrease is the result of a $7,228 derecognition of the deferred tax asset and a $5,746 impairment of goodwill related to the Energy Services segment that were recognized in the last quarter of 2018 compared to only a $2,252 impairment of property and equipment related to the Energy Services segment that was recognized in the last quarter of 2019.
- Adjusted EBITDA for the quarter ended December 31, 2019 was $1,303, a decrease of $99 from the quarter ended December 31, 2018. This decrease is a result of the decrease in revenue and margin from the Energy Services segment in the last quarter.
- For the year ended December 31, 2019, revenue decreased by $490 or 3% from $17,452 to $16,962 compared to the year ended December 31, 2018. However, Adjusted EBITDA increased by $2,184 or 47% from $4,650 to $6,834. Of this increase, $1,887 is related to the impact of IFRS 16, the balance is a result of the EBITDA generated from the Security and Surveillance segment, along with a decrease in general and administrative costs. The decrease in general and administrative costs for the twelve months ended December 31, 2019 compared to the twelve months ended December 31, 2018 is due to a continued focus on cost reductions and operational efficiencies.
- Net loss from continuing operations decreased by $12,125 for the year ended December 31, 2019 compared to the year ended December 31, 2018. This decrease is due to a $7,228 derecognition of deferred tax assets and a goodwill impairment of $5,746 related to the Energy Services segment that were recognized in the last quarter of 2018 and a $2,252 impairment of property and equipment that was recognized in the last quarter of 2019.
- During 2019, the Company sold underutilized assets, with the proceeds of $2,270 being used to reduce debt.
- On March 25, 2019, the Company renewed the Loan and Security Agreement in the amount of $14,314 for an additional 12 months with the option to renew for an additional 12 months at the satisfaction of the lender. See Liquidity and Capital Resources section.

- On September 26, 2019, the Company signed an amending agreement to the $13,500 credit facility by extending the non-revolving term loan facility, reducing the equipment finance term loan facility and amending covenants. See Liquidity and Capital Resources section.
- On December 11, 2019, the Company signed a second amending agreement to the $13,500 credit facility extending the non-revolving term loan facility and further amending covenants. See Liquidity and Capital Resources section.
- On December 31, 2019, the Company renewed the Loan and Security Agreement in the amount of $12,471 for an additional 15 months with an option to renew for an additional 12 months at the satisfaction of the lender. See Liquidity and Capital Resources section.

SELECTED QUARTERLY FINANCIAL INFORMATION

(Unaudited – in $000s)	Dec 31 2019	Sept 30 2019	June 30 2019	March 31 2019	Dec 31 2018	Sept 30 2018	June 30 2018	Mar 31 2018
Revenue	3,384	3,865	3,750	5,963	4,824	3,992	3,408	5,228
Net loss from operations	(3,930)	(1,617)	(1,805)	(683)	(15,176)	(1,608)	(2,760)	(616)
Adjusted EBITDA[1]	1,303	1,509	1,264	2,758	1,402	1,112	365	1,771
Adjusted EBITDA per share - basic[1]	0.02	0.03	0.02	0.05	0.03	0.02	0.01	0.03
Net loss per share from operations								
Basic	(0.07)	(0.03)	(0.03)	(0.01)	(0.29)	(0.03)	(0.05)	(0.01)
Diluted	(0.07)	(0.03)	(0.03)	(0.01)	(0.29)	(0.03)	(0.05)	(0.01)
Adjusted free cash flow[1]	1,240	(264)	2,450	695	(219)	120	1,114	(324)

[1] *See Financial Measures Reconciliations below*

OPERATING SEGMENT REVIEW

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

Energy Services Segment

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

ENERGY SERVICES SEGMENT RESULTS

	Three months ended December 31			Twelve months ended December 31		
(in $000s)	**2019**	**2018**	**% change**	**2019**	**2018**	**% change**
Revenue	2,303	3,310	-30%	11,612	13,865	-16%
Direct costs and depreciation of operating assets *	1,908	2,518	-24%	8,786	10,402	-16%
Margin	395	792	-50%	2,826	3,463	-18%
Margin %	17%	24%		24%	25%	

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

Operational Review
Q4 2019 vs Q4 2018

The fourth quarter of 2019 saw an increase in the price of Western Canadian Select from the historically low pricing in the fourth quarter of 2018, however drilling activity in the fourth quarter of 2019 decreased significantly from the fourth quarter of 2018. The number of active rigs in Western Canada dropped by over 50% during the third and fourth quarter of 2019 when compared to the same periods in 2018 and as a result the Company's utilization decreased.

During the year ended December 31, 2019, the Energy Services segment sold under-utilized assets with a net book value of $3,537 for proceeds of $2,270. The proceeds were used to reduce debt.

For the quarter ended December 31, 2019, revenues decreased by $1,007 or 30% compared to the similar period in 2018. Gross margin decreased by $397 compared to the three months ended December 31, 2018. The decrease in both revenue and gross margin is a result of the substantial decrease in drilling activity for the fourth quarter of 2019.

For the year ended December 31, 2019, revenue decreased by $2,253 or 16% compared to the year ended December 31, 2018, as a result of the decline in drilling activity in both the third and fourth quarter of 2019. Gross margin decreased by $637 for the year ended December 31, 2019 when compared to the year ended December 31, 2018, once again as a direct result of the above mentioned decline in drilling activity.

Security and Surveillance Segment

The Security and Surveillance segment began operations in 2018 subsequent to a contract signed with a Canadian based pipeline company to provide exclusive security and surveillance services for a pipeline replacement project. With a growing fleet of hybrid solar light towers equipped with high resolution security cameras monitored by a central command center, the Security & Surveillance segment is providing services to the following industries: pipeline (upstream and transmission) energy (facilities and oilfield construction) and construction (industrial and commercial).

SECURITY AND SURVEILLANCE SEGMENT RESULTS

	Three months ended December 31			Twelve months ended December 31		
(in $000s)	**2019**	**2018**	**% change**	**2019**	**2018**	**% change**
Revenue	1,081	1,514	-29%	5,350	3,587	49%
Direct costs and depreciation of operating assets *	681	986	-31%	3,399	2,486	37%
Margin	400	528	-24%	1,951	1,101	77%
Margin %	37%	35%		36%	31%	

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

Operational Review
Q4 2019 vs Q4 2018

In the third quarter of 2018, the Company signed a Security Services Contract with a Canadian based pipeline company to provide exclusive surveillance and security services for a pipeline replacement project. The project began in the fall of 2018 and will be completed in the first quarter of 2020.

The Security and Surveillance segment continues to expand as it moves into alternative industry segments including industrial facilities and commercial construction. As a result of this growth, during

2019 an additional fifteen solar hybrid light towers were equipped with high resolution security cameras in order to increase the size of the security fleet and meet demand.

Revenue for the quarter ended December 31, 2019, decreased by $433 when compared to the fourth quarter of 2018. This decline is a result of the pipeline replacement project beginning to wrap up in the fourth quarter of 2019. Gross margin for the fourth quarter of 2019 decreased by $128 over the fourth quarter of 2018, again due to the decreased activity on the pipeline replacement project. However with the expansion of the Security and Surveillance divisions customer base and leveraging operational efficiencies, gross margin as a percentage of sales increased from 35% to 37% in the fourth quarter of 2019 when compared to the fourth quarter of 2018.

For the year ended December 31, 2019, revenue increased by $1,763, or 49% compared to the year ended December 31, 2018. This increase is a result of both the activity on the pipeline replacement project and expansion of the segments customer base. As a result, gross margin for the year ended December 31, 2019 increased $850 or 77% from the year ended December 31, 2018.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

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

At December 31, 2019, the Company performed an impairment test for property and equipment on the Energy Services CGU. The Company determined the recoverable amount on the basis of value in use ("VIU"). The VIU was determined by discounting the future cash flows to be generated from the operations of the cash generating unit, using a 5-year model, a post-tax discount rate of 15% (pre-tax discount rate of 20%) and a terminal value growth of 2.0%. Budgeted EBITDA margins for the CGUs were forecasted using historical margins and taking into consideration external and internal factors present at the reporting date. EBITDA is a non-IFRS measure which is defined as earnings before interest, taxes, depreciation and amortization.

Revenue, EBITDA and cash flow projection assumptions were based on a combination of past results, current corporate structure and expectations of future growth at the balance sheet date. Impairment losses reduce the carrying amount of property, plant and equipment in the CGU.

As a result of the impairment test performed, it was determined the carrying value of the Energy Services CGU exceeded its estimated recoverable amount. Accordingly, the Company has recorded property and equipment impairment of $2,252 for the year ended December 31, 2019. For the year ended December 31, 2018, the Company recorded a goodwill impairment of $5,746 for the Energy Services CGU. A 5% change in the revenue forecast would result in a $1,217 change in VIU. A 3% change in the EBTIDA margin would result in a $796 change in VIU. A 0.5% change in the discount rate would result in a $555 change in VIU.

OTHER EXPENSES

	Three months ended Dec. 31			Twelve months ended Dec. 31		
(in $000s)	**2019**	**2018**	**% change**	**2019**	**2018**	**% change**
General and administrative	845	1,540	-45%	3,474	5,919	-41%
Depreciation of administrative assets	34	32	6%	130	128	2%
Loss on sale of equipment	401	735	-45%	1,267	1,329	-5%
Amortization of intangible assets	—	165	-100%	440	660	-33%
Impairment of goodwill	—	5,746	-100%	—	5,746	-100%
Impairment of property and equipment	2,252	—	100%	2,252	—	100%
Finance costs	954	1,005	-5%	4,050	3,711	9%

For the three months ended December 31, 2019, total general and administrative expenses were $845, a decrease of 45% when compared to the last three months of 2018. A portion of the decrease is a result of IFRS 16 which introduced a single, on-statement of financial position accounting model for lessees as of January 1, 2019 (see Accounting Policy Changes section). The impact of IFRS 16 on general and administrative expenses in the fourth quarter of 2019 was a $473 reduction of rent expense. A further decrease to general and administrative costs of $222 was due to improved efficiencies and cost reductions. For the twelve months ended December 31, 2019, total general and administrative expenses decreased by $2,447, when compared to the year ended December 31, 2018. The positive impact of IFRS 16 on general and administrative expenses for the year ended December 31, 2019 was $1,887. The additional decrease of $560 for the year ended December 31, 2019 was a result of the improved efficiencies and cost reductions implemented throughout 2019.

SUBSEQUENT EVENTS

On January 10, 2020, the Company issued the lender an additional 112,565 share purchase warrants. Each warrant entitles the lender to acquire one common share in the Company at an exercise price of $0.145 per warrant. The warrants expire on January 25, 2023. The Company also entered into a Warrant Amendment Agreement which extended the expiry dated of the previously issued warrants January to 25, 2023.

Subsequent to year end, the shares pledged under the shareholder guarantee dropped below the minimum trade value requirement. The Company is currently in discussions with its lender on a resolution and management is of the view that a resolution will be reached. However, if a resolution is not obtained the lender has the right to demand repayment of all amounts under the facility, thus the company is reliant on the continued support of its lenders.

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy, commodity prices, and the financial effect on our business is not known at this time. These circumstances could result in an impact on our liquidity position, impairments in the value of our long-lived assets, or potential future decreases in revenue or the profitability of our ongoing operations.

OUTLOOK

The oilfield service industry was impacted by low activity levels across the Western Canadian Sedimentary Basin in 2019. This decline in activity levels was due to an uncertain economic and regulatory environment, fluctuating commodity prices, constrained takeaway capacity and the resulting decrease of capital budgets for Western Canadian customers. Uncertainty remains in the 2020 outlook due to significant fluctuations in commodity prices, declining drilling activity and the economic impact of the COViD-19 global pandemic, therefore the industry, along with Zedcor, continues to take a measured approach to spending.

The Company anticipates that demand for rental equipment which supports drilling and completions activity in the Western Canadian Sedimentary Basin ("WCSB") will decline during the first half of 2020 and possibly into the third and fourth quarter of 2020. This decline is largely due to the impact of the COVID-19 global pandemic and the volatility in the oil and gas sector, including the oil price war between Russia and Saudi Arabia. As a result, the Company continues to focus on maintaining strong relationships with existing customers and cost reductions.

Despite the challenging operating environment, the Company continues to execute on its long-term strategy of growing its Security and Surveillance division by diversifying through different product lines, geographies and customers. Utilization of the Company's fleet of solar hybrid light towers with high resolution cameras increased significantly in 2019 and the growth trajectory is expected to continue throughout 2020. As market interest and demand for the security and surveillance services

offerings continues to increase, the Company remains focused on successful expansion through a growing fleet, while maintaining strong operational performance.

The Company is committed to generating strong free cash flow from operations in order to further reduce debt and strengthen the statement of financial position. In conjunction, Zedcor continues to strive to improve its operational and financial performance through efficiencies and cost reductions in its operations while creating shareholder value for the long term.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

The following table shows a summary of the Company's cash flows by source or (use) for the year ended December 31, 2019 and 2018:

	Twelve months ended December 31		
(in $000s)	**2019**	**2018**	**change**
Cash flow from operating activities	4,200	126	4,074
Cash flow from (used in) investing activities	188	(4,961)	5,149
Cash flow (used in) from financing activities	(4,379)	3,163	(7,542)

The following table presents a summary of working capital information:

	Twelve months ended December 31			
(in $000s)	**2019**	**2018**	**change**	**% change**
Current assets	3,406	4,617	(1,211)	-26%
Current liabilities *	4,889	18,930	(14,041)	-85%
Working capital	(1,483)	(14,313)	12,830	865%
Working capital ratio **	3.57	2.40	1.17	-49%

**Includes $2.7 million of debt in 2019 and $16.7 million of debt in 2018*

*** Bank working capital ratio is defined as current assets divided by current liabilities, excluding the current portion of debt and finance lease receivable/liabilities.*

The primary uses of funds are operations expenses, maintenance and growth capital spending, and interest and principal payments on debt facilities. In general, the Company funds its operations and distributions with cash flow generated from operations, while growth capital and acquisitions are typically funded by issuing new equity or debt.

Cash used in investing activities is primarily for additions to property and equipment. During 2019, the Company curtailed capital expenditures to projects only where replacement or improvements of the asset was required or to projects which would generate an acceptable return within an acceptable time period.

For the year ending December 31, 2019, the Company was in compliance with all financial covenants pertaining to its bank debt. However, due to the current volatility in the oil and gas sector and the economic instability caused by the COVID-19 global pandemic the shares pledged under the shareholder guarantee for the Company's Term Debt have dropped below the minimum trade value requirement (see Note 7). The Company is currently in the process of negotiating covenant relief. No agreement is in place as of the date of the financial statements and therefore, there can be no assurance that such agreement will be reached. The Company does, however, expect that the negotiation process will be successful and suitable terms for covenant relief will be achieved. However, if a resolution is not obtained the lender has the right to demand repayment of all amounts under the facility. Any event of default under the Term Debt triggers an event of default under the inter creditor agreement with the Loan and Security agreement.

In addition, given the significant decline in oil prices subsequent to December 31, 2019 and the economic uncertainty due to the COVID-19 pandemic there is uncertainty as to whether the Company will remain in compliance with its debt covenants during 2020.

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

Principal Credit Facility

	Interest rate	Final maturity	Facility maximum	Outstanding as at December 31, 2019	Outstanding as at December 31, 2018
Loan and security facility	12.75%	2021	12,471	12,094	14,162
Operating loan facility	7.25%	revolving	3,000	878	690
Term loan facility	7.25%	2021	2,500	2,500	2,500
Equipment term loan facility	6.10-6.35%	2024	4,788	3,973	5,185
				19,445	22,537
Current portion				(2,736)	(16,749)
Long term debt				16,709	5,788

Loan and security facility:

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

On April 21, 2017, the Company issued the lender 3,651,501 share purchase warrants. Each warrant entitled the lender to acquire one common share in the Company at an exercise price of $0.25 per warrant. The warrants had an expiry date of July 21, 2019. The warrants fair value of $300 was recorded as a transaction cost of the loan and is being expensed over the term of the loan.

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

On September 28, 2018, the Company renewed the Loan and Security agreement in the amount of $15.9 million for an additional six months with an option to renew for an additional six months at the satisfaction of the lender. The renewed Loan and Security agreement bears interest at 12.75% and is serviced by six months of interest only payments, followed by six months of interest only payments in the event that it is renewed. The Company also entered into a Warrant Amendment Agreement which

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

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

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

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

On December 31, 2019, the Company renewed the Loan and Security agreement in the amount of $12.5 million for an additional 15 months with an option to renewal for an additional 12 months at the satisfaction of the lender. The renewed Loan and Security agreement bears interest at 12.75% as is serviced by 12 months of interest only payments. All covenants and collateral remain the same.

On January 10, 2020, the Company issued the lender an additional 112,565 share purchase warrants. Each warrant entitles the lender to acquire one common share in the Company at an exercise price of $0.145 per warrant. The warrants expire on January 25, 2023. The Company also entered into a Warrant Amendment Agreement which extended the expiry dated of the previously issued warrants to January 25, 2023.

Operating loan, term loan and equipment term loan facility:

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

On March 28, 2018, the Company signed a $13.5 million credit facility, comprised of a $3 million operating loan facility, which replaces the $1 million operating loan facility, a $2.5 million non-revolving term loan facility, which was used to pay out the guarantee from the Loan and Security agreement, and an $8 million equipment finance term loan facility. The operating loan facility is payable on demand by the lender, bears interest at a rate of prime plus 3.3% and is secured by the Company's accounts receivable. The term facility matures in two years, bears interest at a rate of prime plus 3.3% and is secured by a shareholder guarantee. The shareholder guarantee bears interest at a rate of 5.0% per annum and is paid monthly through the issuance of shares. The equipment finance loan is amortized over 36 to 60 months, bears interest at a rate of 6.1% to 6.35% and is repayable in equal monthly installments of principal and interest over the term. The equipment finance loan will be used to finance 75% of the cost of new equipment purchased. The credit facility requires that the Company's current ratio does not fall below 1.50:1.00, the debt service coverage ratio does not fall below 1.25:1.00 and the share value of the shares pledged under the shareholder guarantee not be less than 1.25 times the value of the outstanding term facility.

On September 26, 2019, the Company signed an amending agreement to the $13.5 million credit facility. The amending agreement extended the $2.5 million non-revolving term loan facility to March 15, 2021. The $8 million equipment finance term loan facility was reduced to $4.8 million. The debt service coverage ratio was amended to 1.05:1:00 for the quarter ending March 31, 2020 and 1.10:1.00

for the quarter ending June 30, 2020. The shares pledged under the shareholder guarantee was revised from the 1.25 times the values of the outstanding term facility to a minimum trade value.

On December 11, 2019, the Company signed a second amending agreement to the $13.5 million credit facility. The second amending agreement extended the $2.5 million non-revolving term loan facility to August 16, 2021. The debt service coverage ratio was amended to 1.00:1.00 for the period beginning December 31, 2019 and ending December 31, 2020.

As at December 31, 2019, the Company's current ratio, as defined to exclude the current portion of debt, was 1.82:1.00, the debt service coverage ratio, calculated in accordance with IAS 17 per agreement with lender, was 1.15:1.00 and the value of the shares pledged under the shareholder guarantee was greater than minimum trade value requirement.

Subsequent to year end, the shares pledged under the shareholder guarantee dropped below the minimum trade value requirement. The Company is currently in discussions with its lender on a resolution and management is of the view that a resolution will be reached. However, if a resolution is not obtained the lender has the right to demand repayment of all amounts under the facility, thus the company is reliant on the continued support of its lenders.

Commitments and obligations

The following table shows the undiscounted contractual maturities of the Company's financial liabilities and finance lease obligations as at December 31, 2019:

(in $000s)	1 Year	2-3 years	4-5 years	Thereafter	Total	Carrying value
Accounts payable and accrued liabilities	911	—	—	—	911	911
Current debt	2,736	—	—	—	2,739	19,445
Long-term debt	—	17,086	—	—	17,086	16,709
Note payable	—	3,281	—	—	3,281	2,979
Finance lease liabilities	1,934	3,179	2,185	2,275	9,573	10,695
Total	5,581	23,546	2,185	2,275	33,587	34,030

OUTSTANDING SECURITIES

At April 7, 2020, the Company had the following securities outstanding:

- 54,607,801 common shares issued and outstanding.
- 4,400,000 preferred shares issued and outstanding.
- 3,500,000 options are outstanding and exercisable at prices ranging from $0.25 per share to $0.50 per share.

RELATED PARTY TRANSACTIONS

On February 2, 2016 the Company issued a vendor take back note as part of an acquisition. During 2017, the holder of the vendor take back note was elected as a director of the Company. As at December 31, 2019, the note payable had a carrying value of $2,979.

On April 27, 2017, a director of the Company provided a $2,500 guarantee for the Loan and Security Agreement the Company entered into on April 21, 2017. The Company paid interest of 3.0% per annum, through the issuance of shares on the value of the guarantee that remained outstanding. On March 28, 2018, the shareholder guarantee was released from the Loan and Security Agreement and

secured against the term loan. The Company pays interest of 5.0% per annum, through the issuance of shares on the value of the guarantee that remains outstanding. As at December 31, 2019 the amount outstanding on the guarantee is $2,500.

During the year ended December 31, 2019, the Company paid rent for two buildings of $372 (2018 - $310) to a company owned by a director of the Company.

During the year ended December 31, 2019, the Company paid $212 (2018 - $141) in wages to close family members of directors and executive officers.

These related party transactions are in the normal course of business and have been recorded at the exchange amount. At December 31, 2019 the amount due from related parties that was unpaid was $2 (2018 - NIL).

OFF BALANCE SHEET ARRANGEMENTS

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

FINANCIAL MEASURES RECONCILIATIONS

Zedcor Energy Inc. uses certain measures in this MD&A which do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS"). These measures which are derived from information reported in the consolidated statements of loss and comprehensive loss may not be comparable to similar measures presented by other reporting issuers. These measures have been described and presented in this MD&A in order to provide shareholders and potential investors with additional information regarding the Company.

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

EBITDA and Adjusted EBITDA

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

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

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

	Three months ended December 31		**Twelve months ended December 31**	
(in $000s)	**2019**	**2018**	**2019**	**2018**
Net loss from continuing operations	(3,930)	(15,176)	(8,035)	(20,160)
Add:				
Finance costs	954	1,005	4,050	3,711
Depreciation	1,621	1,466	6,832	5,811
Amortization of intangibles	—	165	440	660
Income taxes (recovery)	(18)	7,201	(74)	7,158

EBITDA	(1,373)	(5,339)	3,213	(2,820)
Add:				
Stock based compensation	23	15	87	52
Loss on disposal of property and equipment	400	735	1,267	1,329
Impairment of goodwill	—	5,746	—	5,746
Impairment of property and equipment	2,252	—	2,252	—
Severance costs	1	245	15	343
Adjusted EBITDA	1,303	1,402	6,834	4,650

Included in Adjusted EBITDA for the three and twelve months ended December 31, 2019 is a positive $473 and $1,887 impact respectively from the adoption of IFRS 16 accounting standard.

Adjusted EBIT

Adjusted EBIT refers to earnings before interest and finance charges, stock based compensation, income taxes, impairment of goodwill and property and equipment, and severance costs.

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

	Three months ended December 31		**Twelve months ended December 31**	
(in $000s)	**2019**	**2018**	**2019**	**2018**
Net loss from continuing operations	(3,930)	(15,176)	(8,035)	(20,160)
Add:				
Finance costs	954	1,005	4,050	3,711
Stock based compensation	23	15	87	52
Impairment of goodwill	—	5,746	—	5,746
Impairment of property and equipment	2,252	—	2,252	—
Income taxes (recovery)	(18)	7,201	(74)	7,158
Severance costs	1	245	15	343
Adjusted EBIT	(718)	(964)	(1,705)	(3,150)

Included in Adjusted EBIT for the three and twelve months ended December 31, 2019 is a positive $138 and $532 impact respectively from the adoption of IFRS 16 accounting standard.

Adjusted free cash flow

Adjusted free cash flow is defined by management as net income (loss) plus non-cash expenses, plus or minus the net change in non-cash working capital, plus severance costs, less maintenance capital. Maintenance capital is also a non-IFRS term. Management defines maintenance capital as the amount of capital expenditure required to keep its operating assets functioning at the same level of efficiency and to maintain the average age of the rental fleet at approximately the same average age as it was at the end of the previous year. Management believes that adjusted free cash flow reflects the cash generated from the ongoing operation of the business. Adjusted free cash flow is a non-IFRS measure generally used as an indicator of funds available for re-investment and/or debt payment. There is no standardized method of determining free cash flow, adjusted free cash flow or maintenance capital prescribed under IFRS and therefore the Company's method of calculating these amounts is unlikely to be comparable to similar terms presented by other issuers.

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

	Three months ended December 31		**Twelve months ended December 31**	
(in $000s)	**2019**	**2018**	**2019**	**2018**

Net loss from continuing operations	(3,930)	(15,176)	(8,035)	(20,160)
Add non-cash expenses:				
Depreciation	1,621	1,466	6,832	5,811
Amortization of intangibles	—	165	440	660
Loss on sale of equipment	400	735	1,267	1,329
Impairment of goodwill	—	5,746	—	5,746
Impairment of property and equipment	2,252	—	2,252	—
Stock based compensation	23	15	87	52
Finance costs (non-cash portion)	103	145	444	519
Deferred taxes	—	7,228	—	7,228
	469	324	3,287	1,185
Add non-recurring expenses:				
Severance	1	245	15	343
	470	569	3,302	1,528
Change in non-cash working capital from operations	743	(788)	786	(829)
Maintenance capital	27	—	33	(7)
Adjusted Free Cash Flow	1,240	(219)	4,121	692

Included in Adjusted Free Cash Flow for the three and twelve months ended December 31, 2019 is a positive $309 and $1,265 impact respectively from the adoption of IFRS 16 accounting standard.

Selected Annual Information

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

			Twelve months ended December 31
(in $000s)	**2019**	**2018**	**2017**
Revenue	16,962	17,452	14,636
Net loss	(8,035)	(20,160)	(8,369)
Net loss			
Basic	($0.15)	($0.39)	($0.17)
Diluted	($0.15)	($0.39)	($0.17)
Total Assets	42,225	44,132	60,136
Total Long Term Liabilities	29,141	9,033	3,209

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this MD&A constitute forward-looking statements or forward-looking information, including management's belief that improvement in demand should begin to drive improvements in equipment rental rates and that the expanded market reach and customer base will lead to more diversity in the Company's revenue stream and increase utilization. Forward-looking statements or information may contain statements with the words "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "budget", "should", "project", "would have realized', "may have been" or similar words suggesting future outcomes or expectations. Although the Company believes that the expectations implied in such forward-looking statements or information are reasonable, undue reliance should not be placed on these forward-looking statements because the Company can give no assurance that such statements will prove to be correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of assumptions about the future and uncertainties. These assumptions include that

the Company's cost cutting measures that have been implemented will protect future margins and that the Company's lean operations will protect against profound down swings in the economic environment. Although management believes these assumptions are reasonable, there can be no assurance that they will be proved to be correct, and actual results will differ materially from those anticipated. For this purpose, any statements herein that are not statements of historical fact may be deemed to be forward-looking statements. The forward-looking statements or information contained in this MD&A are made as of the date hereof and the Company assumes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new contrary information, future events or any other reason, unless it is required by any applicable securities laws. The forward-looking statements or information contained in this MD&A are expressly qualified by this cautionary statement.

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

ACCOUNTING POLICY CHANGES

The Company adopted IFRS 16 in its financial statements beginning on January 1, 2019. IFRS 16 introduced a single, on-statement of financial position accounting model for lessees. As a result, the Company, as a lessee, has recognized right of use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated, it is presented as previously reported under IAS 17 Leases and related interpretations. The details of the changes in accounting policies are disclosed in the consolidated financial statements for the year ended December 31, 2019 and 2018.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical Accounting Estimates

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

The Corporation estimates the collectability of accounts receivable, including unbilled accounts receivable related to current period service revenue. An analysis of historical bad debts, client creditworthiness, the age of accounts receivable and current economic trends and conditions are used to evaluate the adequacy of the allowance for doubtful accounts and the collectability of receivables. Significant estimates must be made and used in connection with establishing the allowance for doubtful accounts in any accounting period. Material differences may result if management made different judgments or utilized different estimates.

Tax interpretations, regulations, and legislation, in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty.

Deferred taxes are assessed by Management at the end of the reporting period to determine the likelihood that they may be realized from future taxable earnings.

Significant Management Judgments

The Corporation is required to make a judgment regarding the need for impairment testing at each reporting date by evaluating conditions specific to the organization that may lead to the impairment of assets. The Company's assets are segregated into cash-generating-units ("CGU") based on their ability to generate largely independent cashflows and used for impairment testing. The determination of the Company's cash-generating-units is subject to Management's judgment. The going concern assessment, the related disclosures of liquidity and the ability to find a resolution to the shares pledged under the shareholder guarantee for the Company's term debt dropping below the minimum trade value requirement value was a matter of significant judgement.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2019, the Company's financial instruments consisted of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, note payable, and current and long term debt. The carrying values of these financial instruments approximate their fair values as at December 31, 2019 and 2018, due to their short-term maturities.

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

Credit risk:

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

The Company is exposed to credit risk with respect to accounts receivable as it has a concentration of customers involved in the oil and gas industry. The Company's accounts receivable represent balances owing by a number of unrelated companies with no significant exposure to any individual customer, other than one large pipeline company with an accounts receivable balance in excess of 18% of the year end receivable balance. Management believes that the Company's credit risk with respect to accounts receivable is limited due to the Company's broad customer base and management's conservative credit policy. Historically credit losses have not been material.

Interest rate risk:

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

At December 31, 2019, a 1% change in interest rates on the floating rate debt would result in an increase or decrease in annual net income before income taxes of $34.

Currency risk:

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

The Company purchases equipment, parts and supplies from foreign suppliers that are denominated in United States dollars. At December 31, 2019 accounts payable and accrued liabilities did not include any material amounts denominated in foreign currencies. Management does not believe that its foreign currency risk would result in a material loss due to the short term nature of the foreign currency denominated payables and does not employ derivative instruments to manage foreign currency risk.

BUSINESS RISKS AND UNCERTAINTIES

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

Impact of Economic Cycle and Commodity Prices

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

Disease Outbreaks and Pandemics

The Company could be adversely affected by the effects of health epidemics, including the global COVID-19 pandemic. In December 2019, a novel strain of COVID-19 was reported in China. Since then, the COVID-19 has spread globally, to include Canada, the United States and several European countries. The spread of COVID-19 from China to other countries has resulted in the World Health Organization (WHO) declaring the outbreak of COVID-19 as a "pandemic," or a worldwide spread of a new disease, on March 11, 2020. Many countries around the world, including Canada, have imposed quarantines and restrictions on travel and mass gatherings to slow the spread of the virus, and have closed non-essential businesses. As local jurisdictions continue to put restrictions in place, our ability to continue to operate effectively may also be limited. Such events may result in a period of business disruption, and in reduced operations, any of which could materially affect our customers' businesses, our suppliers, and our business, financial condition and results of operations.

The spread of COVID-19, which has caused a broad impact globally, may materially affect us economically. While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing our ability to access capital, and increased volatility in crude prices which could in the future negatively affect our liquidity, operational results and the valuation of our long-lived assets.

Competition

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

No Long Term Rental Contracts

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

Dependence on Major Customers

The Company generates approximately 68% of its revenue from its top ten customers, and there can be no assurance that the current customers will continue their relationships with the Company. The loss of one or more major customers, or any significant decrease in services provided to a customer,

prices paid or any other changes to the terms of service with customers, could have a material adverse effect on the financial results, cash flows, and the overall financial condition of the Company.

Reliance upon Management

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

Dependence on Suppliers

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

Safety

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

Economic and Political Conditions

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

Capital Markets

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

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

Future Capital Requirements

The Company may require additional financing in order to grow and expand its operations. It is possible that required future financing will not be available or, if available, will not be available on favourable terms. If the Company issues common shares or other securities, including convertible securities, to finance its operations or expansion plans, shareholders may suffer dilution of their investment. If adequate funds are not available, or are not available on acceptable terms, the Company

may not be able to take advantage of opportunities, or otherwise optimally respond to competitive pressures.

Access to Credit Markets

Due to the nature of the Company's business it is necessary from time to time for the Company to access other sources of capital beyond its internally generated cash flow in order to fund the development and acquisition of its long term asset base. As part of this strategy, the Company obtains some of the necessary capital by incurring debt and therefore the Company is dependent to a certain extent on continued availability of the credit markets. The continued availability of the credit markets for the Company is primarily dependent on the state of the economy and the health of the banking industry in North America and abroad. There is risk that if the global economy and banking industry experience unexpected and/or prolonged deterioration, then the Company's access to credit markets may contract or disappear altogether. The Company tries to mitigate this risk by dealing with reputable lenders and tries to structure its lending agreements to give it the most flexibility possible should these situations arise. However, the situations that may give rise to credit markets tightening or disappearing are beyond the Company's control.

The Company is also dependent to a certain extent on continued access to equity capital markets. The Company is listed on the TSXV and maintains an active investor relations program. Continued access to capital is dependent on the Company's ability to continue to perform at a level that meets market expectations.

Successfully Managing its Growth

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

Adequacy of Insurance Coverage

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

Volatility of Market Price

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

Uncertain Operating Conditions

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

economic conditions. Variability of results can be caused by any one or any combination of these factors.

Operations are Geographically Concentrated and Susceptible to Local Economies, Regulations and Seasonal Fluctuations

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

Potential Replacement of or Reduced Use of Products and Services

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

Environmental Requirements

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

Conflicts of Interest

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

Climate Change Regulations

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

Technology Risk

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

Dilution

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

Litigation

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

Breach of Confidentiality

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

Impact of Future Financings on Market Price

In order to finance future operations or acquisitions opportunities, the Company may raise funds through the issuance of common shares or the issuance of debt instruments or securities convertible into common shares. The Company cannot predict the size of future issuances of common shares or the issuance of debt instruments or other securities convertible into common shares or the effect, if any, that future issuances and sales of the Company's securities will have on the market price of the common shares.

Credit Facility Risk

The Company is required to comply with the covenants and other terms and conditions of the Second Amended and Restated Term Loan Agreement and with the terms and conditions of the Amended and Restated Loan Agreement. A breach by the Corporation of its obligations under either of the foregoing agreements or any circumstances reducing the funds available to the Company thereunder, could result in the requirement to repay a portion or all of the Company's indebtedness thereunder.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures in order to help ensure the reliability of its financial reports, including those imposed on it under Canadian securities laws, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting.

Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and harm the trading price of the Common Shares.

Information Technology Systems and Cyber-Security

The Company relies heavily on information technology, such as computer hardware and software systems, in order to properly operate its business. In the event the Company is unable to regularly deploy software and hardware, effectively upgrade systems and network infrastructure, and take other steps to maintain or improve the efficiency and efficacy of systems, the operation of such systems could be interrupted or result in the loss, corruption, or release of data, compromise confidential customer or employee information, result in the disruption of business, theft or extortion of funds, regulatory infractions, loss of competitive advantage and reputational damage. In addition, information systems could be damaged or interrupted by natural disasters, force majeure events, telecommunications failures, power loss, acts of war or terrorism, computer viruses, malicious code, physical or electronic security breaches, intentional or inadvertent user misuse or error, or similar events or disruptions. Any of these or other events could cause interruptions, delays, loss of critical and/or sensitive data or similar effects, which could have a material adverse impact on the protection of intellectual property, and confidential and proprietary information, and on the Company's business, financial condition, results of operations and cash flows.

In the ordinary course of business, the Company collects, uses and stores sensitive data, including intellectual property, proprietary business information and personal information of the Company's employees and third parties. Despite the Company's security measures, its information systems, technology and infrastructure may be vulnerable to attacks by hackers and/or cyberterrorists or breaches due to employee error, malfeasance or other disruptions. Any such breach could compromise information used or stored on the Company's systems and/or networks and, as a result, the information could be accessed, publicly disclosed, lost or stolen.

To date the Company has not experienced any material losses relating to cyber-attacks or other information security breaches. However, there can be no assurance that the Company will not incur such losses in the future. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties or other negative consequences, including disruption to the Company's operations and damage to its reputation, which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. Although the Company maintains a risk management program, which includes an insurance component that may provide coverage for the operational impacts from an attack to, or breach of, the Company's information technology and infrastructure, including process control systems, the Company does not maintain stand-alone cyber insurance. Furthermore, not all cyber risks are insurable. As a result, the Company's existing insurance may not provide adequate coverage for losses stemming from a cyber-attack to, or breach of, its information technology and infrastructure.

Forward-Looking Statements may Prove Inaccurate

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

ADDITIONAL INFORMATION

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