MANAGEMENT'S DISCUSSION AND ANALYSIS

CERF INCORPORATED

FOR THE THREE MONTHS ENDED
MARCH 31, 2016 AND 2015

Dated May 25, 2016

The following management's discussion and analysis ("MD&A") provides an overview of the events and transactions that have affected the performance of CERF Incorporated ("CERF" or the "Company" or "our" or "we") for the three month period ended March 31, 2016 when compared to the three month period ended March 31, 2015. The MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto of CERF for the years ended December 31, 2015 and 2014. 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 CERF'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 CERF as of May 25, 2016.

OVERVIEW AND CORPORATE PROFILE

CERF is a Canadian public corporation with three primary operating segments: Energy Services, General Rentals and Waste Management.

The Energy Services segment provides surface wellsite equipment rentals, downhole equipment 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 operates as 4-Way Equipment Rentals ("4-Way") and provides equipment rental solutions for construction and industrial projects in Edmonton, Alberta and surrounding areas from its facility in Edmonton, Alberta.

The Waste Management segment operates as MCL Waste Systems & Environmental ("MCL") and manages and operates five major landfills, two waste management facility contracts in Central and Northern Alberta, and provides disposal and recycling services for clientele in a variety of industries

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)	**2016**	**2015**
Revenue	8,540	17,660
Gross margin	883	4,592
Adjusted EBITDA[1,2]	1,132	5,687
Adjusted EBIT[1,2]	(1,914)	2,851
Net (loss) income	(4,102)	1,242
Net (loss) income per share		
Basic	($0.11)	$0.03
Diluted	($0.11)	$0.03
Dividends paid per share	$0.00	$0.06

[1] *Adjusted for severances and business acquisition costs*
[2] *See Financial Measures Reconciliations below*

- On February 2, 2016, the Company acquired all the outstanding common and preferred shares of Zedcor Oilfield Rentals Ltd., a private oilfield equipment rental company with operations in Western Canada. This transaction added premier equipment rental assets with an average age of approximately three years and expanded the Company's geographic footprint and customer base. The acquisition was financed through a combination of the issuance of $4.9 million common and preferred shares, the payout of $12.8 million in debt and the issuance of a subordinated vendor take-back note with a fair value of $3.7 million.
- Revenues for the quarter ended March 31, 2016 decreased by $9.2 million or 52% from $17.7 million to $8.5 million compared to the same quarter in 2015. The impact of lower drilling activity resulted in Energy Services revenue to decrease by $7.6 million or 84% which was offset with the additional $1.3 million revenue from the Zedcor Oilfield Rentals Ltd. acquisition. General Rentals revenue decrease of $2.6 million accounting for the remaining reduction.
- Net loss for the quarter ended March 31, 2016 was $4.1 million, down $5.3 million or 4.3 times from an income of $1.2 million from the same period in 2015. The decrease in net income was largely driven by the decrease in quarter over quarter revenue and a $5.2 million impairment of tangible assets was recognized in the period.
- As a result of low utilization, the Company identified certain under-utilized rental equipment in the Energy Services segment to be held for sale. These assets have a net realizable value of $3.7 million after an impairment of $5.2 million was recognized.
- Adjusted EBITDA for the quarter ended March 31, 2016 decreased by $4.6 million or 80% from $5.7 million in the same quarter in 2015 to $1.1 million in the current period. Energy Services adjusted EBITDA decreased by $3.4 million or 87% and General Rentals adjusted EBITDA decreased by $1.8 million or 85% quarter over quarter. Waste Management maintained consistent adjusted EBITDA compared to the same quarter in 2015.

- On April 28, 2016, the Company's Syndicated Credit Facility was amended under the Third Amending Agreement to amend the financial covenants 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/EBITDA	5.75:1	5.50:1	5.50:1	4.00:1	3.50:1	3.00:1
Interest Coverage	3.25:1	3.25:1	2.75:1	2.75:1	3.50:1	3.50:1

** 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, with adjustments for transaction costs and severance incurred in the year.*
*** 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 on a proforma twelve months basis.*

SELECTED QUARTERLY FINANCIAL INFORMATION

(Unaudited – in $000s)	Mar 31 2016	Dec 31 2015	Sept 30 2015	June 30 2015	Mar 31 2015	Dec 31 2014	Sept 30 2014	June 30 2014
Revenue	8,540	8,829	10,686	9,292	17,660	20,522	15,006	10,014
Net income (loss)	(4,102)	(16,689)	(12,639)	(1,966)	1,242	2,036	1,293	257
Adjusted EBITDA[1]	1,131	649	2,991	1,273	5,687	6,861	5,039	2,602
Adjusted EBITDA per share								
- basic[1]	0.03	0.00	0.08	0.03	0.15	0.19	0.20	0.16
Net income (loss) per share								
Basic	(0.11)	(0.46)	(0.35)	(0.05)	0.03	0.06	0.05	0.02
Diluted	(0.11)	(0.46)	(0.35)	(0.05)	0.03	0.06	0.05	0.02
Dividend per share	—	0.02	0.02	0.06	0.06	0.06	0.06	0.06
Adjusted free cash flow[1]	3,014	422	3,423	685	4,017	4,031	3,385	667
Dividend declared	—	728	727	2,178	2,175	2,173	2,130	1,055
Annualized payout ratio[1]	n/a	59%	55%	53%	65%	72%	76%	65%

[1] *See Financial Measures Reconciliations below*

OPERATING SEGMENT REVIEW

The Company reports results (including gross margin) 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)	**2016**	**2015**	**% change**
Revenue	**3,311**	**9,673**	**(66%)**
Direct costs and depreciation of operating assets	3,099	6,609	(53%)
Margin	212	3,064	(93%)
Margin %	6%	32%	

Operational Review
Q1 2016 vs Q1 2015

The instability of commodity prices and worsening economic conditions in the oil and gas sector continues in 2016. This, in turn, has caused early cancellations, further delays and suspension of customer capital programs and lower drilling activity which have all negatively impacted the Energy Services segment's equipment utilization and pricing as operators continue to reassess their planned expenditures and demand further discounts from suppliers.

For the quarter ended March 31, 2016, Energy Services revenue of $2.0 million, excluding revenue from the Zedcor acquisition, declined by $7.6 million or 79% compared to the similar period in 2015. Gross margin of negative $0.4 million, excluding Zedcor, decreased $3.1 million or 86% compared to the three months ended March 31, 2015. Energy Services management initiated active cost rationalization during 2015 to mitigate the anticipated revenue reduction, resulting in improved gross margin percentage, excluding depreciation, of 56% in the current period compared to 48% for the three months ended March 31, 2015. Depreciation of equipment remained the same quarter over quarter at $1.5 million.

The Zedcor acquisition proved to be accretive, generating $1.3 million in revenue and contributing $0.6 million gross margin to the Energy Services segment. The Company benefited from Zedcor's best in class rental equipment fleet and strong operations to maintain its customer base during the current market downturn.

GENERAL RENTALS SEGMENT RESULTS

	Three months ended March 31		
(in $000s)	**2016**	**2015**	**% change**
Equipment rental and service revenue	**1,830**	**4,019**	**(54%)**
Direct costs and depreciation of operating assets	1,597	2,656	(40%)
Margin	233	1,363	(83%)
Margin %	13%	34%	

Operational Review
Q1 2016 vs Q1 2015

The effects of the economic downturn from continued low commodity prices have negatively impacted the broader rental industry. In addition, excess idle equipment from existing competitors and the entry of new competitors into the Alberta market have increased the rental equipment supply and placed downward pressure on pricing. A warmer than normal winter has also reduced utilization of the General Rentals equipment fleet, in particular the Company's ground heater fleet. The combination of these factors caused the General Rentals segment revenue to decrease by $2.2 million or 54% compared to the same quarter in 2015.

Gross margin decreased by $1.1 million or 83% from the reduced revenue, however, the Company's cost cutting measures during the decline in activity helped to sustain a moderate gross margin percentage of 47%, excluding depreciation, in the current period compared to 54% for the three months ended March 31, 2015. The General Rentals segment continues to closely monitor its cost structure and competitors' activities to preserve its margin and customer base.

Sales of Equipment, Fuel and Parts

	Three months ended March 31		
(in $000s)	**2016**	**2015**	**% change**
Sale of equipment, fuel and parts	**532**	**937**	**(43%)**
Cost of sales of equipment, fuel and parts	439	795	(45%)
Margin	93	142	(34%)
Margin %	17%	15%	

Sales of equipment, fuel and parts are a secondary revenue stream within General Rentals and are not relied upon by management to produce consistent margins. The margins can fluctuate significantly in any given quarter, depending on the type and amount of equipment being sold, and the current fuel prices in the wholesale market.

For the three months ended March 31, 2016, sales of equipment, fuel and parts decreased by $0.4 million or 43% compared to the same period in 2015 due to weaker industrial activity while gross margin percentage of 17% was slightly higher than for the three months ended 2015.

WASTE MANAGEMENT SEGMENT RESULTS

	Three months ended March 31		
(in $000s)	**2016**	**2015**	**% change**
Waste management revenue	**2,867**	**3,031**	**(5%)**
Direct costs and depreciation of operating assets	2,522	2,646	(5%)
Margin	345	385	(10%)
Margin %	12%	13%	

Operational Review
Q1 2016 vs Q1 2015

The Waste Management segment has reliably maintained its steady revenue streams and positive margins from its long-term landfill and facilities management agreements. The additional two long-term contracts awarded in the current quarter will continue to solidify the Waste Management segment's cash flow contribution to the Company.

However, weak market conditions in Alberta have resulted in decreased waste volumes and commercial and residential collections. The Waste Management segment's revenue decreased by $0.2 million or 5% compared to the same quarter in 2015 due to the reduced volumes. Gross margins of $0.3 million in the current period decreased slightly from the three months ended March 31, 2015 due to the slight revenue reduction as direct costs and equipment depreciation essentially remained consistent quarter over quarter.

OTHER EXPENSES

	Three months ended March 31		
(in $000s)	**2016**	**2015**	**% change**
General and administrative	2,940	2,198	34%
Depreciation of administrative assets	100	58	72%
Amortization of intangible assets	277	501	(45%)
Business acquisition	343	16	2,044%
Finance costs	652	446	46%
Income taxes	(2,371)	493	581%

For the three months ended March 31, 2016, total general and administrative expenses were $2.9 million, an increase of $0.7 million or 34% when compared to the first quarter of 2015, mainly due to additional personnel and infrastructure costs from the Zedcor acquisition, marketing costs from rebranding the Energy Services segment to Zedcor Energy Services, and certain severance costs associated with the restructuring.

The impairment to the Energy Services segment intangible assets in 2015 resulted in decreased amortization expense by $0.2 million or 45% compared to the same quarter in 2015. Business acquisition costs increased by $0.3 million due to advisory fees associated with the Zedcor acquisition.

ASSETS HELD FOR SALE

As a result of low equipment utilization due to the oil and gas sector's downturn, the Company has decided to sell certain under-utilized and obsolete rental assets in the Energy Services segment. As at March 31, 2016, the Company classified such equipment with a net realizable value of $3.7 million as assets held for sale. An impairment of $5.2 million was recognized prior to reclassification from property and equipment to assets held for sale. The Company is actively marketing these assets to potential buyers and expects the sale of these assets to be completed within one year.

OUTLOOK

The uncertain and challenging economic environment experienced in 2015 due to the decline and instability of commodity prices continues in 2016 and currently shows no sign of reversing. This environment has caused CERF's customers to reduce their 2016 capital expenditure programs and delay investment decisions which have directly impacted the utilization and day rates of equipment in CERF's Energy Services and General Rentals segments.

In response to this reality, management continues to actively manage costs and refine the strategy to ensure maximum equipment utilization. In the first quarter of 2016, management reduced headcount, including many senior positions, reduced labor hours, consolidated operating facilities and made reductions in discretionary spending to align the cost structure to the level of activity currently experienced. Management expects activity levels for Energy Services to remain low until such time that commodity prices stabilize at a level that results in increased producer spending.

CERF's operational performance, service quality and best-in-class equipment rental fleet are instrumental to maintain and grow its market share. Management believes the meaningful actions taken in the first quarter of 2016 have positioned the Company to weather the current oilfield services downturn and maintain the Company's strong customer base and reputation.

The recent wildfires in Fort McMurray, Alberta and the subsequent rebuilding efforts that will take place may provide opportunities for the Company to deploy certain assets for use in the rebuilding activities. Management is actively exploring areas where it can supply lodging, power and lighting as it has done previously, through the Energy Services and General Rentals segments, for the 2013 flood in Calgary and High River, Alberta and the 2011 wildfire in Slave Lake, Alberta.

The Waste Management segment continues to provide steady cash flows from its several government-owned waste facility contracts. The economic downturn however has had a negative impact, albeit minimal, on disposal volumes for both municipal waste and soil tonnage levels. The volume decrease is being closely monitored by management to ensure progressive measures are taken to mitigate any potential profit erosion. Management had expected a modest decline in commercial and new residential collections given the current economic environment, but the addition of a major collections contract in the first quarter of 2016 and earlier than anticipated spring conditions have resulted in increased volumes to offset these reductions.

With a largely new management team in place, the Company is expanding its market reach and customer base from beyond its traditional energy services and general commercial customers to new industry segments including industrial facilities and pipeline construction. This will 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 the current economic downturn.

SEASONALITY OF OPERATIONS

CERF operates in industries that are seasonal by nature. The seasonality experienced by the Waste Management segment is opposite to the seasonality of the Energy Services and the General Rentals segments. Although the Waste Management segment is a much smaller segment than the other segments, this seasonality helps to smooth CERF's cash flow levels throughout the four fiscal quarters.

The General Rentals segment rents equipment in all seasons, but sees an increase in rental revenues in the fourth and first quarters when the construction industry demands the same equipment as in the summer as well as heaters, lighting units and other specialized cold weather equipment in order to keep working through the colder months of the year.

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.

Whereas cold weather boosts activity in the equipment rentals segments, it is the warmer weather of Q2 and Q3 that is most advantageous to the Waste Management segment. During the winter months, the volume of waste coming through operated facilities is curtailed, and waste collection operations slow down as construction activity (both commercial and residential) taper off. In the spring, municipalities, businesses and residents begin cleanup activities, and construction activities ramp up, which boosts collection demands, and increases the volume of waste being brought into the landfill facilities. Activities related to non-hazardous waste and impacted soil projects are highest during the summer months, as the reclamation projects that generate this type of waste can only be done when the ground is not frozen. In addition, construction of new landfill cells can only happen when appropriate conditions are at hand for the placement of cell liners.

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, 2016 and 2015:

	Three months ended March 31			
(Unaudited – in $000s)	**2016**	**2015**	**change**	**% change**
Cash provided by operating activities	550	4,993	(4,443)	(89%)
Cash used in investing activities	(14,326)	(2,751)	(11,575)	(421%)
Cash provided by (used in) financing activities	11,835	(2,435)	14,270	586%

The following table presents a summary of working capital information:

	Three months ended March 31			
(Unaudited – in $000s)	**2016**	**2015**	**change**	**% change**
Current assets	15,956	20,219	(4,263)	(21%)
Current liabilities	47,294	9,995	37,299	373%
Working capital	(31,338)	10,224	(41,562)	(407%)
Working capital ratio	(0.34)	2.02	(1.68)	(83%)

The primary uses of funds are operations expenses, maintenance and growth capital spending, interest and principal payments on our debt facilities, and dividend distributions when appropriate. The Company has a variety of sources available to meet these liquidity needs, including cash generated from operations, drawdowns under the revolving credit facilities, 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 significantly curtailed capital expenditures to projects only where replacement or repair of the asset was absolutely required or to projects which would generate an acceptable return within an acceptable time period.

The Company anticipates that its existing capital resources including its Credit Facility and cash flows from operations will be adequate to satisfy its liquidity requirements through fiscal 2016. This expectation could be adversely affected by a material negative change in the oilfield service industry, which in turn could lead to covenant breaches on the Company's Credit Facility, which, if not amended or waived, could limit the Company's access to the credit facility. If available liquidity is not sufficient to meet CERF's operating and debt servicing obligations as they come due, management's plans include further expenditure reductions, pursuing alternative financing arrangements, asset dispositions, or pursuing other corporate strategic alternatives.

Principal Credit Facility

	Effective interest rate	Final maturity	Facility maximum at March 31, 2016	Outstanding as at March31, 2016	Outstanding as at March 31, 2015
Revolving operating facility	3.56%	2018	55,000	40,400	27,500
Revolving capital expenditure facility	3.91%	2018	10,000	3,750	4,000
				44,150	31,500
Current portion				(44,150)	(1,000)
Long term debt				—	30,500

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.

The $44,150 credit facilities balance is recorded as a current liability as at March 31, 2016 as the Company was in breach of the Debt to EBITDA covenant in the Second Amending Agreement. The lending agents agreed to the Third Amending Agreement prior to the reporting date thus ensuring covenant compliance with the Third Amending Agreement. However, in accordance with IAS 1.74, the liability is presented as a current liability for the quarter as set forth in the Second Amending Agreement.

Interest payable on all loans drawn under the credit facilities will range from bank prime rate plus 100 bps to bank prime rate plus 400 bps depending on the Company's Debt to EBITDA ratio. The Credit facilities may also be financed through Bankers' Acceptances at the Company's option with stamping fees of between 200 bps to 500 bps depending on the Company's Debt to EBITDA ratio. Under the terms of the Third Amending Credit Agreement, the Company was in compliance of its covenants at March 31, 2016 as follows.

As at March 31, 2016, the Company was in compliance with its financial covenants as follows:

	Requirement	**Actual at March 31, 2016**
Debt to EBITDA*	Maximum of 5.75 times EBITDA	5.57 times EBITDA
Interest Coverage Ratio**	Minimum of 3.25 times adjusted cash flow	4.00 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.*
** *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 on a proforma twelve months basis.*

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, 2016:

(in $000s)	1 Year	2-3 years	4-5 years	Thereafter	Total	Carrying value
Accounts payable and accrued liabilities	2,896	—	—	—	2,896	2,896
Long-term debt	44,150	—	—	—	44,150	44,150
Finance leases	634	1,175	1,175	3,427	6,411	3,774
Operating leases	1,992	2,233	515	—	4,740	—
Total	49,672	3,408	1,690	3,427	58,197	50,820

OUTSTANDING SECURITIES

At May 25, 2016, the Company had the following securities outstanding:

- 41,199,931 common shares issued and outstanding.
- 4,400,000 preferred shares issued and outstanding.
- 2,800,500 options are outstanding exercisable at prices ranging from $0.50 per share to $3.09 per share.

DIVIDENDS

Dividends are declared at the discretion of the Board of Directors. The Company's ability to pay dividends is determined by financial performance, debt repayment requirements, capital and working capital requirements.

Dividends, when paid, are normally declared quarterly to shareholders of record near the last day of the quarter and paid on or about the 15th of the month following the record date.

In conjunction with the announcement of the Zedcor acquisition on February 2, 2016, the Company announced that it suspended payment of further dividends until further notice.

Cash dividends paid per share are summarized below:

Declaration Date	2009	2010	2011	2012	2013	2014	2015	2016
March 31	$0.12	$0.06	$0.06	$0.06	$0.06	$0.06	$0.06	$0.00
June 30	0.12	0.06	0.06	0.06	0.06	0.06	0.06	0.00
September 30	0.12	0.06	0.06	0.06	0.06	0.06	0.02	0.00
December 31	0.06	0.06	0.06	0.06	0.06	0.06	0.02	0.00
Total	$0.42	$0.24	$0.24	$0.24	$0.24	$0.24	$0.16	$0.00

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 28, 2016. For a discussion of the business risks and uncertainties related to CERF please refer to the annual Management Discussion and Analysis dated April 28, 2016 and to CERF's Annual Information Form dated April 28, 2016 both of which can be found on the Company's website or at www.SEDAR.com.

SUBSEQUENT EVENTS

As part of its strategy to expand its market reach and customer base, on May 6, 2016, the Company acquired the assets of Summit Star Energy Services Inc. ("Summit Star") for $750,000. The purchase price was funded by the issuance of 1,713,318 CERF common shares based on the volume weighed average price of $0.45 per common share over the 30 trading days up to and including May 5, 2016. No debt was assumed and no cash was paid in conjunction with the transaction. The accounting for the purchase price adjustment has not been completed at the time of the release of these financial statements.

FINANCIAL MEASURES RECONCILIATIONS

CERF 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)	**2016**	**2015**
Net income	(4,102)	1,242
Add:		
Finance costs	652	446
Depreciation	3,052	2,795
Amortization of intangibles	277	501
Impairment of property and equipment	5,152	—
Bargain purchase gain	(2,108)	—
Income taxes	(2,371)	493
EBITDA	552	5,477
Add:		
Stock based compensation	(6)	41
Severance costs	243	153
Business acquisition costs	343	16
Adjusted EBITDA	1,132	5,687

Adjusted EBIT

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

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

	Three months ended March 31	
(in $000s)	**2016**	**2015**
Net income	(4,102)	1,242
Add:		
Finance costs	652	446
Amortization of intangibles	277	501
Impairment of property and equipment	5,152	—
Bargain purchase gain	(2,108)	—
Income taxes	(2,371)	493
Severance costs	243	153
Business acquisition costs	343	16
Adjusted EBIT	(1,914)	2,851

Annualized payout ratio

Annualized payout ratio is a non-IFRS measure and is defined by management as dividends declared in the current and preceding 3 quarters divided by adjusted free cash flow generated in the current and preceding three quarters. Management believes that the payout ratio gives readers an indication of the sustainability of dividends. The payout ratio depends on the adjusted free cash flow and the amount of dividends declared payable.

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 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 is calculated as follows:

(in $000s)	Three months ended March 31, 2016	2015
Net income	(4,102)	1,242
Add non-cash expenses:		
Depreciation	3,052	2,795
Amortization of intangibles	277	501
Impairment of property and equipment	5,152	—
Stock based compensation	(6)	41
Deferred taxes	(2,489)	323
	1,884	4,902
Add non-recurring expenses:		
Severance	243	153
Business acquisition expense	343	16
	2,470	5,071
Change in non-cash working capital	774	91
Maintenance capital	(230)	(1,145)
Adjusted Free Cash Flow	3,014	4,017

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 assessment of expected activity levels continuing through 2016, and expected decrease in demand for rental equipment over the next year as well as forecasted economic measures for the Province of Alberta and oil and natural gas prices and the effect on drilling programs as a result of the decline in oil prices. 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 demand for industrial rental equipment, will remain relatively constant through 2016, that the economic downturn caused by the low oil price environment will only marginally affect the performance of the waste management segment, that the Company's proactive cost cutting measures currently being implemented will protect future margins and that the Company's diverse operations will protect against profound down swings in the economic environment. Although management believes these assumptions are reasonable, there can be no assurance that they will be proved to be correct, and actual results will differ materially from those anticipated. For this purpose, any statements herein that are not statements of historical fact may be deemed to be forward-looking statements. The forward-looking statements or information contained in this MD&A are made as of the date hereof and the Company assumes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new contrary information, future events or any other reason, unless it is required by any applicable securities laws. The forward-looking statements or information contained in this MD&A are expressly qualified by this cautionary statement.

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

ADDITIONAL INFORMATION

Information about CERF Incorporated 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.