ZEDCOR ENERGY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

Dated August 13, 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. (the "Company" or "our" or "we") for the three and six months ended June 30, 2020 when compared to the three and six months ended June 30, 2019. The MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto of Zedcor Energy Inc. for the years ended December 31, 2019 and 2018 and the condensed consolidated interim financial statements for the three and six months ended June 30, 2020 and 2019. These consolidated financial statements are available on the Company's website at www.zedcor.ca as well as on SEDAR at www.sedar.com.

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

This MD&A has been prepared by management and reviewed and approved by the Board of Directors of Zedcor Energy Inc. as of August 13, 2020.

OVERVIEW AND CORPORATE PROFILE

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

With a fleet of hybrid solar light towers equipped with high resolution, technology based security cameras and equipment monitored by a central command center, the Security & Surveillance segment provides remote surveillance, live monitoring and security personnel to customers involved in pipeline construction, civil & municipal construction, oil & gas exploration and emergency response. The Rentals segment provides surface equipment rentals, temporary accommodation rentals, and power generation rentals to customers involved in oil & gas exploration, construction, and emergency response. The Company operates as Zedcor Energy Services Corp. from its main facility in Leduc, Alberta, with sales office in Calgary, Alberta and operating yards in Grande Prairie, Alberta, and Fort St. John, British Columbia.

EXECUTIVE SUMMARY:

Selected Financial Highlights

	Three months ended June 30		Six months ended June 30	
(in $000s)	**2020**	**2019**	**2020**	**2019**
Revenue	2,412	3,750	7,127	9,713
Adjusted EBITDA[1,2]	901	1,264	2,967	4,022
Adjusted EBIT[1,2]	(353)	(808)	202	(415)
Net loss from operations	(1,135)	(1,805)	(1,422)	(2,488)
Net loss per share from operations				
Basic	(0.02)	(0.03)	(0.03)	(0.05)
Diluted	(0.02)	(0.03)	(0.03)	(0.05)

1 *Adjusted for severance costs*
2 *See Financial Measures Reconciliations below*

Zedcor recorded $901 of adjusted EBITDA for the three months ended June 30, 2020 and $2,967 of adjusted EBITDA for the six months ended June 30, 2020. This compares to adjusted EBITDA of $1,264 and $4,022 for the three and six months ended June 30, 2019. The S&S segment saw increased revenues and margins compared to 2019 but activity was hampered by COVID-19 and wet weather during Q2 2020 which slowed construction activity. Oil prices and demand for services were lower due to global oversupply and reduced energy consumption as a result of public health measures taken to limit the spread of the novel coronavirus ("COVID-19") resulting in minimal drilling and completions activity across Western Canada. This had a negative impact on the Company's Rentals segment revenues and margins. The Company qualified for the Canada Emergency Wage Subsidy ("CEWS") program as enacted on April 11, 2020, by the federal Government of Canada which helped the Company's results for the three and six months ended June 30, 2020. The Company recognized $354 of CEWS in the EBITDA amounts for 2020.

Zedcor is actively managing risks related to the volatility in the oil and gas sector by continuing to diversify its revenues and market its fleet of assets to other industries. This is in addition to the Company's focus on expanding its S&S segment. Financial and operational highlights for the three and six months ended June 30, 2020 include:

- Continued successful execution on a strategy to diversify away from its traditional oilfield rentals business towards a technology based, security & surveillance company. For the three months ended June 30, 2020, the S&S segment generated $1,441 or 60% of total revenues.
- Fully retrofitted fleet of solar hybrid light towers to security towers. As at June 30, 2020, the Company had 130 solar hybrid light towers in its fleet. The Company also purchased and deployed four additional fully electric security towers to expand the fleet to eight.

IN THOUSANDS OF CANADIAN DOLLARS

- Focus on efficiency and cost savings. For the three months ended June 30, 2020, general and administrative costs were down 26% to $653 compared to the three months ended June 30, 2019. $113 of the $232 reduction in general and administrative costs was a result of the CEWS. For the six months ended June 30, 2020 general and administrative costs were down 14% to $1,550 from $1,797.

- Direct operating costs for the three and six months ended June 30, 2020 were lower as a percentage of revenues:

	Three months ended June 30			Six months ended June 30		
	2020	2019	% change	2020	2019	% change
Direct operating costs as a percentage of revenues	37%	43%	(14%)	38%	41%	(7%)

  Direct operating costs were lower as a result of continued focus on cost reductions, revenue mix driven towards less labour intensive work, and the CEWS which reduced direct operating costs by $241 during the period.

- Selling under-utilized Rental segment assets for proceeds of $1,051, for the six months ended June 30, 2020, which resulted in a gain of $309. The proceeds were used to pay down debt and invest in S&S segment assets.

- Loss before income taxes was $1,159 and $1,465 for the three and six months ended June 30, 2020 compared to $1,824 and $2,526 for the three and six months ended June 30, 2019. The decrease was a result of controlling direct operating expenses, general and administrative expenses, lower financing costs, selling assets for a gain compared to a loss in the same period last year and the CEWS which reduced the loss.

- Reducing debt and finance lease liabilities by $2,489 in the first half of the year. The Company exited Q2 2020 with $17,399 outstanding on its credit facilities compared to $19,445 as at December 31, 2019 and $20,694 as at June 30, 2019.

SELECTED QUARTERLY FINANCIAL INFORMATION

(Unaudited – in $000s)	June 30 2020	March 31 2020	Dec 31 2019	Sept 30 2019	Jun 30 2019	Mar 31 2019	Dec 31 2018	Sept 30 2018
Revenue	2,412	4,716	3,384	3,865	3,750	5,963	4,824	3,992
Net loss from continuing operations	(1,135)	(287)	(3,930)	(1,617)	(1,805)	(683)	(15,176)	(1,608)
Adjusted EBITDA[1]	901	2,066	1,303	1,509	1,264	2,758	1,402	1,112
Adjusted EBITDA per share - basic[1]	0.02	0.04	0.02	0.03	0.02	0.05	0.03	0.02
Net loss per share from continuing operations								
Basic	(0.02)	(0.005)	(0.07)	(0.03)	(0.03)	(0.01)	(0.29)	(0.03)
Diluted	(0.02)	(0.005)	(0.07)	(0.03)	(0.03)	(0.01)	(0.29)	(0.03)
Adjusted free cash flow[1]	2,098	903	1,240	(264)	2,431	676	(219)	120

[1] *See Financial Measures Reconciliations below*

OPERATING SEGMENT REVIEW

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

Security & Surveillance Segment

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

SECURITY AND SURVEILLANCE SEGMENT RESULTS

	Three months ended June 30			Six months ended June 30		
(in $000s)	**2020**	**2019**	**% change**	**2020**	**2019**	**% change**
Revenue	1,441	1,184	22%	2,870	2,981	(4%)
Direct costs	307	696	(56%)	910	1,537	(41%)
Depreciation of operating assets*	335	184	82%	582	366	59%
Gross Margin	799	304	163%	1,378	1,078	28%
Margin %	55%	26%		48%	36%	

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

IN THOUSANDS OF CANADIAN DOLLARS

Operational Review
Q2 2020 vs Q2 2019

S&S segment revenue is driven by utilization of its security tower fleet, service revenue related to on site security personnel and fixed camera installation and monitoring. The following table summarizes utilization of the security tower fleet for the three and six months ended June 30, 2020.

	Three months ended June 30, 2020			Three months ended June 30, 2019		
	Average available fleet size	Average number of units utilized	Utilization %	Average available fleet size	Average number of units utilized	Utilization %
Solar hybrid security towers	105	71	68%	70	36	51%
Electric security towers	7	7	97%	—	—	—

The company generated $164 and $578 in on-site security personnel and remote monitoring revenue for the three and six months ended June 30, 2020 compared to $744 and $1,582 for the three and six months ended June 30, 2019. In the first quarter of 2018, the Company signed a security services contract with a Canadian based pipeline company to provide exclusive security and surveillance services for a pipeline replacement project. The project wrapped up in the first part of Q1 2020 which resulted in decreased on-site personnel revenues.

The decrease in personnel revenue was offset by a larger fleet of security towers which saw 68% utilization in Q2 2020. Utilization of the solar hybrid security tower fleet was 68% for the three months ended June 30, 2020 compared to 51% in the same period last year. This utilization was lower than the first quarter of the year as Q2 2020 saw projects being delayed due to COVID-19 and a wet spring.

The S&S segment continues to expand as it moves into alternative industry segments including industrial facilities and commercial construction. As a result of this growth, the remaining fleet of solar hybrid light towers was equipped with high resolution security cameras in order to increase the size of the security and surveillance fleet and meet demand.

Overall, revenue for the three months ended June 30, 2020 increased by $257, or 22%, and margin increased $495, or 163%, as a result of revenues being derived from security tower utilization instead of on-site security personnel. 89% of the S&S segment revenue was derived from security tower utilization for the three months ended June 30, 2020 compared to 51% in the same period last year.

Rentals Segment

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

RENTALS SEGMENT RESULTS

	Three months ended June 30			Six months ended June 30		
(in $000s)	**2020**	**2019**	**% change**	**2020**	**2019**	**% change**
Revenue	**971**	**2,566**	**(62%)**	**4,257**	**6,732**	**(37%)**
Direct costs	**577**	**908**	**(36%)**	**1,777**	**2,375**	**(25%)**
Depreciation of operating assets*	**821**	**1,197**	**(31%)**	**1,758**	**2,455**	**(28%)**
Margin	(427)	461	(193%)	722	1,902	(62%)
Margin %	(44%)	18%		17%	28%	

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

Operational Review

Q2 2020 vs Q2 2019

Utilization of rentals assets decreased sharply for the three months ended June 30, 2020:

	Three months ended June 30, 2020		Three months ended June 30, 2019	
	Average available fleet size	**Utilization %**	**Average available fleet size**	**Utilization %**
Accommodation rentals	205	17%	244	44%
Fluid storage tank rentals	217	26%	219	45%
Mat rentals	440	18%	440	58%
Generator rentals	40	20%	47	41%
Light tower rentals	102	9%	234	29%

Revenues for the Rentals Segment dropped from $2,566 to $971 for the three months ended June 30, 2020. April 2020 saw higher utilization in comparison to May and June 2020. Clients completed drilling wells in the first few weeks of the quarter but Canadian drilling activity largely stopped after that due to decreased commodity prices and reduced economic activity as a result of the COVID-19 pandemic. While Q2 is historically slow due to the annual Spring Breakup, Q2 2020 was one of the slowest periods on record for drilling rig activity in the Western Canadian Sedimentary Basin ("WCSB"). According to the Baker Hughes North American Rig Count report, there was an average of 11 drilling operating during Q2 2020 in the WCSB. This compares to 33 rigs operating during Q2 2019, a drop of 22 drilling rigs or 67%. Completions activity was also slower in Q2 2020 compared to Q2 2019.

The Company focused on cost control during Q2 in order to generate positive cash flow from this segment. Direct costs as a percentage of revenues dropped 14% from 43% in the three months ended June 30, 2019, to 37% for the three months ended June 30, 2020. In addition, the Company qualified for the Canada Emergency Wage Subsidy which allowed employees to be retained and maintain positive cash flow.

OTHER EXPENSES

	Three months ended June 30			Six months ended June 30		
(in $000s)	**2020**	**2019**	**% change**	**2020**	**2019**	**% change**
General and administrative	653	885	(26%)	1,550	1,797	(36%)
Depreciation of administrative assets	29	31	(6%)	61	59	3%
Amortization of intangible assets	—	165	(100%)	—	330	(100%)
Finance costs	782	1,016	(23%)	1,601	2,107	(24%)

For the three months ended June 30, 2020, total general and administrative expenses decreased 26% compared to the same quarter in 2019. This decrease to general and administrative costs of $232 was due to headcount reductions in sales and operations staff, improved efficiencies, focus on cost reductions, and the CEWS which reduced general and administrative costs by $113 for the three and six months ended June 30, 2020. Finance costs decreased by 23% for the quarter ended June 30, 2020 due to lower total borrowings on the Credit Facilities.

OUTLOOK

The public health containment measures in place to limit the spread of COVID-19 have significantly reduced economic activity and reduced global oil demand, pressuring oil prices to historical lows. While containment measures were being eased across the world, there was increased infections which is causing uncertainty on the pace of the economic recovery. The pandemic is an unprecedented situation whose ultimate duration and magnitude are currently unknown.

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

While oil prices have stabilized and activity has slightly increased in Western Canada, the Company anticipates that demand for rental equipment which supports drilling and completions activity in the WCSB will stay at historical lows during the second half of 2020. While we are seeing increased demand for rental equipment and rental rates have stabilized, we are not forecasting significant growth for this segment. The outlook remains uncertain and customers are very reactionary as commodity prices change. Most customers are not providing external guidance on activity which makes it difficult to predict utilization of the rental equipment fleet. As a result, the Company continues to focus on maintaining strong relationships with existing customers and cost reductions for this segment.

By focusing on cost efficiencies and providing value added services to customers, Zedcor is committed to generating strong free cash flow from operations in order to further reduce debt and strengthen the financial position of the Company. The Company plans to pursue low capital intensive growth projects by utilizing existing infrastructure, where possible. This includes expanding the number of remote surveillance sites that can be serviced by our monitoring center in Leduc. Where the opportunity arises, the Company will strengthen the balance sheet by selling underutilized assets.

SEASONALITY OF OPERATIONS

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

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 six months ended June 30, 2020 and 2019:

	Six months ended June 30			
(in $000s)	**2020**	**2019**	**$ Change**	**% Change**
Cash flow from operating activities	3,177	3,274	(97)	(3%)
Cash flow used by investing activities	(118)	(640)	522	82%
Cash flow used by financing activities	(2,489)	(2,484)	(5)	0%

The following table presents a summary of working capital information:

	Six months ended June 30			
(in $000s)	**2020**	**2019**	**$ Change**	**% Change**
Current assets	3,126	3,664	(538)	(15%)
Current liabilities *	19,248	20,272	(1,024)	(5%)
Working capital	(16,122)	(16,608)	486	3%
Bank working capital ratio **	2.35	3.01	(0.66)	(22%)

**Includes $16.6 million of debt in 2020 and $17.8 million of debt in 2019*

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

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

IN THOUSANDS OF CANADIAN DOLLARS

Principal Credit Facility

	Interest rate	Final maturity	Facility maximum	Outstanding as at June 30, 2020	Outstanding as at December 31, 2019
Loan and Security Facility	12.75%	2021	14,300	11,406	12,094
Operating Loan Facility	Prime + 5.00%	revolving	3,000	—	878
Term Loan Facility	Prime + 5.00%	2021	2,550	2,549	2,500
Equipment Term Loan Facility	6.10% to 6.35%	2020 to 2023	8,000	3,444	3,973
				17,399	19,445
Current portion				(13,507)	(2,736)
Long term debt				3,892	16,709

Loan and Security Facility:

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

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

Operating Loan, Term Loan and Equipment Term Loan Facilities:

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

- $3.0 million Operating Loan Facility which is payable on demand by the lender, bears interest at a rate of Prime plus 3.3% and is secured by the Company's accounts receivable.

- $2.5 million term loan which matures on August 16, 2021, bears interest at a rate of Prime plus 3.3%, is secured by a shareholder guarantee and a pledge of shares owned by a shareholder.

- $8.0 million equipment finance term loan which is amortized over 36 to 60 months, bears interest at a rate of 6.10% to 6.35% and is repayable in equal monthly installments of principal and interest over the term and is secured by certain assets of the Company.

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

During the first quarter of the year, the value of the shares pledged under the shareholder guarantee were below the minimum trade value requirements. During the three months ended June 30, 2020, the lender acknowledged this and will not call the Credit Facilities. As a result of the shares dropping below the minimum trade value requirements, the interest rate on the Operating Loan Facility and Term Loan Facility were increased from Prime plus 3.3% to Prime plus 5.0%. Subsequent to this, the value of the shares exceeded the minimum trade value.

As at June 30, 2020, the Company's current ratio, as defined to exclude the current portion of debt, was 2.35:1.00; the debt service coverage ratio, calculated in accordance with IAS 17 per agreement with lender, was 1.17:1.00. The value of the shares pledged under the shareholder guarantee were above the minimum trade value requirements and the Company was in compliance with all of its covenants with its lenders.

Due to the volatility in the markets as a result of the COVID-19 pandemic, the Company is reliant on the continued support of its lenders. In addition, given the given the unprecedented nature and the uncertainty of the duration of the COVID-19 pandemic there is uncertainty as to whether the Company will remain in compliance with its debt covenants during the next 12 months.

CREDIT RISK

The Company extends credit to customers, primarily comprised of oil and gas exploration companies and construction companies, in the normal course of its operations. Historically, bad debt expenses have been limited to specific customer circumstances. However, the sudden and severe decline in oil prices may result in higher collection risk on trade receivables. The Company has reviewed its outstanding accounts receivable as at June 30, 2020 and believes the expected loss provision is sufficient.

Commitments and obligations

The following table shows the undiscounted contractual maturities of the Company's financial liabilities and finance and operating lease obligations as at June 30, 2020:

(in $000s)	1 Year	2-3 years	4-5 years	Thereafter	Total	Carrying value
Accounts payable and accrued liabilities	1,263	—	—	—	1,263	1,263
Current debt	13,751	—	—	—	13,751	13,507
Long-term debt	—	3,658	234	—	3,892	3,892
Note payable	3,208	—	—	—	3,208	3,116
Finance lease liabilities	2,098	3,896	3,684	3,381	13,059	10,515
Total						32,293

OUTSTANDING SECURITIES

At August 13, 2020, the Company had the following securities outstanding:

- 55,216,388 common shares issued and outstanding.
- 4,400,000 preferred shares issued and outstanding.
- 3,840,000 options are outstanding and exercisable at prices ranging from $0.15 per share to $0.25 per share.

RELATED PARTY TRANSACTIONS

As at June 30, 2020, the Company owed $3,116 for a Note Payable to a corporation controlled by a director of the Company (December 31, 2019 - $2,979).

The Company had the following related party transactions for the six months ended June 30, 2020:

- $152 in rent paid for two buildings to corporations owned by a director of the Company (June 30, 2019 - $192).
- $61 paid through the issuance of shares to a director of the Company for a personal guarantee provided on the Long Term Debt (June 30, 2019 - $61).
- $80 in wages paid to close family members of an executive officer (June 30, 2019 - $111).
- $4 in promotional products purchased from a company owned by a close family member of an executive officer (June 30, 2019 - $nil).

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

OFF BALANCE SHEET ARRANGEMENTS

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

BUSINESS RISKS AND UNCERTAINTIES

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

ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these condensed consolidated financial statements are the same as those set out in the annual audited consolidated financial statements for the year ended December 31, 2019, unless otherwise noted.

During the six month period ending June 30, 2020, the Company adopted the following accounting policy as a result of qualifying for the Canada Emergency Wage Subsidy ("CEWS") program as enacted on April 11, 2020, by the federal Government of Canada. This standard was in effect for the year ended December 31, 2019 but was not applicable to the Company at that time.

Government Subsidies

Government subsidies are recognized when there is reasonable assurance that the subsidy will be received and that the Company will comply with all relevant conditions. Government subsidies related to current expenses are recorded as a reduction of the related expenses. During the six month period ended June 30, 2020, the Company qualified for the CEWS program and recognized $241 as a reduction to direct operating costs (six months ended June 30, 2019 - $nil) and $113 as a reduction to general and administrative expenses (six months ended June 30, 2019 - $nil).

In addition, in response to the COVID-19 pandemic, the International Accounting Standards Board has issued amendments to International Financial Reporting Standard ("IFRS") 16 – Leases. This amendment introduces a practical expedient which allows lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain other conditions. The Company has applied this guidance to rent concessions received during the period ended June 30, 2020.

FINANCIAL MEASURES RECONCILIATIONS

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

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

EBITDA and Adjusted EBITDA

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

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

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

(in $000s)	Three months ended June 30 2020	2019	Six months ended June 30 2020	2019
Net loss	(1,135)	(1,805)	(1,422)	(2,488)
Add:				
Finance costs	782	1,016	1,601	2,107
Depreciation of property & equipment	1,185	1,394	2,401	2,847
Depreciation of right of use assets	330	340	667	680
Amortization of intangibles	—	165	—	330
Income tax recovery	(24)	(19)	(43)	(38)
EBITDA	1,138	1,091	3,204	3,438
Add:				
Stock based compensation	8	21	17	47
Severance costs	24	—	66	4
(Gain) loss on sale of equipment	(269)	152	(320)	533
Adjusted EBITDA	901	1,264	2,967	4,022

Adjusted EBIT

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

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

(in $000s)	Three months ended June 30 2020	2019	Six months ended June 30 2020	2019
Net loss	(1,135)	(1,805)	(1,422)	(2,488)
Add:				
Finance costs	782	1,016	1,601	2,107
Income tax recovery	(24)	(19)	(43)	(38)
Severance costs	24	—	66	4
Adjusted EBIT	(353)	(808)	202	(415)

Adjusted free cash flow

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

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

	Three months ended June 30		Six months ended June 30	
(in $000s)	**2020**	**2019**	**2020**	**2019**
Net loss	(1,135)	(1,805)	(1,422)	(2,488)
Add non-cash expenses:				
Depreciation of property & equipment	1,185	1,394	2,401	2,847
Depreciation of right of use assets	330	340	667	680
Amortization of intangibles	—	165	—	330
(Gain) loss on sale of equipment	(269)	152	(320)	533
Stock based compensation	8	21	17	47
Finance costs (non-cash portion)	151	97	281	243
Current taxes	(24)	(19)	(43)	(38)
	246	345	1,581	2,154
Add non-recurring expenses:				
Severance	24	—	66	4
	270	345	1,647	2,158
Change in non-cash working capital	1,841	2,086	1,405	949
Maintenance capital	(13)	—	(51)	—
Adjusted Free Cash Flow	2,098	2,431	3,001	3,107

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this MD&A constitute forward-looking statements or forward-looking information, including management's belief that streamlining rental assets with newer equipment will drive improvements in equipment rental rates and utilization, and that the expanded market reach and customer base will lead to more diversity in the Company's revenue stream and increase utilization. Forward-looking statements or information may contain statements with the words "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "budget", "should", "project", "would have realized', "may have been" or similar words suggesting future outcomes or expectations. Although the Company believes that the expectations implied in such forward-looking statements or information are reasonable, undue reliance should not be placed on these forward-looking statements because the Company can give no assurance that such statements will prove to be correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of assumptions about the future and uncertainties. These assumptions include that the Company's new solar hybrid light tower and related security and surveillance service offerings will lead to more diversity in revenue streams and protect against future down swings in the economic environment. Although management believes these assumptions are reasonable, there can be no assurance that they will prove to be correct, and actual results will differ materially from those anticipated. For this purpose, any statements herein that are not statements of historical fact may be deemed to be forward-looking statements. The forward-looking statements or information contained in this MD&A are made as of the date hereof and the Company assumes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new contrary information, future events or any other reason, unless it is required by any applicable securities laws. The forward-looking statements or information contained in this MD&A are expressly qualified by this cautionary statement.

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

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.