MANAGEMENT'S DISCUSSION AND ANALYSIS

CERF INCORPORATED

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2015 AND 2014

Dated April 28, 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 and twelve month periods ended December 31, 2015 when compared to the three and twelve month periods ended December 31, 2014. 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 April 28, 2016.

OVERVIEW AND CORPORATE PROFILE

CERF is a Canadian public corporation with two primary divisions: Energy Services and Industrials.

The Energy Services division is comprised of one reporting segment, the Oilfield Rentals Segment ("Oilfield Rentals") and is engaged in the rental of oilfield equipment to the Western Canadian Oil and Gas Industry. Oilfield Rentals operates as TRAC Energy Services ("TRAC") and rents surface wellsite equipment, downhole equipment and wellsite accommodations from its main facility in Nisku, Alberta, sales office in Calgary, Alberta and operating yards in Grand Prairie and Onoway, Alberta and Estevan, Saskatchewan. The assets of Empire Tool Inc., ("Empire") and the operations of Winalta Inc., ("Winalta") are reported under TRAC.

The Industrials division is comprised of two reporting segments, the Industrial Rental Segment ("Industrial Rentals") and the Waste Management Segment ("Waste Management").

Industrial Rentals operates as 4-Way Equipment Rentals ("4-Way") and rents construction and industrial equipment from its facility in Edmonton, Alberta.

Waste Management 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.

	Twelve months ended December 31		Three months ended December 31	
(in $000s)	**2015**	**2014**	**2015**	**2014**
Revenue	46,467	57,967	8,829	20,522
Gross margin	6,248	17,395	(278)	6,360
Adjusted EBIT[1]	(1,437)	10,505	(2,663)	4,138
Net (loss) income	(30,052)	5,073	(16,889)	2,036
Net (loss) income per share				
Basic	($0.83)	$0.22	($0.46)	$0.06
Diluted	($0.83)	$0.22	($0.46)	$0.06
Adjusted EBITDA[2]	9,780	18,527	37	6,861
Dividends paid per share	$0.16	$0.24	$0.02	$0.06

[1,2] *See Financial Measures Reconciliations below*

- Revenues for the quarter ended December 31, 2015 decreased by $11.7 million or 57% from $20.5 million to $8.8 million compared to the similar quarter in 2014. $9.4 million or 80% of this revenue decrease stemmed from Oilfield Rentals where quarter over quarter revenues decreased by $9.4 million or 79%.
- Net income for the quarter ended December 31, 2015 decreased by $18.9 million or 9.3 times from an income of $2.0 million to a loss of $16.9 million compared to the similar quarter in 2014. Of this loss, $14.0 million resulted from the goodwill impairment recognized, the majority of which relates to the Oilfield Rentals business due to significant decline in revenues from that segment.
- Adjusted EBITDA for the quarter ended December 31, 2015 decreased by $6.8 million or 99% from $6.9 million to $37,000 compared to the similar quarter in 2014. This decrease resulted from a $4.5 million or 95% quarter over quarter decline of Adjusted EBITDA from Oilfield Rentals and a $1.1 million or 47% quarter over quarter decline in Adjusted EBITDA from Industrials Rentals.
- For the year ended December 31, 2015, revenues decreased by $11.5 million or 20% from $58.0 million to $46.5 million compared to the year ended December 31, 2014, driven mainly by a 31% year over year revenue decline in Industrial Rentals and a 19% year over year revenue decline in Oilfield Rentals. Within Oilfield Rentals, the 2014 results included 217 days of revenues from Empire Pipe and 126 days of revenue from Winalta Inc.
- For the year ended December 31, 2015, Adjusted EBITDA decreased by $8.7 million or 47% from $18.5 million to $9.8 million compared to the year ended December 31, 2014, driven by a $3.7 million or 38% year over year decline from Oilfield Rentals and a $3.1 million year over year decline in Industrial Rentals.
- An impairment on goodwill and intangibles of $26.5 million was recognized for the year of which $14.0 million was recognized during the quarter.

- Capital asset additions totaled $2.4 million during the fourth quarter of 2015 and comprised mostly of aerial lifts purchased for Industrial Rentals. For the year ended December 31, 2015, capital asset purchases were $6.9 million with 46%, 19% and 33% of this amount purchased for Industrial Rentals, Waste Management and Oilfield Rentals respectively.

- On December 29, 2015, the Company's Syndicated Credit Facility was amended (the First Amending Agreement) to extend the maturity date of the agreement from August 27, 2017 to August 27, 2018, and to amend the financial covenants as follows:

First Amending Agreement	Dec 31 2015	Mar 31 2016	June 30 2016	Sept 30 2016	Dec 31 2016	Thereafter
Debt/EBITDA*	4.0:1	4.0:1	4.0:1	4.0:1	3.5:1	3.0:1
Interest Coverage Ratio**	3.25:1	3.25:1	3.25:1	3.25:1	3.25:1	3.5:1

** 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.*
*** 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.*

OUTLOOK

The entire outlook section is considered to be a forward-looking statement as described below.

The uncertain and challenging economic environment experienced in 2015 due to the decline and instability of commodity prices continues into 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 Oilfield Rentals and Industrial Rentals segments.

In response to this reality, management continues to actively manage costs and refine the strategy to ensure maximum equipment utilization. Specifically, commencing in the fourth quarter of 2015 and throughout 2016, management has 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 oilfield rentals 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 fourth quarter of 2015 and 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 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.

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.

SELECTED QUARTERLY FINANCIAL INFORMATION

(in $ 000s)	Dec 31 2015	Sept 30 2015	June 30 2015	Mar 31 2015	Dec 31 2014	Sept 30 2014	June 30 2014	Mar 31 2014
Revenue	8,829	10,686	9,292	17,660	20,522	15,006	10,014	12,424
Net income (loss)	(16,689)	(12,639)	(1,966)	1,242	2,036	1,293	257	1,488
Adjusted EBITDA[1]	37	2,954	1,255	5,534	6,861	5,039	2,602	4,026
Adjusted EBITDA per share - basic[1] ($)	0.00	0.08	0.03	0.15	0.19	0.20	0.16	0.25
Net income (loss) per share								
Basic ($)	(0.46)	(0.35)	(0.05)	0.03	0.06	0.05	0.02	0.09
Diluted ($)	(0.46)	(0.35)	(0.05)	0.03	0.06	0.05	0.02	0.09
Dividend per share ($)	0.02	0.02	0.06	0.06	0.06	0.06	0.06	0.06
Dividend declared	728	727	2,178	2,175	2,173	2,130	1,055	968
Annualized payout ratio[1]	-119%	55%	53%	65%	72%	76%	65%	44%

[1]See Financial Measures Reconciliations below

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 December 31		Twelve months ended December 31	
(in $000s)	**2015**	**2014**	**2015**	**2014**
Net (loss) income	(16,688)	2036	(30,052)	5,073
Add:				
Finance costs	587	600	1,881	1,875
Depreciation	2,662	2,676	11,066	7,915
Amortization of intangible assets & impairment of goodwill	14,451	508	28,453	1,230
Income taxes	(1,028)	766	(1,781)	1,890
EBITDA	(16)	6,586	9,567	17,983
Add:				
Stock based compensation	38	47	151	107
Business acquisition costs	16	228	62	437
Adjusted EBITDA	38	6,861	9,780	18,527

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 December 31		Twelve months ended December 31	
(in $000s)	**2015**	**2014**	**2015**	**2014**
Net (loss) income	(16,688)	2,036	(30,052)	5,073
Add:				
Finance costs	587	600	1,881	1,875
Amortization of intangible assets & impairment of goodwill	14,451	508	28,453	1,230
Income taxes	(1,028)	766	(1,781)	1,890
Business acquisition costs	16	228	62	437
Adjusted EBIT	(2,662)	4,138	(1,437)	10,505

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:

	Three months ended Dec 31		**Twelve months ended Dec 31**	
(in $000s)	**2015**	**2014**	**2015**	**2014**
Net(loss) income	(16,688)	2,036	(30,052)	5,073
Add non-cash expenses:				
Depreciation	2,662	2,676	11,066	7,915
Amortization of intangible assets & impairment of goodwill	14,451	508	28,453	1,230
Stock based compensation	38	47	151	107
Deferred taxes	(469)	785	(1,222)	1,225
	(6)	6,052	8,396	15,550
Add non-recurring expenses:				
Business acquisition expense	16	228	62	437
	10	6,280	8,458	15,987
Change in non-cash working capital	1,127	(1,102)	4,744	(2,588)
Maintenance capital	(200)	(1,145)	(2,990)	(4,581)
Adjusted Free Cash Flow	937	4,033	10,212	8,818

OPERATING SEGMENT REVIEW

We report our results (including gross margins) in three business segments: Oilfield Rentals, Industrial Rentals, and Waste Management. Our reporting structure reflects how we manage our business and how we classify our operations for planning and performance measurement. Our discussion of segment operating performance is set out below.

CERF Energy Services – Oilfield Rentals Segment

CERF's Oilfield Rentals 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.

Oilfield Rentals Performance

Oilfield Rentals

	Three months ended December 31			Twelve months ended December 31		
(in $000s)	**2015**	**2014**	**% change**	**2015**	**2014**	**% change**
Revenue	2,426	11,790	(79%)	17,437	21,540	(19%)
Direct costs and depreciation of operating assets	3,258	7,487	(56%)	16,412	13,204	(24%)
Margin	(832)	4,303	(119%)	1,025	8,336	(88%)
Margin %	(34%)	36%		6%	39%	

Operational Review

Q4 2015 vs Q4 2014

Oilfield Rentals revenues, include the results of the operations of TRAC Energy Services (TRAC), Winalta and the assets of Empire acquired during 2014 and represent 27% and 38% of the total Company revenues for the quarter and year ended December 31, 2015. The revenues for 2014 include the operations of Winalta for 126 days and the revenues generated from the assets of Empire for 217 days.

For the quarter ended December 31, 2015, Oilfield Rentals' revenues declined by $9.4 million or 79% compared to the similar period in 2014. This revenue decline stems from a $7.0 million or 82% decline in quarter over quarter revenues from the accommodations business combined with a $2.3 million or 73% drop in the surface and heavy weight drill pipe rentals. The quarter over quarter revenue decline results from the significant drop in oil and gas prices which has constrained drilling activity across the industry. This has directly impacted the utilization rates of the Oilfield Rental's fleet and depressed day rates to remain responsive to customers' cost requirements.

In response to declining revenues, Oilfield Rentals cut direct operating costs (excluding depreciation) by $4.5 million or 75%. Expense reductions came from several initiatives including: personnel where the quarter over quarter employee count decreased from 38 employees to 17 employees reducing costs by approximately $1.6 million, a 5% division wide salary decrease which reduced salaries by approximately $120,000, and significantly reduced third party catering costs as fewer camps were being rented.

The resulting margin for the quarter ended December 31, 2015, decreased to negative 34% compared to 36% for the comparative quarter in 2014 as the significant revenue decline was not entirely offset by direct cost decreases.

For the year ended December 31, 2015, revenues declined by $4.1 million or 19% compared to the year ended December 31, 2014, again resulting from decreased fleet utilization and depressed day rates from reduced industry activity.

For the year ended December 31, 2015, direct costs excluding depreciation decreased by $3.1 million or 31% from $10.3 million in 2014 to $7.1 million in 2015.

CERF Industrials – Industrial Rentals

CERF's Industrial Rentals provides equipment rental solutions for construction and industrial projects in Edmonton and surrounding areas.

Industrial Rentals Performance

Industrial Equipment Rental and Service

	Three months ended December 31			Twelve months ended December 31		
(in $000s)	**2015**	**2014**	**% change**	**2015**	**2014**	**% change**
Revenue	2,734	4,248	(36%)	12,529	16,822	(26%)
Direct costs and depreciation of operating assets	2,239	2,596	(14%)	9,754	10,632	(8%)
Margin	495	1,652	(70%)	2,775	6,190	(55%)
Margin %	18%	39%		22%	37%	

Operational Review
Q4 2015 vs Q4 2014

Industrial rental revenues represent 28% and 25% of total revenues of the Company for the quarter and year ended December 31, 2015.

For the quarter ended December 31, 2015, Industrial Rental revenue declined by $1.5 million or 36% compared to the similar quarter in 2014. The decrease results from the overall weak Alberta economy driven by significant declines in oil and gas prices which has negatively affected industrial activity. For the industrials segment, this has specifically reduced utilization of the equipment fleet and depressed day rate pricing because of lower demand for industrial rental equipment coupled with increased competition. As well, the warmer than normal winter reduced demand for the Company's ground heater fleet.

Direct costs and depreciation of operating assets while decreasing $357,000 or 14% for the quarter ended December 31, 2015, compared to the similar quarter in 2014, did not keep pace with the percentage decrease in revenues for the same quarters. While quarter over quarter reported wage and salaries only declined $78,000 or 9%, wages and salaries for the fourth quarter of 2015 included approximately $222,500 of severance and salary continuance costs as the work force was adjusted in the context of declining revenues.

Depreciation expense for the quarter ended December 31, 2015 was $103,000 or 11% lower than the same period in 2014 and results the from the strategy to curtain the growth of the fleet in the context of weak equipment utilization.

Sales of Equipment, Fuel and Parts

(in $000s)	Three months ended December 31 2015	2014	% change	Twelve months ended December 31 2015	2014	% change
Sales	774	1,235	(37%)	2,935	5,512	(47%)
Cost of sales	710	1,167	(39%)	2,153	4,863	(56%)
Margin	64	68	(6%)	782	649	20%
Margin %	8%	6%		27%	12%	

Sales of equipment, fuel and parts are a secondary revenue stream within Industrial Rentals and are not relied upon by management to produce consistent margins. The margin 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 quarter ended December 31, 2015, sales of equipment, fuel and parts declined by $461,000 or 38% compared to the similar quarter in 2014 and resulted from a weaker sales environment.

CERF Industrials - Waste Management Segment

Waste Management 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.

Waste Management Performance

Waste Management Segment

(in $000s)	Three months ended December 31 2015	2014	% change	Twelve months ended December 31 2015	2014	% change
Revenue	2,895	3,249	(11%)	13,566	14,092	(4%)
Direct costs and depreciation of operating assets	2,900	2,910	0%	11,898	11,873	0%
Margin	(5)	339	(101%)	1,668	2,219	(25%)
Margin %	(0%)	10%		12%	16%	

Operational Review

Q4 2015 vs Q4 2014

The Waste Management segment's revenues represent 33% and 29% of the total Company revenues for the quarter and year ended December 31, 2015.

Quarter over quarter revenues declined by $354,000 or 11% and results from lower quarter over quarter volumes of industrial waste combined with the loss of a municipal landfill management contract which ended on December 31, 2014.

Direct costs and depreciation of operating assets in the fourth quarter of 2015 remained the same compared to the similar period in 2014.

The quarter over quarter difference in the margins results mainly from the differences in the quarterly revenues, thus evidencing the relative fixed nature of the cost structure.

For the year ended December 31, 2015, revenues declined $526,000 or 4% compared to the year ended December 31, 2014. The decline in revenues again results from lower industrial waste volumes combined with the loss of a municipal landfill management contract which ended on December 31, 2014.

Year over year direct costs and depreciation of operating assets remained essentially the same.

For the year ended December 31, 2015, margins declined by $552,000 or 25%, with the dollar amount of the decline essentially being the year over year decline in revenues.

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

The Company reviews the carrying value of its long-lived assets and cash generating units ("CGU") at each reporting date to determine whether there is any indication of impairment. During 2015, significant decreases in industry activity resulting from the decline in oil and natural gas prices and the resulting impact on current and foreseeable future business indicated possible impairment.

At September 30, 2015 and again at December 31, 2015, the Company performed an impairment test for goodwill, as triggers of impairment existed in the Oilfield Rentals segment due to the continued reduction of capital budgets set by oil and gas producers. 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 each cash generating unit to which goodwill has been allocated, using a 5-year cash flow model, a post-tax discount rate of 15.0% and a terminal value growth of 2.0%. Budgeted EBITDA margins for the Oilfield Rentals CGUs were forecast at a range between 20%-55%. EBITDA is a non-GAAP 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 and expectations of future growth. Cash flow projections for 2016 assume that revenues continue to remain weak reflecting the downturn in the Alberta economy. Cash flow projections for 2017-2020 assume a gradual recovery to historical activity levels.

Impairment losses are allocated first to reduce the carrying cost of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in that CGU.

As a result of the impairment test, the carrying value of the CGU's exceeded the estimated recoverable amount. Accordingly, for the year ended December 31, 2015, the Company recorded goodwill impairment of $24,045 and an intangible asset impairment charge of $2,484 in its Oilfield Rentals CGUs.

OTHER EXPENSES

	Three months ended Dec 31			Twelve months ended Dec 31		
(in $000s)	**2015**	**2014**	**% change**	**2015**	**2014**	**% change**
General and administrative	2,305	2,158	7%	7,415	6,731	10%
Depreciation of administrative assets	80	52	54%	270	159	70%
Amortization of intangible assets	468	508	(8%)	1,924	1,230	56%
Business acquisition	16	228	(93%)	62	437	(86%)
Finance costs	587	600	(2%)	1,881	1,875	0%
Income taxes	(1,028)	766	(234%)	(1,781)	1,890	(194%)
Goodwill impairment	13,983	-	N/A	26,529	-	N/A

While reported general and administrative costs increased $146,000 or 7% quarter over quarter, the fourth quarter of 2015 included severances and retiring allowances of approximately $838,000. For the year ended 2015, salaries and rent drove majority of the general and administrative cost increases compared to 2014, due in part to the incorporation of existing Winalta management personnel into the CERF management team during Q3 2014 and the movement of certain accounting and administrative staff from the divisions into CERF.

Finance costs consist of both interest costs on borrowed debt and loan syndication fees.

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 year ended December 31, 2015 and 2014:

	Twelve months ended Dec 31			
(in $000s)	**2015**	**2014**	**Change**	**% Change**
Cash provided by operating activities	13,100	13,105	(5)	0%
Cash provided by (used in) investing activities	(5,151)	(35,367)	30,216	-85%
Cash provided by (used in) financing activities	(6,225)	23,308	(29,533)	-127%

The following table presents a summary of working capital information:

	Twelve months ended Dec 31			
(in $000s)	**2015**	**2014**	**Change**	**% Change**
Current assets	12,679	22,824	(10,145)	-44%
Current liabilities	4,165	12,764	(8,599)	-67%
Working capital	8,514	10,060	(1,546)	-15%
Working capital ratio	3.04	1.79	1.25	70%

The primary uses of funds are operations expenses, maintenance and growth capital spending, dividend distributions, and interest and principal payments on our debt facilities. 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. During 2015, 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 or a longer than anticipated continued downturn in the oilfield service industry, which in turn could lead to the Company breaching the covenants in its Credit Facility. If the covenants were not met, this 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**	**Outstanding as at December 31, 2015**	**Outstanding as at December 31, 2014**
Revolving operating facility	3.35%	2018	55,000	27,500	25,500
Revolving capital expenditure facility	3.37%	2018	10,000	4,000	5,000
				31,500	30,500
Current portion				(1,000)	(1,000)
Long term debt				30,500	29,500

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 Credit Facility was amended ("First Amending Agreement") to reflect: extension of the maturity date of the agreement from August 27, 2017 to August 27, 2018, and amendment of the financial covenants as follows:

First Amendment	Dec 31 2015	Mar 31 2016	June 30 2016	Sept 30 2016	Dec 31 2016	Thereafter
Debt/EBITDA*	4.0:1	4.0:1	4.0:1	4.0:1	3.5:1	3.0:1
Interest Coverage Ratio**	3.25:1	3.25:1	3.25:1	3.25:1	3.25:1	3.5:1

Interest payable on all loans drawn under the credit facilities will range from bank prime rate plus 75 bps to bank prime rate plus 350 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 175 bps to 450 bps .depending on the Company's Debt to EBITDA ratio.

As at December 31, 2015, the Company was in compliance of its financial covenants as follows:

	Requirement	**Actual at December 31, 2015**
Debt to EBITDA*	Maximum of 4.00 times EBITDA	3.15 times EBITDA
Interest Coverage Ratio**	Minimum of 3.25 times adjusted cash flow	4.10 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 December 31, 2015:

(in $000s)	**1 Year**	**2-3 years**	**4-5 years**	**Thereafter**	**Total**	**Carrying value**
Accounts payable and accrued liabilities	2,164	—	—	—	2,164	2,164
Dividends payable	728	—	—	—	728	728
Long-term debt	1,000	30,500	—	—	31,500	31,500
Finance leases	679	1,177	1,176	3,572	6,604	3,850
Operating leases	1,394	1,949	608	—	3,951	—
Total	5,965	33,626	1,784	3,572	44,947	38,242

OUTSTANDING SECURITIES

At April 28, 2016, the Company had the following securities outstanding:

- 39,486,613 common 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. Further, the market value of CERF's common shares is determined in part by the cash dividends paid and therefore a reduction in cash dividends may result in a decline in share value. The Company's ability to pay dividends is determined by financial performance, debt repayment requirements, capital and working capital requirements.

Dividends 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 December 2015, the Company declared a dividend of $0.02 per common share payable to shareholders on January 15, 2016.

Subsequent to the January 15, 2016 dividend payment, the Company announced that it suspended payment of further dividends until further notice.

Cash dividends paid per share are summarized below:

Declaration Date	2008	2009	2010	2011	2012	2013	2014	2015
March 31	$0.16	$0.12	$0.06	$0.06	$0.06	$0.06	$0.06	$0.06
June 30	0.16	0.12	0.06	0.06	0.06	0.06	0.06	0.06
September 30	0.16	0.12	0.06	0.06	0.06	0.06	0.06	0.02
December 31	0.16	0.06	0.06	0.06	0.06	0.06	0.06	0.02
Total	$0.64	$0.42	$0.24	$0.24	$0.24	$0.24	$0.24	$0.16

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2015, the Company paid rent for occupied premises of $113,000 (2014 -$108,000) to a company owned by a director of the Company.

During the year ended December 31, 2014, the Company paid $47,000 (2014 $46,000) in wages to close family members of directors and executive officers.

During the year ended December 31, 2015, the Company paid $13,000 (2014 - $nil) to a corporation controlled by the Executive Chairman of the Company representing fees for the performance of the duties of the Executive Chairman of the Company.

During the year ended December 31, 2015, the Company paid $13,000 ($2014 - $nil) between two corporations controlled by the Executive Chairman of the Company for business development and marketing expenses.

These related party transactions are in the normal course of business and have been recorded at the exchange amount. At December 31, 2015 no balances due to or from related parties was unpaid.

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.

SUBSEQUENT EVENTS

On February 2, 2016, the Company acquired all the issued and outstanding common and preferred shares of Zedcor Oilfield Rentals Ltd., for a purchase price of approximately $21 million. The purchase price consists of 3,049,968 common shares, 4,400,000 preferred shares both at a deemed price of $0.70 per share, the assumption of approximately $10.8 million of debt and a vendor take back note of $5.0 million.

The Preferred Shares are non-voting and non-transferable, have a stated value of $0.70 (the "Stated Value") per share and a term of five years. The Preferred Shares have a cumulative cash dividend of 5% of the Stated Value commencing on January 31, 2017 until January 31, 2018 and a 10% cumulative cash dividend from January 31, 2018 thereafter, with dividend payments being subject to certain restrictions in CERF's existing senior secured credit facilities (the "Credit Facilities"). After January 31, 2019, the Preferred Shares may be converted by the holder thereof into Common Shares at a conversion price of $0.70 per share, subject to the right of CERF to redeem the Preferred Shares prior to such conversion for a cash amount per share equal to the lesser of (i) $2.00; and (ii) the current market price of the Common Shares. CERF shall have the right to redeem the Preferred Shares at any time if the current market price of the Common Shares exceeds $2.00 by either, at CERF's sole option, (i) payment of cash of $2.00 per Preferred Share; or (ii) through the issuance of 4,400,000 Common Shares, subject to certain adjustments. The Preferred Shares may be redeemed at the end of the term, at CERF's sole option, for either (i) a cash amount per share equal to the lesser of $2.00 and the current market price; or (ii) 4,400,000 Common Shares, subject to certain adjustments.

The Vendor Take Back Note ("VTB Note") is unsecured and subordinated to the Credit Facilities. The VTB Note has a five-year term and a 5% annual interest rate, with interest payments subject to certain restrictions in in the Credit Facilities.

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 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/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/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

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.

NEW ACCOUNTING STANDARDS AND AMENDMENTS

New accounting standards not yet adopted:
A number of new standards and amendments to standards and interpretations are not yet effective for the year ended December 31, 2015, and have not been applied in preparing the Company's consolidated financial statements.

- Financial Instruments (IFRS 9) - The Company intends to adopt IFRS 9 in its financial statements for the annual period beginning January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.
- Revenue from Contracts with Customers (IFRS 15) – The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.
- Business combination accounting for interests in a joint operation (Amendments to IFRS 11) – The Company intends to adopt the amendments to IFRS 11 in its financial statements for the annual period beginning January 1, 2016. The extent of the impact of adoption of the standard has not yet been determined.
- Leases (IFRS 16) – The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The following judgments and estimates are those deemed by management to be material to the Company's consolidated financial statements.

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 and intangible assets in the future.

Compensation costs accrued for long-term share-based compensation plans are subject to their fair value estimation by using pricing models such as Black-Scholes model, which is based on significant assumptions such as volatility, dividend yield and expected term.

Inventory is to be carried at the lower of cost and net realizable value. Management's best estimate of fair value less costs of disposal is the selling price prevailing in the market.

When determining the fair value of assets acquired and liabilities assumed in business combinations, the Company uses various valuation techniques including income based approaches, which involves estimating the future net cash flows and applying the appropriate discount rate to those future cash flows to determine the fair value of the identifiable intangible assets acquired.

The Company tests annually, or when facts and circumstances indicate, whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units are determined using the greater of fair value and value-in use. Fair value and value in use calculations require the use of estimates, assumptions, and judgments. Value-in-use calculations require Management to use assumptions regarding projected future sales, earnings, and capital investment, consistent with strategic plans presented to the Board. Discount rates are consistent with external industry information reflecting the risk associated with specific cash flows. Fair value requires Management to make judgments of fair value using such estimates of market rental rates for equipment, discount rates, capitalization rates, and terminal capitalization rates.

Tax interpretations, regulations, and legislation, in the various jurisdictions in which the Company operate are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred taxes are assessment 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's assets are segregated into cash-generating-units based on their ability to generate largely independent cash flows and used for impairment testing. The determination of the Company's cash-generating-units is subject to Management's judgment.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2015, the Company's financial instruments consisted of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, dividends payable, and long term debt. The carrying values of these financial instruments approximate their fair values as at December 31, 2015 and 2014, 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, interest rate, and foreign exchange risks associated with its financial assets and liabilities.

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.

The Company is exposed to credit risk with respect to accounts receivable as it has a concentration of customers involved in the construction industry and the oil and gas industry. The Company's accounts receivable represent balances owing by a number of unrelated companies and no single customer has an accounts receivable balance in excess of 10% of the yearend receivable balance. Management believes that the Company's credit risk with respect to accounts receivable is limited due to the Company's large customer base and management's conservative credit policy. Historically credit losses have not been material.

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.

Occasionally the Company utilizes interest rate swap agreements to manage its exposure to interest rate increases. At December 31, 2015, there were no interest rate swaps agreements in place.

Currency 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, 2015 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 is a summary of certain, but not all, risk factors relating to the Company's business.

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.

Competition

Competition in both the equipment rental and waste management industries is intense and growing. CERF 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.

Waste Management Contracts

MCL, a 100% owned subsidiary of CERF Inc., is a party to various long-term contracts where under it provides waste management services to its customer base in the waste management business. MCL derives a portion of its revenue from municipal contracts that require competitive bidding by potential service providers, and is dependent on specific bond requirements being met. In addition, significant revenues are attributed to a small number of other short-term municipal contracts. Termination, modification or non-renewal of such contracts could have an adverse effect on MCL's business, results of operations and financial condition.

No Long Term Rental Contracts

4-Way and TRAC rent equipment to customers for a limited time or sell equipment to customers primarily on a purchase order basis rather than on a long-term contractual basis. This causes short-term variability in demand by customers. Customers requesting equipment or submitting a purchase order may cancel reduce or delay their order for a variety of reasons. This will affect the level and timing of orders placed and any resulting cancellations, reductions or delays in customer orders could negatively impact the Company's operating results.

Dependence on Major Customers

TRAC, a subsidiary 100% owned by CERF Inc., generates approximately 76% of its revenue from its top ten customers, and there can be no assurance that the current customers will continue their relationships with TRAC. 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 the TRAC and CERF Inc.

Reliance upon Management

CERF Inc. is involved in the equipment rental industry as well as the waste management industry. These industries may involve a substantial degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome.

Dependence on Suppliers

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

Government Regulation

The Company's equipment rental and waste management businesses are both subject to extensive and evolving environmental laws and regulations, which have become increasingly stringent in recent years. Changes to such laws and regulations may impose substantial costs on CERF Inc. and may affect its business in other ways, including requiring compliance by CERF Inc. with various operating procedures and guidelines, which may increase operating costs.

Capital Markets

As a result of the weakened global economic situation, the Company, along with national and international companies with which it competes, have restricted access to capital, bank debt and equity, and is likely to face increased borrowing costs. Although the Company's business and asset base have not changed, the lending capacity of all financial institutions has diminished and risk premiums have increased. 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 or unavailable or available on onerous terms, the Company's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

Surety Bonds, Letters of Credit or Other Financial Assurances and Adequate Insurance Coverage

Municipal waste management and collection contracts may require performance or surety bonds, letters of credit or other financial assurances to secure contractual performance or comply with federal, provincial or local laws and regulations. If the Company was unable to obtain performance or surety bonds or letters of credit in sufficient amounts or at acceptable rates, it could be precluded from entering into additional municipal waste management and collection contracts. Any future difficulty in obtaining insurance could also impair its ability to secure future contracts that are conditional upon the contracts having adequate insurance coverage. Accordingly, the Company's failure to obtain performance or surety bonds, letters of credit or other financial assurances or to maintain adequate insurance coverage could limit its operations or violate federal, provincial or local requirements, which could have a material adverse effect on its business, financial condition and results of operations.

Future Acquisitions

The Company's growth strategy is based, in part, on its ability to acquire other assets or businesses. The success of this acquisition strategy will depend, in part, on its ability to:

- identify suitable assets or businesses to buy;
- negotiate the purchase price of those assets or businesses on acceptable terms;
- complete the acquisitions within the Company's expected time frame;

- improve the results of operations of the assets or businesses that the Company buys and successfully integrate their operations into its own; and
- respond to any concerns expressed by regulators, including anti-trust or competition law concerns.

CERF Inc. may fail to properly complete any or all of these steps.

Future Capital Requirements

The Company 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 favorable terms. If the Company issues Common Shares 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.

Capital Requirements for Future Acquisitions

The Company cannot be certain that it will have sufficient capital or that it will be able to raise capital by issuing equity or debt securities or through other financing methods on reasonable terms, if at all, to complete the purchases of any solid waste management assets or businesses that it wants to acquire. Acquisitions will generally increase the Company's capital requirements unless they are funded from excess free cash flow, which the Company defines as free cash flow after dividends declared. Acquisitions financed with debt or equity capital will result in higher long-term debt or equity amounts recorded on The Company's consolidated statement of financial position. Higher debt levels can increase the Company's borrowing rates and can be expected to increase interest expense due to higher levels of outstanding indebtedness.

Successfully Managing its Growth

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

The Company 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 the Company 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 the Company'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 the Company's operating results are changes in technology, equipment costs, labor 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.

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

The Company's operations are concentrated in the Province of Alberta and are susceptible to that market's local economy, regulations and seasonal fluctuations. Seasonality may temporarily affect the Company's revenues and expenses. 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 the Company, 4-Way and TRAC.

Potential Replacement of or Reduced Use of Products and Services

Certain 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 environmental or other reasons. The changes could have a material adverse effect on the Company's business, financial condition, results or operations and cash flows.

Conflicts of Interest

The directors of the Company maybe or become engaged in different activities, both on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers may be in direct competition with the Company and conflicts of interest, if any, which arise will be subject to and governed by the procedures prescribed by the Alberta Business Corporations Act.

Climate Change Regulations

Environmental advocacy groups and regulatory agencies in Canada have been focusing considerable attention on the emissions of greenhouse gases and their potential role in climate change. As a consequence, governments have begun (and are expected to continue) devising and implementing laws and regulations that require reduced, or are intended to reduce, greenhouse gas emissions. The adoption of such laws and regulations and the imposition of fees, taxes or other costs, could adversely affect The Company's collection and disposal operations

Permits, Licenses and Approvals

To operate solid waste facilities, the Company must obtain and maintain certain licenses, permits or approvals. Permits, licenses and approvals to operate non-hazardous solid waste landfills and transfer stations are difficult, time consuming and expensive to obtain. Failure to obtain the required permits, licenses or approvals to operate landfills and transfer stations could hinder and impair The Company's business strategy. A failure to obtain, renew or extend various permits and licenses could result in the impairment of certain assets.

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.