CANADIAN EQUIPMENT RENTALS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED
March 31, 2017 AND 2016

Dated May 16, 2017

The following management's discussion and analysis ("MD&A") provides an overview of the events and transactions that have affected the performance of Canadian Equipment Rentals Corp. ("Canadian Equipment Rentals" or the "Company" or "our" or "we") formerly CERF for the three month period ended March 31, 2017 when compared to the three month period ended March 31, 2016. The MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto of Canadian Equipment Rentals for the years ended December 31, 2016 and 2015. These consolidated financial statements are available on the Company's website at www.cerfcorp.com 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" below.

This MD&A has been prepared by management and reviewed and approved by the Board of Directors of Canadian Equipment Rentals as of May 16, 2017.

OVERVIEW AND CORPORATE PROFILE

Canadian Equipment Rentals Corp. is a Canadian public corporation and is the parent company to Zedcor Energy Services Inc. ("Zedcor"). Zedcor is engaged in the rental of surface equipment and accommodations to the Western Canadian Oil and Gas Industry. The Company trades on the TSX Venture Exchange under the symbol "CFL". Through most of 2016 the Company operated three separate business segments: (i) Energy Services; (ii) General Rentals; and (iii) Waste Management.

The Energy Services segment provides surface wellsite equipment rentals, and wellsite accommodations rentals to support the drilling operations of energy and production companies operating in the Western Canada Sedimentary Basin. This segment operates as Zedcor Energy Services ("Zedcor") from its main facility in Leduc, Alberta, sales office in Calgary, Alberta and operating yards in Grande Prairie, Alberta, Fort St. John, British Columbia and Estevan, Saskatchewan.

The General Rentals segment operated as 4-Way Equipment Rentals ("4-Way") and provided equipment rental solutions for construction and industrial projects in Edmonton, Alberta and surrounding areas from its facility in Edmonton, Alberta. On January 31, 2017, the Company announced that it had entered into an asset purchase agreement with Cooper Rentals Canada Inc. to sell all the net assets of 4-Way Equipment Rentals. The sale closed on February 9, 2017.

The Waste Management segment operated as MCL Waste Systems & Environmental ("MCL") and managed and operated six major landfills, two waste management transfer sites all in Alberta, and provided disposal and recycling services for clientele in a variety of industries. On November 17, 2016, the Company announced it had signed a share purchase agreement to sell MCL to a private Canadian waste management and recycling services company. The sale closed December 1, 2016.

EXECUTIVE SUMMARY:

Selected Financial Highlights

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

	Three months ended March 31	
(in $000s)	**2017**	**2016**
Revenue	4,442	3,311
Adjusted EBITDA[1,2]	1,128	1,131
Adjusted EBIT[1,2]	(423)	(1,942)
Net loss from continuing operations	(969)	(3,148)
Net (loss) income per share from continuing operations		
Basic	(0.02)	(0.08)
Diluted	(0.02)	(0.08)

Amounts in table represents continuing operations, which are comprised of the Energy Services segment and Corporate

[1] *Adjusted for severances and business acquisition costs*

[2] *See Financial Measures Reconciliations below*

- Revenues for the quarter ended March 31, 2017 increased by $1.1 million or 34% from $3.3 million to $4.4 million compared to the same quarter in 2016. Commodity prices have improved slightly in the first quarter of 2017 compared to the same quarter 2016, resulting in a marginal increase in demand and improved day rates. The quarter end March 31, 2017 also represents a full three months of revenue earned from the Zedcor Oilfield Rental Ltd. share purchase on February 2, 2016 and the Summit Star Energy Services Inc. asset purchase on May 6, 2016.
- Net loss for the quarter ended March 31, 2017 was $1.0 million, an improvement of $2.1 million or 69% from a loss of $3.1 million for the quarter end March 31, 2016. Operating margin increased by $0.9 million due to the increase in revenue, and depreciation decreased by $0.5 million as a result of divesting under-utilized assets in 2016. General and administrative expenses were $0.2 million higher due to severance payments and additional organizational costs attributed to the Zedcor Oilfield Rental Ltd. acquisition. Higher interest rates and forbearance fees relating to long-term debt and the note payable contributed to $0.5 million higher finance costs compared to prior year's quarter ended March 31, 2016. These are offset by an income tax recovery of $0.6 million in the current period.
- Adjusted EBITDA for the quarter ended March 31, 2017 was $1.1 million similar to the quarter end March 31, 2016. The adjusted EBITDA for the quarter ended March 31, 2017 did not increase relative to revenue for the same quarter largely due to increased costs related to securing alternative financing and incremental rent expense for additional premises acquired with the Zedcor Oilfield Rentals Ltd. acquisition.
- On January 31, 2017, the Company announced that it had entered into an asset purchase agreement with Cooper Rentals Canada Inc. to sell all the assets of 4-Way Equipment Rentals. The transaction closed on February 9, 2017. Net proceeds were used to pay down senior debt.
- The General Rentals segment is classified as discontinued operations as at March 31, 2017. As a result, its financial results are reported separately from continuing operations on the

statement of comprehensive income. The comparative statements of comprehensive income are re-presented as if the operation had been discontinued from the start of the comparative year.

- The Waste Management segment was classified as discontinued operations for the comparative period as the segment was sold on December 1, 2016.
- For the quarter ended March 31, 2017, the Company was in breach of its financial leverage and interest coverage covenants as defined in the April 28, 2016 Third Amending Credit Agreement, which resulted in a default of the senior credit covenants. See further details in the Liquidity and Capital Resources section.

SELECTED QUARTERLY FINANCIAL INFORMATION

(Unaudited – in $000s)	**Mar 31 2017**	**Dec 31 2016**	**Sept 30 2016**	**June 30 2016**	**Mar 31 2016**	**Dec 31 2015**	**Sept 30 2015**	**June 30 2015**
Revenue	4,442	3,444	2,374	1,469	3,311	2,426	2,954	2,384
Net income (loss) from continuing operations	(969)	(3,106)	(8,680)	(4,683)	(3,148)	(16,032)	(12,893)	(1,387)
Net income (loss) from discontinued operation	(427)	(3,062)	(904)	(92)	(954)	(659)	254	(579)
Adjusted EBITDA[1]	1,128	505	461	294	1,131	959	3,012	1,274
Adjusted EBITDA per share - basic[1]	0.03	0.01	0.01	0.01	0.03	0.03	0.08	0.03
Net income (loss) per share from continuing operations								
Basic	(0.02)	(0.08)	(0.21)	(0.12)	(0.08)	(0.44)	(0.35)	(0.04)
Diluted	(0.02)	(0.08)	(0.21)	(0.12)	(0.08)	(0.44)	(0.35)	(0.04)
Net income (loss) per share from discontinued operation								
Basic	(0.01)	(0.07)	(0.02)	0.00	(0.03)	(0.02)	0.01	(0.02)
Diluted	(0.01)	(0.07)	(0.02)	0.00	(0.03)	(0.02)	0.01	(0.02)
Adjusted free cash flow[1]	(488)	386	(1,807)	1,011	1,450	(6)	(690)	2,675

1 *See Financial Measures Reconciliations below*

OPERATING SEGMENT REVIEW

In 2017 the Company has one operating segment, the Energy Services segment. In 2016 results were reported in three business segments: Energy Services, General Rentals, and Waste Management. The reporting structure reflects how the business is managed and how it classifies operations for planning and performance measurement. A discussion of segment operating performance is set out below.

ENERGY SERVICES SEGMENT RESULTS

	Three months ended March 31		
(in $000s)	**2017**	**2016**	**% change**
Revenue	**4,442**	**3,311**	**34%**
Direct costs and depreciation of operating assets*	**3,272**	**3,104**	**5%**
Margin	1,170	207	465%
Margin %	26%	6%	

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

Operational Review
Q1 2017 vs Q1 2016

The first quarter of 2017 saw a slight improvement to commodity prices and drilling activity in the oil and gas sector in Western Canada compared to the first quarter of 2016. As a result the Energy Services segment saw an increase in utilization and a marginal increase in rental rates. Despite the improvement to commodity prices, there is still high competition from other service providers with idle assets which leads to aggressive pricing measures.

For the quarter ended March 31, 2017, Energy Services revenue of $4.4 million increased by $1.1 million compared to the similar period in 2016. Gross margin of $1.2 million increased $1.0 million compared to the three months ended March 31, 2016. Depreciation expense decreased $0.5 million compared to the same period in the prior year due to the disposition of under-utilized assets in 2016.

GENERAL RENTALS SEGMENT RESULTS (Discontinued)

	Three months ended March 31		
(in $000s)	**2017**	**2016**	**% change**
Revenue	**662**	**2,363**	**-72%**
Direct costs and depreciation of operating assets*	**526**	**2,255**	**-77%**
Margin	136	108	26%
Margin %	21%	5%	

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

Operational Review
Q1 2017 vs Q1 2016

On January 31, 2017, the Company announced that it had entered into an asset purchase agreement with Cooper Rentals Canada Inc. to sell all the assets of 4-Way Equipment Rentals. The transaction closed on February 9, 2017. Net proceeds were used to pay down senior debt.

WASTE MANAGEMENT SEGMENT RESULTS (Discontinued)

	Three months ended March 31		
(in $000s)	**2017**	**2016**	**% change**
Revenue	—	**2,866**	**-100%**
Direct costs and depreciation of operating assets*	—	**2,523**	**-100%**
Margin	—	343	-100%
Margin %	—	12%	

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

Operational Review

Q1 2017 vs Q1 2016

On November 17, 2016, the Company announced its intention to sell its Waste Management operating segment and wholly owned subsidiary, MCL Waste Systems & Environmental Inc., to a private Canadian waste management and recycling services company. The transaction closed December 1, 2016.

OTHER EXPENSES

	Three months ended March 31		
(in $000s)	**2017**	**2016**	**% change**
General and administrative	1,803	1,601	13%
Depreciation of administrative assets	37	34	9%
Amortization of intangible assets	165	165	—
Impairment of property and equipment	—	5,152	-100%
Business acquisition	—	343	-100%
Finance costs	714	194	268%
Purchase gain	—	(2,108)	-100%
Income taxes	(615)	(2,021)	-70%

For the three months ended March 31, 2017, total general and administrative expenses were $1.8 million, an increase of $0.2 million when compared to the first quarter of 2016. This is attributed to $400 in severances paid in the first quarter, increased costs related to securing alternative financing and incremental rent expense for additional premises acquired with the Zedcor Oilfield Rentals Ltd. acquisition. See Liquidity and Capital Resources section.

SUBSEQUENT EVENTS

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 existing Syndicated Credit Facility, bears interest at a rate of 12.75% and has 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 is serviced by six months of interest only payments, followed by six months of blended principal and interest payments. The Loan and Security Agreement does not require quantitative financial covenants, but imposes restrictions on the Loan's collateral, being the property and equipment of the Company. The Loan and Security agreement is partially secured through a $2.5 million guarantee from a shareholder. The Company issued the lender share purchase warrants entitling the lender to acquire common shares in the Company representing approximately 6.5% of the fully diluted equity at the time of exercise, at an exercise price of $0.25 per warrant. The warrants will expire 90 days after the term of the loan.

On April 27, 2017, the Company entered into a Shares for Debt Agreement whereby the Company has agreed to pay a fee to the guarantor of the $2.5 million guarantee related to the Loan and Security Agreement equal to 3% per annum of the amount of the guarantee that remains outstanding each month end. The fee will be paid on a monthly basis through the issuance of Common Shares equal to the five day weighted average trading price of the Common Shares.

On April 27, 2017, the Company converted $2.5 million of the principal amount of the vendor take-back note into 10,000,000 Common Shares of the Company, representing a price of $0.25 per share.

On May 10, 2017, the Company signed a $1 million operating loan facility 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 requires 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.

OUTLOOK

2016 was a pivotal year for Canadian Equipment Rentals Corp. The acquisition of Zedcor Oilfield Rentals Ltd. ("Zedcor") and the subsequent divestitures of MCL Waste Systems & Environmental Inc. and 4-Way Equipment Rentals Corp., repositioned the Company as a significant oilfield surface equipment rental company in the Western Canadian Sedimentary Basin.

As previously announced, the Company signed and closed a new Loan and Security Agreement, the proceeds of which were used to repay the previous lenders. In conjunction with this refinancing, the Company has retired $2.5 million of the Vendor Take Back Note in exchange for 10 million common shares. With this transaction and the refinancing, the directors of the Company appointed two new directors to the Company.

Through the restructuring efforts over the past ten months, including significant reductions in headcount at the executive level and reductions in associated discretionary spending, the Company now has a lean operating structure that can support the full utilization of the existing rental asset base. This structure, coupled with superior operational performance, service quality and a best-in-class equipment rental fleet are instrumental to maintaining and growing market share.

The stronger than expected drilling activity experienced through the first quarter of 2017 is seen continuing into the second quarter of 2017 which in turn is driving improved year over year equipment utilization. While drilling activity during the first two months of Q1 2017 was reported to be 46% improved over the same prior year period, weather related delays and other factors may prevent Q2 2017 from experiencing this same year over year growth.

The Company continues to expand its market reach and customer base from beyond its traditional upstream energy services customers to new industry segments including industrial facilities and pipeline construction. This should lead to more diversity in its revenue streams and increase the utilization of existing rental equipment by penetrating new market segments that are less affected by seasonal fluctuations.

SEASONALITY OF OPERATIONS

Canadian Equipment Rentals operates in industries that are seasonal by nature. The Energy Services segment operates in the Western Canadian Sedimentary Basin (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 this segment.

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 three months ended March 31, 2017 and 2016:

	Three months ended March 31			
(Unaudited – in $000s)	**2017**	**2016**	**change**	**% change**
Cash flow from (used by) continuing operating activities	(634)	265	(899)	-339%
Cash flow from (used by) continuing investing activities	7,203	(11,972)	19,175	160%
Cash flow from (used by) continuing financing activities	(8,070)	11,905	(19,975)	-168%

The following table presents a summary of working capital information:

	Three months ended March 31			
(Unaudited – in $000s)	**2017**	**2016**	**change**	**% change**
Current assets	6,908	12,679	(5,771)	-46%
Current liabilities	22,283	4,165	18,118	435%
Working capital	(15,675)	8,514	(23,289)	-274%
Working capital ratio	0.31	3.04	(2.70)	-89%

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 and distributions with cash flow generated from operations, while growth capital and acquisitions are typically funded by issuing new equity or debt.

Cash used in investing activities is primarily for acquisitions and additions to property and equipment. The Company has significantly curtailed capital expenditures to projects where replacement or repair of the asset is absolutely required or to projects which would generate an acceptable return within an acceptable time period.

Principal Credit Facility

	Effective interest rate	Final maturity	Facility maximum	Outstanding as at March 31, 2017	Outstanding as at March 31, 2016
Revolving operating facility	8.7%	2017	20,971	20,971	40,400
Revolving capital expenditure facility	—	—	—	—	3,750
				20,971	44,150
Current portion				(20,971)	(44,150)
Long term debt				—	—

On August 27, 2014, the Company entered into a syndicated credit facility with its banker acting as the lead syndication agent. The credit facilities are provided on a committed basis for a period of three years from August 27, 2014 and consist of:

a) A revolving operating facility with a maximum availability of up to $55,000 not to exceed 75% of accounts receivable, plus 50% of inventories held for resale, plus 60% of the net book value of rental equipment, less priority payables. No payments of principal are required under the operating facility as long as the loan does not exceed the margined assets. Based on margined assets as at December 31, 2015, $44.0 million of the facility was available to draw under the revolving operating facility.

b) A revolving Capex Facility with a maximum availability of up to $10,000. This facility may be used to finance 75% of the cost of non-rental equipment. Each draw against the Capex facility is repayable in 60 equal monthly payments of principal plus interest. However no principal payments are required during the fiscal year in which a term accommodation is advanced.

The credit facilities are secured by a General Security Agreement creating a first charge security interest over all of the Company's, including its subsidiaries, present and after acquired real property.

On December 29, 2015, the Syndicated Bank Credit Facility was amended to reflect extension of the maturity date of the agreement from August 27, 2017 to August 27, 2018.

On February 2, 2016, the Company's Syndicated Bank Credit Facility was amended under the Second Amending Agreement whereby consent was provided to proceed with the acquisition of Zedcor Oilfield Rentals Ltd., and to amend the financial covenant in respect of the Debt to EBITDA ratio as follows.

Second Amending Agreement	Dec 31 2015	Mar 31 2016	June 30 2016	Sept 30 2016	Dec 31 2016	Thereafter
Debt to EBITDA*	4.00:1	4.25:1	4.00:1	4.00:1	3.50:1	3.00:1
Interest Coverage Ratio**	3.25:1	3.25:1	3.25:1	3.25:1	3.25:1	3.50:1

On April 28, 2016, the Company's Syndicated Bank Credit Facility was amended under the Third Amending Agreement to amend the financial covenant in respect of the Debt to EBITDA and Interest Coverage ratios as follows.

Third Amending Agreement	Mar 31 2016	June 30 2016	Sept 30 2016	Dec 31 2016	Mar 31 2017	Thereafter
Debt to EBITDA*	5.75:1	5.50:1	5.50:1	4.00:1	3.50:1	3.00:1
Interest Coverage Ratio**	3.25:1	3.25:1	2.75:1	2.75:1	3.50:1	3.50:1

The Third Amending Agreement includes a $10.0 million reduction in the authorized amount of the total facility from $65.0 million to $55.0 million. The resulting authorized amount is now comprised of a $48.5 million revolving Operating Facility and a $6.5 million revolving Capex Facility.

For the quarter ended September 30, 2016, the Company was in breach of its financial leverage and interest coverage covenants included in the April 28, 2016 Third Amending Credit Agreement.

On November 24, 2016, the Company signed a Fourth Amending Agreement in which the lenders agreed to forbear from demanding repayment or enforcing its security under the Agreement. Under the terms of the amending agreement the authorized amount of the revolving facility was reduced to $46.1 million, while the authorized amount of the revolving capex facility remained $6.5 million.

On December 15, 2016 the Company's Syndicated Bank Credit Facility was amended under the Fifth Amending agreement. The fifth amending agreement included a reduction in the revolving facility amount from $46 million to $32.5 million and cancellation of the term facility commitment and operating facility.

Interest payable on all loans drawn under the credit facilities will range from bank prime rate plus 300 bps to bank prime rate plus 600 bps depending on the Company's Debt to EBITDA ratio. Under the terms of the Sixth Amending Credit Agreement, the Company was not in compliance of its financial leverage and interest coverage covenants as at March 31, 2017 and thus all debt held with the creditors is classified as current.

	Requirement	**Actual at March 31, 2017**
Debt to EBITDA*	Maximum of 3.50 times EBITDA	8.06 times EBITDA
Interest Coverage Ratio**	Minimum of 3.50 times adjusted cash flow	0.94 times adjusted cash flow

** EBITDA is a defined bank term and includes EBITDA of the trailing twelve months plus the pre-acquisition EBITDA of business acquisitions in the trailing twelve month period, and adjustments for acquisition transaction costs and severances incurred.*
*** Interest Coverage ratio is calculated as finance costs for the trailing twelve months divided into the trailing twelve month adjusted cash flow which is defined as EBITDA less taxes paid and dividends paid in the trailing twelve months.*

A breach constitutes an event of default under the Agreement, which provides the lenders several alternatives including a waiver of the breach, an amendment to the Agreement to reset the covenant or a requirement to repay the borrowings.

On February 16, 2017, the Company's Syndicated Credit Facility was amended under the Sixth Amending Agreement in which the lenders agree to forbear from demanding repayment or enforcing its security under the agreement until April 28, 2017.

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 existing Syndicated Credit Facility, bears interest at a rate of 12.75% and has 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 is serviced by six months of interest only payments, followed by six months of blended principal and interest payments. The Loan and Security Agreement does not require quantitative financial covenants, but imposes restrictions on the Loan's collateral, being the property and equipment of the Company. The Company issued the lender share purchase warrants entitling the lender to acquire common shares in the Company representing approximately 6.5% of the fully diluted equity at the time of exercise, at an exercise price of $0.25 per warrant. The warrants will expire 90 days after the term of the loan.

On May 10, 2017, the Company signed a $1 million operating loan facility 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 requires 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.

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 March 31, 2017:

(in $000s)	1 Year	2-3 years	4-5 years	Thereafter	Total	Carrying value
Accounts payable and accrued liabilities	1,312	—	—	—	1,312	1,312
Long-term debt	20,971	—	—	—	20,971	20,971
Note payable	—	—	6,250	—	6,250	4,266
Operating leases	1,383	3,872	3,285	5,581	14,121	—
Total	23,666	3,872	9,535	5,581	42,654	26,549

OUTSTANDING SECURITIES

At May 16, 2017, the Company had the following securities outstanding:

- 51,199,931 common shares issued and outstanding.
- 4,400,000 preferred shares issued and outstanding.
- 1,325,500 options are outstanding exercisable at prices ranging from $0.48 per share to $3.09 per share.

OFF BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements other than the operating leases for the premises and equipment described above under Liquidity and Capital Resources above.

BUSINESS RISKS AND UNCERTAINTIES

Business risks and uncertainties remain substantially unchanged from those disclosed in the annual Management Discussion and Analysis dated April 25, 2017. For a discussion of the business risks and uncertainties related to Canadian Equipment Rentals, please refer to the annual Management Discussion and Analysis dated April 25, 2017 and to Canadian Equipment Rentals' Annual Information Form dated April 25, 2017 both of which can be found on the Company's website or at www.SEDAR.com.

FINANCIAL MEASURES RECONCILIATIONS

Canadian Equipment Rentals 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 and adjusted EBITDA per share, adjusted free cash flow and payout ratio 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, amortization, and gains or losses on disposal of property and equipment. Adjusted EBITDA is calculated as EBITDA before costs associated with business acquisition costs and share based compensation. These measures do not have a standardized definition prescribed by IFRS and therefore may not be comparable to similar captioned terms presented by other issuers.

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

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

	Three months ended March 31	
(in $000s)	**2017**	**2016**
Net loss from continuing operations	(969)	(3,148)
Add:		
Finance costs	714	194
Depreciation	1,559	2,025
Amortization of intangibles	165	165
Impairment of property and equipment	—	5,152
Purchase gain	—	(2,108)
Income taxes (recovery)	(615)	(2,021)
Discontinued operation	(109)	292
EBITDA	745	551
Add:		
Stock based compensation	(1)	(6)
Severance costs	384	243
Business acquisition costs	—	343
Adjusted EBITDA	1,128	1,131

Adjusted EBIT

Adjusted EBIT refers to earnings before interest and finance charges, taxes, amortization, impairment of intangibles, purchase gain, other gain, severance costs and business acquisition costs.

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

	Three months ended March 31	
(in $000s)	**2017**	**2016**
Net loss from continuing operations	(969)	(3,148)
Add:		
Finance costs	714	194
Amortization of intangibles	165	165
Impairment of property and equipment	—	5,125
Purchase gain	—	(2,108)
Income taxes (recovery)	(615)	(2,021)
Severance costs	95	201
Business acquisition costs	—	343
Discontinued operation	187	(693)
Adjusted EBIT	(423)	(1,942)

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

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

	Three months ended March 31	
(in $000s)	**2017**	**2016**
Net loss from continuing operations	(969)	(3,148)
Add non-cash expenses:		
Depreciation	1,559	2,025
Amortization of intangibles	165	165
Impairment of property and equipment	—	5,125
Purchase gain	—	(2,108)
Stock based compensation	(1)	(6)
Deferred taxes	(615)	(2,138)
	139	(85)
Add non-recurring expenses:		
Severance	95	201
Business acquisition expense	—	343
	234	459
Change in non-cash working capital from continuing operations	(695)	1,211
Maintenance capital	(27)	(220)
Adjusted Free Cash Flow	(488)	1,450

FORWARD-LOOKING STATEMENTS

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

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

ADDITIONAL INFORMATION

Information about Canadian Equipment Rentals Corp. may be found on the SEDAR website at www.sedar.com on the Company's website at www.cerfcorp.com. The Company trades on the TSX Venture Exchange under the symbol CFL.