ZEDCOR INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Zedcor

SECURITY
SOLUTIONS

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2020 AND 2019

Dated April 9, 2021

zedcor.ca

The following management's discussion and analysis ("MD&A") provides an overview of the events and transactions that have affected the performance of Zedcor Inc. (the "Company" or "our" or "we") for the three and twelve months ended December 31, 2020 when compared to the three and twelve months ended December 31, 2019. The MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto of Zedcor Inc. for the years ended December 31, 2020 and 2019 and accompanying notes thereto. 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 Inc. as of April 9, 2021.

OVERVIEW AND CORPORATE PROFILE

Zedcor Inc. is a Canadian public corporation and is currently the parent company to Zedcor Security Solutions Corp. ("Zedcor"). On September 17, 2020, the Company received shareholder approval to change the names of the Company's in order to better reflect its changing business. Zedcor Energy Inc.'s name was changed to Zedcor Inc. and Zedcor Energy Services Corp.'s name was changed to Zedcor Security Solutions Corp. Zedcor is engaged in 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 S&S 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 Security Solutions 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 December 31		Twelve months ended December 31	
(in $000s)	**2020**	**2019**	**2020**	**2019**
Revenue	3,967	3,384	13,762	16,962
Adjusted EBITDA[1,2]	1,789	1,305	5,913	6,832
Adjusted EBIT[1,2]	833	(741)	911	(1,792)
Net loss from operations	(2,250)	(3,930)	(4,678)	(8,035)
Net loss per share from operations				
Basic	($0.04)	($0.07)	($0.08)	($0.15)
Diluted	($0.04)	($0.07)	($0.08)	($0.15)

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

Zedcor recorded $1,789 of adjusted EBITDA for the three months ended December 31, 2020 and $5,913 of adjusted EBITDA for the twelve months ended December 31, 2020. This compares to adjusted EBITDA of $1,305 and $6,832 for the three and twelve months ended December 31, 2019. The S&S segment saw increased revenues and margins compared to 2019. This was offset by decreased revenues and margins from the Rentals segment, especially during Q2 and Q3 2020. The Rentals segment derives a significant portion of its revenues from customers involved in the oil & gas industry. 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 since March 2020, resulting in decreased demand for the Company's rental equipment. The Company qualified for the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") programs as enacted in 2020 by the federal Government of Canada which supported the Company's results for the three and twelve months ended December 31, 2020. The Company recognized $936 of CEWS and CERS in the EBITDA amounts for 2020.

Zedcor is actively managing risks related to the volatility in the oil & gas sector by continuing to diversify its revenues and customers, and market its fleet of rental 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 twelve months ended December 31, 2020 include:

- Continued successful execution of a strategy to diversify away from its traditional oilfield rentals business towards a technology based, security solutions company. For the three months ended December 31, 2020, the S&S segment generated $2,458 or 62% of total revenues. For the twelve months ended December 31, 2020, the S&S segment generated $7,001 or 51% of total revenues.
- Due to increased customer demand, the Company continues to invest in its fleet of security towers. As at December 31, 2020, the Company had 130 solar hybrid light towers in its fleet ("Solar Hybrid MobileyeZ"). 84 of these towers were equipped with disturbance sensors. The Company also purchased and deployed 14 additional electric security towers in Q4 bringing its total fleet to 26 electric security towers ("Electric MobileyeZ").

IN THOUSANDS OF CANADIAN DOLLARS

- Continued focus on operational efficiency and cost savings. Direct operating costs for the twelve months ended December 31, 2020 were lower as a percentage of revenues:

			Twelve months ended December 31
	2020	2019	% change
Direct operating costs	5,156	6,758	(24%)
Direct operating costs as a percentage of revenues	37%	40%	(8%)

  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 $121 for the 3 months ended December 31, 2020 and $590 for the twelve months ended December 31, 2020.

- Selling under-utilized Rental segment assets for proceeds of $2,041, for the twelve months ended December 31, 2020, which resulted in a loss of $84. The proceeds were used to pay down debt and invest in S&S segment assets.

- Streamlining operations and focusing on reducing fixed costs. During the year, the Company, disposed of a lease on a right-of-use property that was no longer required operationally. This resulted in a gain of $105 for the twelve months ended December 31, 2020. In addition, management reassessed the renewal periods of two of its leases, and concluded that it was unlikely to extend the leases. This resulted in lease liabilities being reduced by $3,133.

- Net loss from operations was $2,250 and $4,678 for the three and twelve months ended December 31, 2020 compared to $3,930 and $8,035 for the three and twelve months ended December 31, 2019. The decrease was a result of impairment charges of $2,118 for the three months ended December 31, 2020 compared to an impairment charge of $2,252 for the three months ended December 31, 2019. Without the impairment charge, net loss from operations for the three months ended December 31, 2020 would be $132 compared to $1,696 for the three months ended December 31, 2019. The lower loss in 2020 was due to lower general and administrative expenses, assets being sold for less of a loss, a gain on debt modification and government subsidies which reduced the loss by $234.

- On December 4, 2020, the Company extended and consolidated its Loan and Security Facility. This extension provides the Company with financial flexibility for the next two years and allows it to continue to invest in its S&S segment with an available $2.0 million accordion feature. It also simplifies the Company's debt structure with one lender and a defined repayment plan which puts the Company on target to meet its goals to reduce debt.

- Due to the ongoing COVID-19 pandemic, along with depressed commodity pricing and activity in the oil & gas sector in Western Canada, the Company recorded an impairment loss on its Rentals CGU assets of $2,118.

SELECTED QUARTERLY FINANCIAL INFORMATION

(in $000s)	Dec 31 2020	Sep 30 2020	Jun 30 2020	Mar 31 2020	Dec 31 2019	Sep 30 2019	Jun 30 2019	Mar 31 2019
Revenue	3,966	2,668	2,412	4,716	3,384	3,865	3,750	5,963
Net loss from continuing operations	(2,250)	(1,006)	(1,135)	(287)	(3,930)	(1,617)	(1,805)	(683)
Adjusted EBITDA[1]	1,789	1,151	901	2,066	1,305xs	1,509	1,264	2,758
Adjusted EBITDA per share - basic[1]	0.03	0.02	0.02	0.04	0.02	0.03	0.02	0.05
Net loss per share from continuing operations								
Basic	(0.04)	(0.02)	(0.02)	(0.005)	(0.07)	(0.03)	(0.03)	(0.01)
Diluted	(0.04)	(0.02)	(0.02)	(0.005)	(0.07)	(0.03)	(0.03)	(0.01)
Adjusted free cash flow[1]	190	(320)	2,098	903	1,240	(264)	2,431	676

[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, verified 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 December 31			Twelve months ended December 31		
(in $000s)	2020	2019	% change	2020	2019	% change
Revenue	2,458	1,081	127%	7,001	5,350	31%
Direct costs	794	462	72%	2,076	2,614	(21%)
Depreciation of operating assets*	348	219	59%	1,250	785	59%
Gross margin	1,316	400	229%	3,675	1,951	88%
Margin %	54%	37%	45%	52%	36%	44%

IN THOUSANDS OF CANADIAN DOLLARS

Operational Review

Q4 2020 vs Q4 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 twelve months ended December 31, 2020.

	Three months ended December 31, 2020		Three months ended December 31, 2019	
	Average available fleet size	Utilization %	Average available fleet size	Utilization %
Hybrid MobileyeZ security towers	130	88%	78	78%
Electric MobileyeZ security towers	20	96%	—	—

The Company generated $203 in on-site security personnel and remote monitoring revenue for the three months ended December 31, 2020 compared to $528 for the three months ended December 31, 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 for Q4 2020. This was partially offset by the Company's other customers and increased number of fixed site security monitoring contracts.

The decrease in personnel revenue was offset by a larger fleet of security towers. Utilization of the Hybrid MobileyeZ security tower fleet was 88% for the three months ended December 31, 2020 compared to 78% in the same period last year. In addition, the size of the fleet was significantly larger in 2020 further resulting in higher revenues.

The S&S segment continues to expand as it moves into alternative industry segments including industrial facilities, commercial construction and diversified business security solutions. As a result of this growth, the remaining fleet of solar hybrid light towers was equipped with high resolution security cameras in Q2 2020 in order to increase the size of the fleet and meet customer demand.

Overall, revenue for the three months ended December 31, 2020 increased by $1,377, or 127%, and margin increased $916, or 229%, as a result of revenues being derived from security tower utilization instead of on-site security personnel. 92% of the S&S segment revenue was derived from security tower utilization for the three months ended December 31, 2020 compared to 51% in the same period last year.

Rentals Segment

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 in Western Canada.

RENTALS SEGMENT RESULTS

	Three months ended December 31			Twelve months ended December 31		
(in $000s)	2020	2019	% change	2020	2019	% change
Revenue	1,509	2,303	(34%)	6,761	11,612	(42%)
Direct costs	933	855	9%	3,079	4,146	(26%)
Depreciation of operating assets*	686	1,053	(35%)	3,013	4,640	(35%)
Margin	(110)	395	(128%)	669	2,826	(76%)
Margin %	(7%)	17%	(143%)	10%	24%	(59%)

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

Operational Review

Q4 2020 vs Q4 2019

Utilization of rentals assets remained persistently low for the three months ended December 31, 2020:

	Three months ended December 31, 2020		Three months ended December 31, 2019	
	Average available fleet size	Utilization %	Average available fleet size	Utilization %
Accommodation rentals	200	35%	211	66%
Fluid storage tank rentals	201	27%	223	79%
Mat rentals	404	17%	440	41%
Generator rentals	40	31%	40	73%
Light tower rentals	98	28%	160	70%

Revenues for the Rentals segment dropped from $2,303 to $1,509 for the three months ended December 31, 2020. The Company saw increased utilization in October and November as the rig count increased in Western Canada and the Company's customers were more active but saw sharply lower utilization in December due to activity slowing down for the holidays. While Canadian drilling activity has recovered from the all-time lows of Q2 2020, it remains depressed due to decreased commodity prices and reduced economic activity as a result of the COVID-19 pandemic. According to the Baker Hughes North American Rig Count report, there was an average of 70 drilling rigs operating during Q4 2020 in the WCSB. This compares to 101 rigs operating during Q4 2019, a drop of 31 drilling rigs or 59%. Completions activity was also slower in Q4 2020 compared to Q4 2019.

While a significant portion of this segment's costs such as rent, insurance, and satellite costs are fixed, the Company continued to focus on costs within its control during Q4 in order to generate positive cash flow from this segment.

Overall, management believes that lower prices and lower utilization as a result of lower rig count will continue to persist for longer than expected. These factors were taken into account for the Company's 2021 budget and resulted in an impairment of property and equipment of $2,118.

OTHER EXPENSES

(in $000s)	2020	2019	Three months ended December 31 % change	2020	2019	Twelve months ended December 31 % change
General and administrative	608	845	(28%)	2,853	3,474	(18%)
Depreciation of administrative assets	27	34	(21%)	118	130	(9%)
Amortization of intangible assets	—	—	—	—	440	(100%)
Impairment of property and equipment	2,118	2,252	(6%)	2,118	2,252	6%
Finance costs	988	954	4%	3,476	4,050	(14%)

For the three months and twelve months ended December 31, 2020:

- General and administrative expenses decreased 28% and 18% compared to three and twelve months ended December 30, 2019. This decrease to general and administrative costs of $237 and $621 was due to headcount reductions in sales and operations staff, improved efficiencies, focus on cost reductions, and government subsidies which reduced general and administrative costs by $54 and $346 for the three and twelve months ended December 31, 2020.
- Finance costs increased slightly for the three months ended December 31, 2020 due to increased fees and restructuring costs as a result of the debt consolidation on December 4, 2020. For the year ended December 31, 2020, finance costs were lower due to lower total borrowings on the Credit Facilities.

IMPAIRMENT OF PROPERTY 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 & Surveillance CGU.

At December 31, 2020, the Company performed an impairment test for property and equipment on the Rentals 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 15.25% (pre-tax discount rate of 20.33%) and a terminal value growth of 2.00%. 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 Rentals CGU exceeded its estimated recoverable amount. Accordingly, the Company has recorded property and equipment impairment of $2,118 for the year ended December 31, 2020. A 5% change in the revenue forecast would result in a $1,592 change in VIU. A 3% change in the EBTIDA margin would result in a $1,207 change in VIU. A 0.5% change in the discount rate would result in a $224 change in VIU. For the year ended December 31, 2019, the Company recorded a goodwill impairment of $2,252 for the Rentals CGU.

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 were increased infections in the latter half of Q4 2020 and certain countries reimposed containment measures during Q4 2020. This is causing uncertainty on the pace and timing 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 provide surveillance services. In addition, the Company has used technological solutions in order to reduce the capital costs of expanding this service line and providing lower cost security solutions to customers. The Company's surveillance towers fitted with high resolution cameras and supported by live, 24/7 live verified, remote monitoring, continue to see high utilization and we continued to see this trend subsequent to the end of the year with the announcement of two contracts for 115 Solar Hybrid MobileyeZ and approximately $15.8 million in revenues over the two year contract terms. 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 2021 and the Company does not have a lot of visibility to activity beyond Q2 2021. While pricing has stabilized, it is still at all-time lows and the Company is 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 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 twelve months ended December 31, 2020 and 2019:

	Twelve months ended December 31			
(in $000s)	2020	2019	$ Change	% Change
Cash flow from operating activities	2,724	4,200	(1,476)	(35%)
Cash flow from investing activities	841	188	653	347%
Cash flow used by financing activities	2,974	4,379	(1,405)	(32%)

The following table presents a summary of working capital information:

	Twelve months ended December 31			
(in $000s)	2020	2019	$ Change	% Change
Current assets	4,825	3,406	1,419	42%
Current liabilities *	6,061	4,889	1,172	24%
Working capital	(1,236)	(1,483)	247	17%
Bank working capital ratio **	3.05	3.57	(0.52)	(15%)

**Includes $4.5 million of debt and leases liabilities in 2020 and $4.0 million of debt and lease liabilities in 2019*
*** Bank working capital ratio is defined as current assets divided by current liabilities, excluding the current portion of debt and finance lease liabilities.*

The primary uses of funds are operating expenses, 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

Credit Facilities

	Interest rate	Final maturity	Facility maximum	Outstanding as at December 31, 2020	Outstanding as at December 31, 2019
Loan and Security Facility	12.75%	January 1, 2023	19,309	17,317	12,094
Operating Loan Facility	Prime + 5.0%	Revolving	3,000	—	878
Term Loan Facility	7.25%	N/A	—	—	2,500
Equipment Term Loan Facility	6.10-6.35%	N/A	—	—	3,973
				17,317	19,445
Current portion				(2,940)	(2,736)
Long term debt				14,377	16,709

Loan and Security Facility:

On December 4, 2020, the Company restructured and extended its Loan and Security Facility. The key terms of and changes to the Loan and Security Facility are as follows:

- Term of the Loan and Security Facility was extended to January 1, 2023 with an option to renew for an additional 12 months at the satisfaction of the lender.
- Bears interest at a rate of 12.75% and is secured with a first charge over the Company's assets;
- Extension fee of 2% per annum, a portion of which was capitalized to the loan and a portion of which has been paid with the issuance of 2,000,000 common shares of the company;
- Amortized over 60 months with a monthly blended interest and principal payment of $391;
- Does not require quantitative financial covenants, but imposed restrictions on the Loan's collateral, being the property and equipment of the Company, and has a $2.5 million personal guarantee from a Board Member of the Company; and

As part of the restructuring, the Company consolidated its Term Loan Facility and Equipment Term Loan Facility into the Loan and Security Facility. In addition, there is a $2.0 million accordion feature available to the Company under the Loan and Security Facility. $1.0 million of this accordion feature was drawn upon by the Company on December 29, 2020.

On January 10, 2020, as part of the renewal in 2019, 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. On December 4, 2020, as part of the consolidation, the Company issued the lender an additional 730,562 share purchase warrants which expire on November 25, 2024. Each warrant entitles the lender to acquire one common share in the Company at an exercise price of $0.12 per warrant. The Company also amended and extended all previously issued warrants to have the same exercise price and maturity date as those issued on December 4, 2020.

Operating loan, term loan and equipment term loan facility:

On December 4, 2020, the Company repaid its Term Loan Facility and Equipment Term Loan Facility while leaving the $3.0 million Operating Loan Facility in place with the lender. The revolving Operating Loan Facility is payable on demand by the lender, bears interest at a rate of prime plus 5.0% and is secured by the Company's accounts receivable. The Operating Term Loan 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 1.00:1.00 until December 31, 2021 and 1.25:1.00 thereafter and imposes a maximum debt level for the Company.

As at December 31, 2020, the Company's current ratio, as defined to exclude the current portion of debt, was 3.02:1.00, the debt service coverage ratio, calculated in accordance with the agreement with lender, was 1.41:1.00 and the Company's total debt of $28,473 was below the maximum of $33,000.

CREDIT RISK

The Company extends credit to customers, primarily comprised of oil & 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 December 31, 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 December 31, 2020:

(in $000s)	1 Year	2-3 years	4-5 years	Thereafter	Total	Carrying value
Accounts payable and accrued liabilities	1,584	—	—	—	1,584	1,584
Current debt	2,940	—	—	—	2,940	2,940
Long-term debt	—	15,205	—	—	15,205	14,377
Note Payable	—	3,625	—	—	3,625	2,696
Finance lease liabilities	1,167	2,292	1,680	1,279	6,418	6,863
Total	5,691	21,122	1,680	1,279	29,772	28,460

OUTSTANDING SECURITIES

At April 9, 2021, the Company had the following securities outstanding:

- 57,785,022 common shares issued and outstanding.
- 4,400,000 preferred shares issued and outstanding.
- 3,430,000 options are outstanding with exercise prices ranging from $0.15 per share to $0.25 per share; 499,995 options are exercisable at prices ranging from $0.15 per share to $0.25 per share.

RELATED PARTY TRANSACTIONS

As at December 31, 2020, the Company owed $2,696 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 twelve months ended December 31, 2020:

- $426 in rent, property taxes and building operating costs paid for two buildings to corporations owned by a director of the Company (December 31, 2019 - $372).
- $125 paid through the issuance of shares to a director of the Company for a personal guarantee provided on the Long Term Debt (December 31, 2019 - $125).
- $139 in wages paid to close family members of an executive officer (December 31, 2019 - $212).
- $26 in promotional products purchased from a company owned by a close family member of an executive officer (December 31, 2019 - $9).

These related party transactions are in the normal course of business and have been recorded at the exchange amount. At December 31, 2020 the amounts receivable from related parties that was unpaid was $nil (As at December 31, 2019 - $2 receivable).

OFF BALANCE SHEET ARRANGEMENTS

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

ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out in the annual audited consolidated financial statements for the year ended December 31, 2020, unless otherwise noted.

During the twelve month period ending December 31, 2020, the Company adopted the following accounting policy as a result of qualifying for the CEWS and CERS 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 only when there is reasonable assurance that (a) the Company will comply with any conditions attached to the subsidy and (b) the subsidy will be received. The government subsidies are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes the expense for the related costs for which the subsidies are intended to compensate. The Company has elected to present these amounts net of the related expense.

Government subsidies related to current expenses are recorded as a reduction of the related expenses. During the twelve month period ended December 31, 2020, the Company qualified for the CEWS and CERS program and recognized $590 as a reduction to direct operating costs (twelve months ended December 31, 2019 - $nil) and $346 as a reduction to general and administrative expenses (twelve months ended December 31, 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 December 31, 2020.

FINANCIAL MEASURES RECONCILIATIONS

Zedcor 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 December 31 2020	2019	Twelve months ended December 31 2020	2019
Net loss*	(2,250)	(3,930)	(4,678)	(8,035)
Add:				
Finance costs	988	954	3,476	4,050
(Gain) loss on foreign exchange	4	2	7	(2)
Depreciation of property & equipment	1,034	1,286	4,298	5,478
Depreciation of right of use assets	249	335	1,217	1,354
Amortization of intangibles	—	—	—	440
Income tax recovery	(23)	(18)	(88)	(74)
EBITDA	2	(1,371)	4,232	3,211
Add:				
Stock based compensation	49	23	77	87
Severance costs	—	1	83	15
Impairment of property and equipment	2,118	2,252	2,118	2,252
Loss (gain) on sale of equipment & right-of-use assets	196	400	(21)	1,267
Gain on substantial debt modification	(576)	—	(576)	—
Adjusted EBITDA	1,789	1,305	5,913	6,832

**Net loss is reduced by $936 of CEWS and CERS for the twelve months ended December 31, 2020*

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 December 31 2020	2019	Twelve months ended December 31 2020	2019
Net loss	(2,250)	(3,930)	(4,678)	(8,035)
Add:				
Finance costs	988	954	3,476	4,050
Impairment of property and equipment	2,118	2,252	2,118	2,252
Income tax recovery	(23)	(18)	(88)	(74)
Severance costs	—	1	83	15
Adjusted EBIT	833	(741)	911	(1,792)

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 December 31 2020	2019	Twelve months ended December 31 2020	2019
Net loss	(2,250)	(3,930)	(4,678)	(8,035)
Add non-cash expenses:				
Depreciation of property & equipment	1,034	1,286	4,298	5,478
Depreciation of right of use assets	249	335	1,217	1,354
Amortization of intangibles	—	—	—	440
Impairment of property and equipment	2,118	2,252	2,118	2,252
Loss gain on sale of equipment & right-of-use assets	196	400	(21)	1,267
Stock based compensation	49	23	77	87
Finance costs (non-cash portion)	172	103	538	444
Current taxes	(23)	(18)	(88)	(74)
	1,545	451	3,461	3,213
Add non-recurring expenses:				
Severance	—	1	83	15
	1,545	452	3,544	3,228
Change in non-cash working capital	(1,267)	743	(517)	786
Maintenance capital	(88)	27	(156)	33
Adjusted Free Cash Flow	190	1,222	2,871	4,047

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.

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 Company 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 Company 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, the going concern assessment and the related disclosures of liquidity were a matter of significant judgement.

Recoverability of Assets

The Company assesses impairment on its non-financial assets when it has determined that a potential indicator of impairment exists. The assessment of the existence of impairment indicators is based on various internal and external factors and involves management's judgement. Goodwill is tested annually for impairment or when an indicator is present. Impairment exists when the carrying value of a non-financial asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The required valuation methodology and underlying financial information that is used to determine value in use requires significant estimates to be made by management. The key estimates the Company normally applies in determining the recoverable amount of an individual asset, CGU or group of CGUs include expected levels of activity within the oil & gas industry, future sustaining capital costs, discount rates, tax rates, and operating margins. Assumptions that are valid at the time of preparing the cash flow models may change significantly when new information becomes available. Changes to these estimates may affect the recoverable amounts of an individual asset, CGU or group of CGUs which may then require a material adjustment to their related carrying value.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2020, the Company's financial instruments consisted of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, note payable, and current debt. The carrying values of these financial instruments approximate their fair values as at December 31, 2020 and 2019, due to their short-term maturities or floating interest rates.

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

a) 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. Credit risk arises principally from the Company's cash, accounts receivable and leases receivable.

The Company is exposed to credit risk with respect to cash and actively manages that risk with deposits at reputable financial institutions.

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 and pipeline construction 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 investment grade pipeline construction company with an accounts receivable balance in excess of 26% of the total 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 significant.

The allowance for doubtful accounts in respect of trade receivables is used to record impairment losses unless the Company is satisfied that a recovery of the amount owing is extremely remote, at which point the amounts are considered irrecoverable and are written off against the trade receivables directly.

IN THOUSANDS OF CANADIAN DOLLARS

Aging of accounts receivable is as follows:

	December 31, 2020	December 31, 2019
Trade receivables, gross:		
Outstanding 1 - 30 days	1,674	1,243
Outstanding 30 – 60 days	1,199	792
Outstanding over 60 days	392	410
	3,265	2,445
Allowance for doubtful accounts	(74)	(38)
Trade receivables, net	3,191	2,407
Sales tax and other receivables	—	289
Accounts receivable	3,191	2,696

The movement in the allowance for doubtful accounts in respect of trade receivables during the years ended December 31, 2020 and 2019 was as follows:

	2020	2019
Balance as at January 1	38	18
Increase (decrease) in allowance of trade receivables	36	20
Balance as at December 31	74	38

Based on historical default rates, the Company believes that no additional bad debt allowance is necessary in respect of trade receivables.

The Company is also exposed to credit risk with respect to lease receivables. A significant portion of the lease receivable balance is due from one sublessor. Management believes that the Company's credit risk with respect to leases receivable is limited as the sublessor is a large company with a diversified customer base and diversified operations.

The Company is monitoring the economic environment in response to the COVID-19 pandemic and is taking actions to limit its exposure to customers that are severely impacted.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

At December 31, 2020, the Company had negative working capital of ($1,244) (December 31, 2019 - ($1,483)). The Company believes that future cash flows from operations will be sufficient to meet its obligations as they arise. This conclusion is supported by the awarding of 2 contracts for 115 MobileyeZ as well as the increased demand for S&S services.

IN THOUSANDS OF CANADIAN DOLLARS

The following table shows the undiscounted contractual maturities of the Company's financial liabilities and financial lease obligation as at December 31, 2020:

	1 Year	2-3 years	4-5 years	Thereafter	Total	Carrying value
Accounts payable and accrued liabilities	1,596	—	—	—	1,596	1,596
Current debt	2,940	—	—	—	2,940	2,940
Long-term debt	—	15,205	—	—	15,205	14,377
Note Payable	—	3,625	—	—	3,625	2,696
Finance lease liabilities	1,167	2,292	1,680	1,279	6,418	6,864
Total	5,703	21,122	1,680	1,279	29,784	28,461

The Company is actively managing its financing and cash flow from operations to ensure adequate liquidity is available through fiscal year 2021. As at December 31, 2020, the Company's debt service coverage ratio, calculated in accordance with the agreement with the lender, was 1.41:1.00 which is above the requirement of 1.00:1.00. In addition, the Company is not forecasting a breach of covenants for fiscal year 2021. This expectation could be adversely affected by a material negative change or a longer than anticipated downturn in the economy. The Company regularly prepares and updates budgets and forecasts in order to monitor its liquidity and ability to meet its financial obligations and commitments, including the ability to comply with the financial covenants. If available liquidity is not sufficient to meet the Company's operating and debt servicing obligations as they come due, management's plans include further expenditure reductions, asset dispositions, or pursuing other corporate strategic alternatives.

c) 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. The Company does not have any floating rate debt outstanding as at December 31, 2020. At December 31, 2020, a 1% change in interest rates on the floating rate debt would not result in a material change to net income before income taxes (December 31, 2019 - $34).

d) Currency exchange 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, 2020 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 information is a summary only of certain risk factors relating to the Company and should be read in conjunction with the detailed information appearing elsewhere in this Annual Information Form. Prospective investors should carefully consider the risk factors set out below and consider all other information contained in this Annual Information Form and in the Company's other public filings before making an investment decision. The risks set out below are not an exhaustive list, nor should be taken as a complete summary or description of all the risks associated with the Company's business and the oilfield surface equipment rental and portable oilfield accommodations rental business generally.

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.

COVID-19

The global market is currently volatile due to the uncertainty around how severely the novel coronavirus (COVID-19) pandemic will affect global energy consumption. The global economy is reliant on the manufacturing and trade of products and the movement of people, and any slowdown in this process has a chain reaction that impacts energy consumption by both manufacturers and consumers. As a result of the pandemic's impact on the global economy, commodity prices declined prior to the production announcements by members of OPEC and Russia. Travel restrictions announced by various countries as a measure to reduce the spread of COVID-19 have and may continue to impact global energy consumption. Potential delays in global vaccine programs may impact the length of the pandemic, global economic recovery and commodity prices. The Company continues to monitor current market conditions resulting from the COVID-19 pandemic and continues to prioritize the health and safety of its employees and members of the communities in which it operates.

The Company's business, financial condition, results of operations, cash flows, reputation, access to capital, cost of borrowing, access to liquidity, and/or business plans may, in particular, and without limitation, be adversely impacted as a result of the pandemic and/or decline in commodity prices as a result of: the shut-down of facilities or the delay or suspension of work on major capital projects due to workforce disruption or labour shortages caused by workers becoming infected with COVID-19, or government or health authority mandated restrictions on travel by workers or closure of facilities or worksites; suppliers and third-party vendors experiencing similar workforce disruption or being ordered to cease operations; reduced cash flows resulting in less funds from operations being available to fund capital expenditure budgets; reduced commodity prices impacting customers and their need for the Company's services; the inability to deliver products or services to customers, road or port closures or pipeline shut-ins, including as a result of pipeline companies suffering workforce disruptions or otherwise being unable to continue to operate; and the ability to obtain additional capital including, but not limited to, debt and equity financing being adversely impacted as a result of unpredictable financial markets, commodity prices and/or a change in market fundamentals. As the impacts of the COVID-19 pandemic continue to materialize, the prolonged effects of the disruption have had and continue to have adverse impacts on the Company's business strategies and initiatives, resulting in ongoing effects to the Company's financial results, including the increase of counterparty, market and operational risks.

Given the uncertainty of the extent and duration of the COVID-19 pandemic and its impacts on the economy and the energy business more broadly, as well as the timeline of the transition to a fully reopened economy, the future impact on the Company's business and its financial results and condition remains uncertain.

Disease Outbreaks and Pandemics

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a Public Health Emergency of International Concern, and on March 11, 2020, characterized COVID-19 as a pandemic. A local, regional, national or international outbreak of a contagious disease, such as COVID-19 or other similar illnesses, could result in: a significant decline in economic activity in the regions the Company holds assets and conducts business in, a decrease in individuals willing to travel, imposed mobility restrictions or other quarantine measures through government regulations, and business interruptions due to outbreaks or required quarantines in one or more of the Company's facilities. An outbreak in one or more of the Company's facilities may, if uncontrolled, result in temporary shortages of staff to the extent the Company's work force is impacted. While the effects of this outbreak are anticipated to be temporary, the duration and magnitude of potential business disruptions is currently unknown and may have a material adverse effect on the financial condition and financial results of the Company.

Competition

Competition in the rental and security industry is intense and growing. Zedcor 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 business operations of Zedcor depend on successful execution of performance based contracts. The key factors which determine whether a client continues to use Zedcor are service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience, safety and competitive price. There can be no assurance that Zedcor's relationships with its customers will continue.

Dependence on Major Customers

Zedcor generates approximately 58% of its revenue from its top ten customers with one customer accounting for approximately 22% of total revenue, and there can be no assurance that the current customers will continue their relationships with Zedcor. 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 Zedcor.

Reliance upon Management

Executive management and other key personnel are essential to Zedcor's business. The loss of the services of any of these persons could have an adverse effect on the business. Zedcor's ability to develop its products and deliver services could be harmed if it is not able to recruit and retain qualified personnel. In order to address this risk, the Company is proactive in its human resource management and works to provide an attractive workplace environment for all employees.

Dependence on Suppliers

Failure of suppliers to deliver equipment in a timely and efficient manner could be detrimental to Zedcor'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 Zedcor's business, financial condition, results of operations or cash flows. In addition, economic and business conditions in Zedcor's markets may be affected by disruptions in the financial markets caused by political or other events and such affects may adversely impact Zedcor's business, financial condition, and results of operations or cash flows.

Many of Zedcor's customers have curtailed their capital spending due to macro-economic conditions and may experience difficulty in paying for services purchased. By allowing Zedcor to adapt to changing market conditions, exposure to such risk may be lessened. This has and will continue to be achieved by cost management strategies and expansion into other complementary sectors, such as security and surveillance, through new targeted marketing strategies.

Capital Markets

The Company, along with local, national and international companies with which it competes, has restricted access to capital, bank debt and equity. As such, the Company is dependent upon the lending capacity of many financial institutions which fluctuates depending on broad market conditions. 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, unavailable or available on onerous terms, the Company's ability to make capital investments and maintain existing assets may be impaired, such that its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

Future Capital Requirements

Zedcor 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 Zedcor 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 Zedcor 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 Zedcor'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 Zedcor's control.

Zedcor 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 Zedcor's ability to continue to perform at a level that meets market expectations.

Successfully Managing its Growth

Zedcor's growth strategy will continue to place significant demands on its financial, operational and management resources. In order to continue its growth, Zedcor may need to add administrative, management and other personnel, and make additional investments in operations and systems. Zedcor 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

Zedcor 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 Zedcor 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 Zedcor'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 Zedcor's operating results are changes in oil and gas prices, technology, equipment costs, labour 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.

Zedcor's Operations are Geographically Concentrated and Susceptible to Local Economies, Regulations and Seasonal Fluctuations.

Zedcor's business operations are carried out primarily in the Provinces of British Columbia, Alberta and Saskatchewan and are susceptible to those markets' local economy, regulations and seasonal fluctuations. Seasonality may temporarily affect Zedcor's revenues and expenses. In general, the level of activity in the Canadian oilfield service industry is influenced by seasonal weather patterns. Wet weather and the spring thaw make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity at all levels of the oil and gas industry. Additionally, certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months, because the ground surrounding the drilling sites in these areas consists of swampy terrain. 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 Zedcor.

Potential Replacement of or Reduced Use of Products and Services

Certain rental 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 a variety of reasons. The changes could have a material adverse effect on the Company's business, financial condition, results or operations and cash flows. Although the Company makes reasonable efforts to keep current with the changing market for oil and gas equipment rental services and technological and regulatory changes, there can be no assurance that the Company will be able to identify all changes to competing products and technology.

Failure of suppliers to deliver equipment in a timely and efficient manner could be detrimental to Zedcor'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.

Environmental Requirements

Zedcor 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 Zedcor 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 Zedcor'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 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 Zedcor'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 Zedcor's services.

Management is unable to predict the impact of potential emissions targets and it is possible that changes could adversely affect Zedcor's business, financial condition and results of operations. These regulations would likely result in higher operating costs for our customers in the region, putting further pressure on project economics, and may also impair the Company's ability to provide its services economically.

Conflicts of Interest

The directors of Zedcor may be or become engaged in different industries, both on their own behalf and on behalf of other Companys, and situations may arise where the directors and officers may be in direct competition with the Company. Conflicts of interest, if any, which arise will be subject to and governed by the procedures prescribed by the ABCA.

Climate Change Regulations

Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. The federal and certain provincial governments have implemented legislation aimed at incentivizing the use of alternative fuels and in turn reducing carbon emissions. The taxes placed on carbon emissions may have the effect of decreasing the demand for oil and natural gas products and at the same time, increasing the Company's operating expenses, each of which may have a material adverse effect on the Company's profitability and financial condition. Further, the imposition of carbon taxes puts the Company at a disadvantage with the Company's competitors who operate in jurisdictions where there are less costly carbon regulations. The adoption of such laws and regulations and the imposition of fees, taxes or other costs, could adversely affect oil and gas drilling activities which in turn could negatively impact Zedcor's business due to a reduction in demand for rental equipment. In addition to climate policy risk, the oil and gas industry faces physical risks attributable to a changing climate. Climate change is expected to increase the frequency of severe weather conditions, including high winds, heavy rainfall, extreme temperatures, flooding and wildfires, which may result in disruptions in operations or transportation interruptions which may lead to increased expenditures or reduced revenues for Zedcor.

Technology Risk

Zedcor'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 Zedcor will be successful in this regard or that Zedcor will have resources available to meet this continuing demand. Failure to meet this demand could have a material adverse effect on Zedcor's business, financial condition, results of operations and cash flows. No assurances can be given that Zedcor'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 Company 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 Loan Agreement and with the terms and conditions of the Fourth Amended and Restated Term Loan Agreement. A breach by the Company 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 Zedcor to provide reliable financial reports and to help prevent fraud. Although Zedcor 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, Zedcor cannot be certain that such measures will ensure that Zedcor 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 Zedcor's results of operations or cause it to fail to meet its reporting obligations. If Zedcor or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in Zedcor 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, Zedcor'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, Zedcor'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 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.