ZEDCOR ENERGY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

Dated August 28, 2019

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") formerly Canadian Equipment Rentals Corp. for the three and six months ended June 30, 2019 when compared to the three and six months ended June 30, 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, 2018 and 2017 and the condensed consolidated interim financial statements for the three and six months ended June 30, 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 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 28, 2019.

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". Zedcor operates 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 Highlights

	Three months ended June 30		Six months ended June 30	
(in $000s)	**2019**	**2018**	**2019**	**2018**
Revenue	3,750	3,408	9,713	8,636
Adjusted EBITDA[1,2]	1,264	365	4,022	2,137
Adjusted EBIT[1,2]	(808)	(1,772)	(415)	(1,567)
Net loss from operations	(1,805)	(2,760)	(2,488)	(3,376)
Net loss per share from operations				
Basic	(0.03)	(0.05)	(0.05)	(0.07)
Diluted	(0.03)	(0.05)	(0.05)	(0.07)

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

- Revenue for the quarter ended June 30, 2019 increased by $342 or 9% from $3.4 million to $3.8 million compared to the same quarter in 2018. This increase was due to the revenue generated from the Security and Surveillance segment.
- Adjusted EBITDA for the quarter ended June 30, 2019 was $1,264, an increase of $899 from the quarter ended June 30, 2018. This increase is a result of the increase in revenue, along with a decrease in general and administrative costs. General and administrative costs decreased by $679, or 77%, in the second quarter of 2019 when compared to the second quarter of 2018. This decrease is largely due to the impact of IFRS 16, which resulted in a decrease in rent expense of $469 in the second quarter of 2019, along with a focus on cost reduction.
- During the quarter ended June 30, 2019, the Company sold underutilized assets with a net book value of $550 for proceeds of $398. The proceeds were used to pay down debt.
- Net loss from operations decreased by $955 for the quarter ended June 30, 2019 when compared to the quarter ended June 30, 2018. The decrease in net loss is a result of to the increase in revenue and decrease in general and administrative costs. Included in net loss from operations is a negative $46 impact from the adoption of the new IFRS 16 accounting standard.
- 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 the 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)	June 30 2019	March 31 2019	Dec 31 2018	Sept 30 2018	Jun 30 2018	Mar 31 2018	Dec 31 2017	Sept 30 2017
Revenue	3,750	5,963	4,824	3,992	3,408	5,228	4,306	3,539
Net loss from continuing operations	(1,805)	(683)	(15,176)	(1,608)	(2,760)	(616)	(2,618)	(1,254)
Net income (loss) from discontinued operation	—	—	—	—	—	—	—	211
Adjusted EBITDA[1]	1,264	2,758	1,402	1,112	365	1,772	1,417	1,287
Adjusted EBITDA per share - basic[1]	0.02	0.05	0.03	0.02	0.01	0.03	0.03	0.03
Net loss per share from continuing operations								
Basic	(0.03)	(0.01)	(0.29)	(0.03)	(0.05)	(0.01)	(0.05)	(0.02)
Diluted	(0.03)	(0.01)	(0.29)	(0.03)	(0.05)	(0.01)	(0.05)	(0.02)
Net income (loss) per share from discontinued operation								
Basic	—	—	—	—	—	—	—	0.00
Diluted	—	—	—	—	—	—	—	0.00
Adjusted free cash flow[1]	2,450	695	(280)	120	1,099	(327)	351	(348)

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 June 30			Six months ended June 30		
(in $000s)	**2019**	**2018**	**% change**	**2019**	**2018**	**% change**
Revenue	**2,566**	**2,664**	**-4%**	**6,732**	**7,315**	**-9%**
Direct costs and depreciation of operating assets*	**2,105**	**2,441**	**-16%**	**4,830**	**5,501**	**-14%**
Margin	461	223	52%	1,902	1,814	5%
Margin %	18%	8%		28%	25%	

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

Operational Review
Q2 2019 vs Q2 2018

Commodity prices in the oil and gas sector in Western Canada in the second quarter of 2019 remained similar to pricing in the second quarter of 2018, however drilling activity declined significantly over the same period. As a result rental rates remained similar in the second quarter of 2019 as the second quarter of 2018. However, utilization rates only decreased marginally due to the Company's strong customer base.

For the quarter ending June 30, 2019 revenue was $2.6 million, a decrease of $98 when compared to the same quarter in 2018. Gross margin increased by $238 compared to the quarter ended June 30, 2018. The decrease in revenue is a direct result of the decrease in drilling activity. The increase in gross margin is due to a continued focus on streamlining costs and improving operational efficiencies, along with the transition to IFRS, which had a positive impact of $42 on gross margin in the second quarter of 2019. As a result gross margin as a percent of revenue increased from 8% to 18% for the three months ended June 30, 2019.

Security and Surveillance Segment

The Security and Surveillance segment began operations in 2018 on the heels of 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 energy industry, along with the construction and pipeline industry.

SECURITY AND SURVEILLANCE SEGMENT RESULTS

	Three months ended June 30			Six months ended June 30		
(in $000s)	**2019**	**2018**	**% change**	**2019**	**2018**	**% change**
Revenue	**1,184**	**744**	**37%**	**2,981**	**1,321**	**56%**
Direct costs and depreciation of operating assets*	**880**	**535**	**39%**	**1,903**	**933**	**51%**
Margin	304	209	31%	1,078	388	64%
Margin %	26%	28%		36%	29%	

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

Operational Review
Q2 2019 vs Q2 2018

In the third 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 began in the fall of 2018 and will continue into the fall of 2019.

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

Revenue for the quarter ended June 30, 2019 increased by $440, or 37%, due to increased activity on the pipeline replacement project and expansion of the segments customer base. As a result gross margin increased 31% from $209 for the quarter ended June 30, 2018 to $304 for the quarter ended June 30, 2019.

OTHER EXPENSES

	Three months ended June 30			Six months ended June 30		
(in $000s)	**2019**	**2018**	**% change**	**2019**	**2018**	**% change**
General and administrative	885	1,564	-77%	1,797	2,943	-64%
Depreciation of administrative assets	31	32	-3%	59	64	-8%
Amortization of intangible assets	165	165	-%	330	330	-%
Finance costs	1,016	926	9%	2,107	1,762	16%

For the three months ended June 30, 2019, total general and administrative expenses decreased 77% compared to the same quarter in 2018. This decrease is largely due to 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 second quarter of 2019 was a $469 reduction of rent expense. A further decrease to general and administrative costs of $211 was due to improved efficiencies and cost reductions. Finance costs increased by 9% for the quarter ended June 30, 2019 when compared to the quarter ended June 30, 2018, due to the $175 impact from IFRS 16.

OUTLOOK

Following a difficult three month period ending December 31, 2018, there has been a substantial improvement in commodity prices in Canada in the first six months of 2019. The differential between West Texas Intermediate and Western Canadian Select narrowed in the first half of 2019 primarily due to the Alberta government's mandated curtailment of crude oil production in the province. However, drilling and completions activity in the Western Canadian Sedimentary Basin ("WCSB") decreased in the first six months of 2019 when compared to 2018. Uncertainty remains in the outlook for commodity prices and drilling activity for the second half of 2019 primarily due to constrained takeaway capacity. As a result, the industry has taken a measured approach to capital budgets and spending due to the limited access to capital.

The Company anticipates that demand for rental equipment which supports drilling and completions activity in the WCSB, along with its associated rental rates, will remain flat throughout the remainder of 2019. As a result, the Company continues to focus on increasing market share and strengthening its fleet of rental assets. The Company will continue to sell older under-utilized assets which will decrease repairs and maintenance costs, improve the bottom line and further reduce debt.

Zedcor's security and surveillance offering continues to successfully expand the Company's market reach and customer base from beyond its traditional upstream energy services customers. Utilization of the Company's fleet of solar hybrid light towers with high resolution cameras increased significantly in the second quarter of 2019, when compared to the second quarter of 2018. As market interest and demand for the security and surveillance service offering continues to grow, the Company remains focused on successful expansion of this segment through a growing fleet and additional service offerings, 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 balance sheet. 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.

SEASONALITY OF OPERATIONS

Zedcor Energy Inc. operates in an industry that is seasonal by nature. The Company operates in the WCSB, where the activity levels in the oilfield services industry are subject to the ability to move heavy equipment in the oil and natural gas fields. This mobility is dependent on weather conditions. As warm weather returns in the spring, the winter's frost coming up out of the ground renders many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out ("spring breakup"). 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 ("winter freeze up"). The timing of winter freeze up and spring breakup affects the ability to move equipment in and out of these areas, which directly affects the activities of the exploration and development 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, 2019 and 2018:

	Six months ended June 30		
(Unaudited – in $000s)	**2019**	**2018**	**Change**
Cash flow from operating activities	3,274	485	2,789
Cash flow used by investing activities	(640)	(1,452)	812
Cash flow (used by) from financing activities	(2,484)	110	(2,594)

The following table presents a summary of working capital information:

	Six months ended June 30			
(Unaudited – in $000s)	**2019**	**2018**	**change**	**% change**
Current assets	3,664	4,421	(757)	-21%
Current liabilities *	20,272	19,968	304	1%
Working capital	(16,608)	(15,547)	(1,061)	6%
Bank working capital ratio **	3.01	1.50	1.51	50%

**Includes $17.8 million of debt in 2019 and $16.6 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 operating expenses, maintenance and growth capital spending, interest and principal payments on debt facilities. The Company has a variety of sources available to meet these liquidity needs, including cash generated from operations and equity issuances. In general, the Company funds its operations with cash flow generated from operations, while growth capital and acquisitions are typically funded by issuing new equity or debt.

Principal Credit Facility

	Interest rate	Final maturity	Facility maximum	Outstanding as at June 30, 2019	Outstanding as at December 31, 2018
Loan and security facility	12.75%	2020	14,300	13,188	14,162
Operating loan facility	7.25%	revolving	3,000	—	690
Term loan facility	7.25%	2020	2,500	2,500	2,500
Equipment term loan facility	6.10%	2021	8,000	5,006	5,185

IN THOUSANDS OF CANADIAN DOLLARS

	20,694	22,537
Current portion	(17,787)	(16,749)
Long term debt	2,907	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 imposes 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 entitles the lender to acquire one common share in the Company at an exercise price of $0.25 per warrant. The warrants expire on 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.

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 6.2% 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.

As at June 30, 2019, the Company's current ratio, as defined to exclude the current portion of debt, was 3.01:1.00, the debt service coverage ratio, calculated in accordance with IAS 17 per agreement with lender, was 1.40:1.00 and the share value of the shares pledged under the shareholder guarantee was greater than 1.25 times the value of the outstanding term facility.

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, 2019:

(in $000s)	1 Year	2-3 years	4-5 years	Thereafter	Total	Carrying value
Accounts payable and accrued liabilities	1,178	—	—	—	1,178	1,178
Current debt	18,258	—	—	—	18,258	17,787
Long-term debt	—	2,907	—	—	2,907	2,907
Note payable	—	3,281	—	—	3,281	2,845
Finance lease liabilities	2,045	3,681	3,727	5,273	14,726	11,386
Total	21,481	9,869	3,727	5,273	40,350	36,103

OUTSTANDING SECURITIES

At August 28, 2019, the Company had the following securities outstanding:

- 53,626,404 common shares issued and outstanding.
- 4,400,000 preferred shares issued and outstanding.
- 3,600,000 options are outstanding and exercisable at prices ranging from $0.15 per share to $0.50 per share.

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 March 26, 2019. For a discussion of the business risks and uncertainties related to Zedcor Energy Inc., please refer to the annual Management Discussion and Analysis dated March 26, 2019 and to Zedcor Energy Inc.'s Annual Information Form dated March 26, 2019 both of which can be found on the Company's website or at www.SEDAR.com.

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 condensed consolidated interim financial statements for the six months ended June 30, 2019 and 2018.

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 2019**	**2018**	**Six months ended June 30 2019**	**2018**
Net income	(1,805)	(2,760)	(2,488)	(3,376)
Add:				
Finance costs	1,016	926	2,107	1,762
Depreciation	1,734	1,457	3,527	2,862
Amortization of intangibles	165	165	330	330
Income taxes	(19)	—	(38)	(15)
EBITDA	1,091	(212)	3,438	1,563
Add:				
Stock based compensation	21	11	47	19
Severance costs	—	62	4	62
Loss on sale of equipment	152	504	533	493
Adjusted EBITDA	1,264	365	4,022	2,137

Included in Adjusted EBITDA for the three and six months ended June 30, 2019 is a positive $469 and $938 impact from the adoption of IFRS 16 accounting standard.

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 2019**	**2018**	**Six months ended June 30 2019**	**2018**
Net income	(1,805)	(2,760)	(2,488)	(3,376)
Add:				
Finance costs	1,016	926	2,107	1,762
Income taxes	(19)	—	(38)	(15)
Severance costs	—	62	4	62
Adjusted EBIT	(808)	(1,772)	(415)	(1,567)

Included in Adjusted EBIT for the three and six months ended June 30, 2019 is a positive $129 and $259 impact from the adoption of IFRS 16 accounting standard.

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:

(in $000s)	Three months ended June 30 2019	2018	Six months ended June 30 2019	2018
Net income	(1,805)	(2,760)	(2,488)	(3,376)
Add non-cash expenses:				
Depreciation	1,734	1,457	3,527	2,862
Loss on sale of equipment	152	504	533	493
Amortization of intangibles	165	165	330	330
Stock based compensation	21	11	47	19
Finance costs (non-cash portion)	97	98	243	246
	364	(525)	2,192	574
Add non-recurring expenses:				
Severance	—	62	4	62
	364	(463)	2,196	636
Change in non-cash working capital	2,086	1,562	949	143
Maintenance capital	—	—	—	(7)
Adjusted Free Cash Flow	2,450	1,099	3,145	772

Included in Adjusted Free Cash Flow for the three and six months ended June 30, 2019 is a positive $348 and $642 impact from the adoption of IFRS 16 accounting standard.

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.