

ZEDCOR INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS



SECURITY SOLUTIONS

**FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2021 AND 2020**

Dated November 16, 2021

ZEDCOR INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2021

IN THOUSANDS OF CANADIAN DOLLARS

The following management's discussion and analysis ("MD&A") provides an overview of the events and transactions that have affected the performance of Zedcor Inc. (the "Company" or "our" or "we") for the three and nine months ended September 30, 2021 when compared to the three and nine months ended September 30, 2020. The MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto of Zedcor Inc. for the years ended December 31, 2020 and 2019 and the condensed consolidated interim financial statements for the three and nine months ended September 30, 2021 and 2020. These consolidated financial statements are available on the Company's website at www.zedcor.ca as well as on SEDAR at www.sedar.com.

This MD&A is management's assessment of the Company's operations and financial results, as well as management's view of future prospects. These assessments and views are based on certain assumptions related to future events which are uncertain. Statements related to assessments and views which are not statements of historical fact are considered to be forward-looking statements. For a discussion on the risks and uncertainties related to such information please refer to "Forward-Looking Statements" at the end of this MD&A.

This MD&A has been prepared by management and reviewed and approved by the Board of Directors of Zedcor Inc. as of November 16, 2021.

OVERVIEW AND CORPORATE PROFILE

Zedcor Inc. is a Canadian public corporation and is currently the parent company to Zedcor Security Solutions Corp. ("Zedcor"). On September 17, 2020, the Company received shareholder approval to change the names of the Companies in order to better reflect its changing business. Zedcor Energy Inc.'s name was changed to Zedcor Inc. and Zedcor Energy Services Corp.'s name was changed to Zedcor Security Solutions Corp. Zedcor is engaged in providing security & surveillance services in Western and Central Canada. The Company trades on the TSX Venture Exchange under the symbol "ZDC". As a result of the sale of its Rental Segment assets on June 30, 2021, Zedcor operates with one business segment: Security & Surveillance ("S&S").

With a fleet of light towers equipped with high resolution, technology-based security cameras and equipment monitored by a central command center, the S&S segment operates in Western and Central Canada and provides technology-based security and surveillance services. Specifically, the Company has three main service offerings to customers across all market segments: 1) rental, service and remote monitoring of its proprietary MobileyeZ security towers; 2) live, verified remote monitoring of fixed site locations; and 3) security personnel. The Company operates as Zedcor Security Solutions Corp. with its head office in Calgary, Alberta.

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EXECUTIVE SUMMARY:

Selected Financial Highlights

(in \$000s, except per share amounts)	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Revenue from continuing operations	3,684	1,673	9,474	4,543
Revenue from discontinued operations	—	995	3,052	5,252
Adjusted EBITDA^{1,2}	1,349	1,154	5,003	4,121
Adjusted EBITDA from continuing operations^{1,2}	1,349	856	3,442	1,838
Adjusted EBIT^{1,2}	726	461	1,197	735
Net income (loss) from continuing operations	296	(421)	(1,045)	(1,771)
Net income (loss) from operations	296	(1,006)	(3,097)	(2,428)
Net income (loss) per share from continuing operations				
Basic	0.01	(0.01)	(0.02)	(0.03)
Diluted	0.01	(0.01)	(0.02)	(0.03)

¹ Adjusted for severance costs and discontinued operations

² See Financial Measures Reconciliations below

On June 30, 2021, the Company announced the sale of its Rental Segment assets. Accordingly, these operations were classified as discontinued operations on the Company's financial statements. The discussion throughout our MD&A reflect continuing operations of the Company's security and surveillance services, unless otherwise noted. Zedcor recorded \$1,349 and \$3,442 of adjusted EBITDA from continuing operations for the three and nine months ended September 30, 2021. This compares to \$856 and \$1,838 of adjusted EBITDA from continuing operations for the three and nine months ended September 30, 2020. The Company's security and surveillance services segment saw increased revenues and EBITDA compared to 2020 due to increased customer demand of its larger fleet of MobileyeZ security towers.

Zedcor is actively managing the increased customer demand for security solutions by adding to its fleet of towers. The Company has also increased the size of its sales team and opened an equipment branch in British Columbia to market its services in the Lower Mainland and Fraser Valley.

Financial and operational highlights for the three and nine months ended September 30, 2021 include:

- Revenue for the quarter ended September 30, 2021 increased by \$2,011 from \$1,673 to \$3,684. This increase was driven by a larger fleet of MobileyeZ security towers. During Q3 2020, the Company was in the process of retrofitting its existing fleet of solar hybrid light towers to MobileyeZ security towers. This process was completed in Q4 2020 and Zedcor continued to add to its fleet allowing it to generate additional revenues.

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- The Company announcing the award of two long term contracts for its Solar Hybrid MobileyeZ. One contract was for the rental and service of 100 Solar Hybrid MobileyeZ to a pipeline contractor. The second contract was a 21 month rental contract for 15 Solar Hybrid MobileyeZ to a large engineering and construction joint venture. These contracts were expanded in Q3 2021 allowing the Company to maintain its high utilization rates.
- Expanding its fleet of security towers to: 175 Solar Hybrid MobileyeZ and 46 Electric MobileyeZ. Of the 175 Solar Hybrid MobileyeZ, 125 are equipped with ground disturbance sensors which further enhances the capabilities of these units. In addition, the Company deployed 8 of its new Hybrid MobileyeZ towards the end of the quarter. These units are battery powered with a diesel engine backup. They double as small power generation for remote infrastructure projects and construction sites. The Company will continue to manage its supply chain and logistics by constructing additional security towers based on customer demand and expansion plans into other strategic markets in Canada.
- Net income from continuing operations was \$296 for the three months ended September 30, 2021. This compares to a net loss of (\$421) for the three months ended September 30, 2020. For the nine months ended September 30, 2021, net loss was (\$1,045) compared to (\$1,771) for the nine months ended September 30, 2020. The reduction in net loss was a result of higher revenues driven by an increased fleet size and higher utilization for the Company's security tower fleet.
- The Company announcing the closing of the sale of its Rental Segment assets for total proceeds of \$11.3 million on June 30, 2021 in line with its strategy to sell these assets and reduce debt on the balance sheet. The proceeds were used entirely to reduce high interest debt. In addition to the proceeds of \$11.3 million the Company will continue to help manage those assets and will be paid a monthly management fee of \$25 per month for up to 36 months. This transaction also allows the Company to capitalize on potential oilfield activity upside by providing for a 35% annual bonus if certain targets are exceeded. This transaction resulted in a \$2.7 million loss on sale but significantly reduced the Company's balance sheet leverage and allows the Company to focus on expanding its security business throughout North America. In addition, this allowed the Company to access traditional financing subsequent to the end of the quarter. This financing will reduce financing costs and increase cash flow going forward.
- Reducing debt and finance lease liabilities in the first nine months of the year. The Company exited Q3 2021 with \$5,081 outstanding on its credit facilities compared to \$17,317 as at December 31, 2020. Subsequent to the end of the quarter, the Company announced that it had entered into a new credit facility which includes a \$6.1 million fully committed 5 year term loan, a \$3.0 million revolving equipment financing facility and a \$3.0 million revolving line of credit. This facility will significantly reduce financing costs and provide additional capital for growth.

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SELECTED QUARTERLY FINANCIAL INFORMATION

	Sept 30 2021	June 30 2021	Mar 31 2021	Dec 31 2020	Sept 30 2020	Jun 30 2020	Mar 31 2020	Dec 31 2019
Revenue from continuing operations	3,684	3,103	2,687	2,458	1,673	1,441	1,429	1,081
Net income (loss) from continuing operations	296	(935)	(406)	95	(443)	(1,341)	(52)	(1,253)
Adjusted EBITDA¹	1,349	1,492	2,162	1,789	1,154	877	2,093	1,305
Adjusted EBITDA per share - basic¹	0.02	0.03	0.04	0.03	0.02	0.02	0.04	0.02
Net income (loss) per share from continuing operations								
Basic	0.01	(0.02)	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.02)
Diluted	0.01	(0.02)	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.02)
Net income (loss) per share from discontinued operations								
Basic	—	(0.05)	0.01	(0.04)	(0.01)	(0.01)	0.01	(0.02)
Diluted	—	(0.05)	0.01	(0.04)	(0.01)	(0.01)	0.01	(0.02)
Adjusted free cash flow¹	2,068	198	(280)	190	518	1,860	(1,861)	1,240

¹ See Financial Measures Reconciliations below

OPERATING SEGMENT REVIEW

The Company structured its operations in two operating and reportable segments, the S&S segment and the Rentals segment (formerly Energy Services), based on the way that management organizes the Company's business for making operating decisions and assessing performance. On June 30, 2021, the Company announced the sale of its Rentals segment assets and these were reported as discontinued operations on the Company's financial statements.

Security & Surveillance Segment

The S&S segment provides technology-based security solutions and operates a fleet of security towers equipped with high resolution security cameras and disturbance sensors. A central command center provides 24/7 live, verified monitoring to support the fleet of towers and remote monitoring for fixed camera installations. In addition, the segment offers on-site security personnel to customers across all market segments.

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SECURITY & SURVEILLANCE SEGMENT RESULTS

(in \$000s)	Three months ended September 30			Nine months ended September 30		
	2021	2020	% change	2021	2020	% change
Revenue	3,684	1,673	120%	9,474	4,543	109%
Direct costs	1,619	372	335%	3,927	1,282	206%
Depreciation of operating assets	369	320	15%	1,081	902	20%
Gross Margin	1,696	981	73%	4,466	2,359	89%
Margin %	46%	59%		47%	52%	

Operational Review

Q3 2021 vs Q3 2020

S&S segment revenue is driven by utilization and service of its security tower fleet, service revenue related to security personnel and remote monitoring of fixed site locations. For the three months ended September 30, 2021, revenue more than doubled compared to the three months ended September 30, 2020. This was due to a larger fleet of MobileyeZ security towers as well as higher utilization and servicing revenue driven by a larger fleet. During 2020, the Company was in the process of retrofitting its fleet of light towers; this was completed in Q4 2020, after which the Company started to invest in expanding its fleet of MobileyeZ security towers as it saw increasing customer demand. As a result of the larger fleet size and increased utilization, Zedcor saw sharply higher rental revenue for the three and nine months ended September 30, 2021.

The Company also generated \$213 and \$1,069 in on-site security personnel and remote monitoring revenue for the three and nine months ended September 30, 2021 compared to \$322 and \$1,044 for the three and nine months ended September 30, 2020. During the quarter, the Company increased the size of its sales force and was able to increase the number of fixed site monitoring contracts. The increase in remote monitoring revenue was offset by lower revenue from security personnel services which remains a complementary service line that is not actively marketed. The remote monitoring service remains a focus and the Company sees an opportunity to grow this revenue stream, resulting in an increase as a percentage of total revenues.

The S&S segment continues to expand geographically and into alternative industry segments including industrial facilities, commercial construction and diversified business security solutions. As a result of this growth, the Company intends to continue investing in its fleet of MobileyeZ.

Gross margin for the S&S segment decreased for the 3 months ended September 30, 2021 when compared to the 3 months ended September 30, 2020. Direct costs increased more than revenue due to:

- Increased service technician headcount as a result of a larger fleet of security towers;
- Increased repair costs as a result of a retrofit program initiated in Q1 2021 in order to increase future efficiency of the Company's security tower fleet;
- Increased number of monitoring room staff as a result of increased number of cameras being monitored;
- Increased hourly wage rates due to skilled labour shortages;
- Increased direct labour costs as a result of the security tower rental and service contract awarded to the Company in Q1 2021; and
- Lower wage subsidies received in Q3 2021 compared to Q3 2020. The Company received \$241 in Canada Emergency Wage Subsidy in Q3 2021 compared to \$343 in Q3 2020.

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Rentals Segment

The Rentals segment provides surface equipment rentals, temporary accommodation rentals, and power generation rentals to customers involved in oil & gas exploration, construction, and emergency response in Western Canada. The assets of this segment were sold on June 30, 2021 and the results have been presented as discontinued on the Company's financial statements.

RENTALS SEGMENT RESULTS

(in \$000s)	Three months ended September 30			Nine months ended September 30		
	2021	2020	% change	2021	2020	% change
Revenue	—	995	n/a	3,052	5,252	(42%)
Direct costs	—	478	n/a	1,085	2,255	(52%)
Depreciation of operating assets	—	513	n/a	737	2,271	(68%)
Margin	—	4	n/a	1,230	726	69%
Margin %	—	0%		40%	14%	

The Company made the strategic decision to divest itself of these assets in order to reduce debt and interest costs. The assets were sold for gross proceeds of \$11.3 million to a company controlled by a Director of Zedcor. In addition to the purchase price received for the assets, Zedcor will earn a monthly management fee of \$25 per month in exchange for helping manage the new company and has the ability to earn an annual 35% bonus payment for every dollar of EBITDA exceeding a certain threshold.

OTHER EXPENSES

(in \$000s)	Three months ended September 30			Nine months ended September 30		
	2021	2020	% change	2021	2020	% change
General and administrative	725	476	52%	2,220	1,531	45%
Depreciation of administrative assets	38	30	27%	96	91	5%
Depreciation of right-of-use assets	177	139	27%	394	198	99%
Finance costs	430	887	(52%)	2,198	2,488	(12%)

For the three months ended September 30, 2021:

- Total general and administrative expenses increased 52% compared to the same quarter in 2020. This increase to general and administrative costs of \$249 was due to headcount increases in sales, operations management staff, the hiring of a general manager for our British Columbia branch, and bonus accruals. The increase was offset by government wage and rent subsidies.
- Depreciation of right-of-use assets increased by 27% or \$38 due to a larger fleet of leased vehicles.
- Finance costs decreased by 52% because of significantly lower total debt, offset by higher fees and interest rates due to the Company's debt shifting to a higher interest lender as well as the increase in interest rates on the Note Payable from 5% to 7%.

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OUTLOOK

Despite the challenging operating environment and reduced economic activity as a result of the COVID-19 pandemic, the Company continues to execute on its long-term strategy of growing its S&S segment. We continued to effectively use cash flow to purchase additional MobileyeZ security towers in order to use it to provide surveillance services. The Company has also used technological solutions to reduce the capital costs of expanding this service line.

Utilization of the Company's surveillance towers fitted with high resolution cameras and supported by live verified, 24/7 remote monitoring, continues to be high and we expect the utilization rates to remain steady going forward. As Canada starts to emerge from the COVID-19 pandemic, Zedcor is seeing increased activity and demand for its services. The Company has also grown its salesforce to focus on growing on-site security personnel and remote monitoring revenues, in addition to expanding its geographical footprint in British Columbia. With the recently announced financing, additional access to capital available to the Company via the \$3.0 million equipment financing facility and lower debt costs, Zedcor is in a strong position to grow all service lines.

As a result of the sale of its Rental segment assets, the Company has significantly reduced leverage on its balance sheet and can focus on its main priorities:

- 1) Expand its fleet of security towers. The Company plans to aggressively grow its fleet of security towers throughout 2022. In addition, the Company plans to continue to invest in research & development. Zedcor plans to launch a new type of fully electric security tower in late Q4 2021 which is geared towards residential contractors. This is in addition to the newly developed Hybrid MobileyeZ which was launched in late Q3 2021 and targeted towards customers with remote infrastructure projects and power generation needs.
- 2) Expand its geographical footprint in Western Canada and expand to Eastern Canada. In Q4 2021, the Company opened an equipment branch in British Columbia in order to serve the rapidly growing Lower Mainland and Fraser Valley. The Company has plans to expand to Ontario in Q2 2022 with an equipment branch and an Eastern Canada monitoring center.
- 3) Increase revenue from fixed monitoring sites allowing for a base of contracted monthly revenues.

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 nine months ended September 30, 2021 and 2020:

(in \$000s)	Nine months ended September 30			
	2021	2020	\$ Change	% Change
Cash flow from continuing operating activities	2,791	544	2,247	413%
Cash flow used by continuing investing activities	(2,976)	(1,367)	(1,609)	118%
Cash flow used by financing activities	(13,791)	(3,459)	(10,332)	299%

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The following table presents a summary of working capital information:

(in \$000s)	Nine months ended September 30			
	2021	2020	\$ Change	% Change
Current assets	4,461	3,733	728	20%
Current liabilities *	7,504	21,934	(14,430)	(66%)
Working capital	(3,043)	(18,201)	15,158	(83%)

*Includes \$2.8 million of debt in 2021 and \$18.9 million of debt in 2020

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

Principal Credit Facility

	Interest rate	Final maturity	Facility maximum	Outstanding as at September 30, 2021	Outstanding as at December 31, 2020
Loan and Security Facility	12.75%	January 1, 2023	19,309	3,832	17,317
Operating Loan Facility	Prime + 5.0%	Revolving	3,000	1,249	—
				5,081	\$17,317
Current portion				(2,801)	(2,940)
Long term debt				2,280	14,377

The Company's credit facilities consist of a Loan and Security Facility and an Operating Loan Facility.

Loan and Security Facility:

The Loan and Security Facility was renewed in December 2020. It consists of a one time \$17.3 million draw and a \$2.0 million accordion feature which the Company can draw on subject to approval from the lender. In December 2020, the Company drew \$0.8 million of the accordion feature.

The key terms of the Loan and Security facility are as follows:

- Bears interest at a rate of 12.75% and is secured with a first charge over the Company's assets;
- Extension fee of 2% per annum, a portion of which was capitalized to the loan and a portion of which was paid with the issuance of 2,000,000 common shares of the Company in December 2020;
- Does not require quantitative financial covenants, but imposed restrictions on the Loan's collateral, being the property and equipment of the Company, and has a \$2.5 million personal guarantee from a Board Member of the Company; and
- Term of the Loan and Security Facility was extended to January 1, 2023 with an option to renew for an additional 12 months at the satisfaction of the lender.

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As at September 30, 2021, the Company has:

- \$3.3 million outstanding on the one time draw of \$17.3 million;
- \$0.5 million outstanding on the \$0.8 million draw on the accordion feature;
- \$ 1.2 million available to draw on the accordion feature, subject to approval from the lender; and
- The lender has released the personal guarantee from the Company's Board Member.

Operating Loan Facility:

The Operating Loan Facility is comprised of a \$3.0 million line of credit which is payable on demand by the lender and bears interest at a rate of Prime plus 5.0%. The Operating Loan Facility is margined by the Company's accounts receivable, and the available amount is determined monthly based on 75% of the Company's accounts receivable aged less than 90 days and 85% of the Company's accounts receivable aged less than 120 days from investment grade customers.

Subsequent to the end of the quarter, the Company entered into a new financing agreement which consists of:

- 1) A \$6.1 million term loan that is fully committed for five years. The term loan bears interest at 5.15% and will have monthly blended principal and interest payments of \$116.
- 2) A \$3.0 million revolving equipment financing facility. The Company is able to draw on this facility at any time for up to 75% of new equipment purchases. The equipment financing draws bear interest at Prime + 2.0% and each draw will be amortized over 5 years with blended principal and interest payments.
- 3) An authorized overdraft facility up to \$3.0 million, secured by the Company's accounts receivable, up to 75%, less priority payables. The overdraft facility is due on demand and any outstanding overdraft bears interest at Prime + 1.5%.

The new financing agreement is secured with a first charge over the Company's current and after acquired equipment, a general security agreement, a subordination and postponement agreement with a director of the Company with respect to the Note Payable, and other standard non-financial security.

The agreement has the following annual financial covenant requirements:

- For the fiscal year end December 31, 2021, a modified debt servicing covenant of 1.25 to 1.00. The modification relates to the amount of debt payments for 2021 being assumed as \$2.2 million.
- For the fiscal year ends December 31, 2022 and onwards, a debt servicing covenant of 1.25 to 1.00 and a funded debt to EBITDA covenant of 3.00 to 1.00.

CREDIT RISK

The Company extends credit to customers, primarily comprised of pipeline construction companies and construction companies, in the normal course of its operations. Historically, bad debt expenses have been limited to specific customer circumstances. However, the volatility in economic activity may result in higher collection risk on trade receivables. The Company has reviewed its outstanding accounts receivable as at September 30, 2021 and believes the expected loss provision is sufficient.

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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 September 30, 2021:

(in \$000s)	1 Year	2-3 years	4-5 years	Thereafter	Total	Carrying value
Accounts payable and accrued liabilities	3,184	—	—	—	3,184	3,184
Current debt	2,801	—	—	—	2,801	2,801
Long-term debt	—	2,748	—	—	2,748	2,280
Note payable	—	3,406	—	—	3,406	3,044
Finance lease liabilities	1,793	2,495	1,940	675	6,903	6,254
Total						17,563

OUTSTANDING SECURITIES

At November 16, 2021, the Company had the following securities outstanding:

- 58,199,943 common shares issued and outstanding.
- 4,400,000 preferred shares issued and outstanding.
- 4,744,905 warrants are outstanding with an exercise price of \$0.12; and
- 3,250,000 options are outstanding with exercise prices ranging from \$0.15 per share to \$0.25 per share; 1,024,995 options are exercisable at prices ranging from \$0.15 per share to \$0.25 per share.

RELATED PARTY TRANSACTIONS

As at September 30, 2021, the Company owed \$3,044 for a Note Payable to a corporation controlled by a director of the Company (December 31, 2020 - \$2,696).

Aside from the sale of the Rentals Segment assets, the Company had the following related party transactions for the nine months ended September 30, 2021:

- \$228 in rent, property taxes and building operating costs paid for two buildings to corporations owned by a director of the Company (September 30, 2020 - \$383);
- \$64 paid through the issuance of shares to a director of the Company for a personal guarantee provided on the Long Term Debt (September 30, 2020 - \$85);
- \$99 in wages paid to close family members of an executive officer (September 30, 2020 - \$104); and
- \$64 in promotional products and sales services purchased from a company owned by a close family member of an executive officer (September 30, 2020 - \$15).

These related party transactions are in the normal course of business and have been recorded at the exchange amount.

OFF BALANCE SHEET ARRANGEMENTS

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

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BUSINESS RISKS AND UNCERTAINTIES

Business risks and uncertainties remain substantially unchanged from those disclosed in the annual Management Discussion and Analysis dated April 9, 2021. For a discussion of the business risks and uncertainties related to Zedcor Inc., please refer to the annual Management Discussion and Analysis and to Zedcor Inc.'s Annual Information Form dated April 9, 2021, both of which can be found on the Company's website or at www.SEDAR.com.

ACCOUNTING POLICIES

The Company's accounting policies are set out in Note 3 of the Annual Financial Statements.

FINANCIAL MEASURES RECONCILIATIONS

Zedcor Inc. uses certain measures in this MD&A which do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS"). These measures which are derived from information reported in the consolidated statements of operations and comprehensive income may not be comparable to similar measures presented by other reporting issuers. These measures have been described and presented in this MD&A in order to provide shareholders and potential investors with additional information regarding the Company.

Investors are cautioned that EBITDA, adjusted EBITDA, adjusted EBITDA per share, adjusted EBIT and adjusted free cash flow are not acceptable alternatives to net income or net income per share, a measurement of liquidity, or comparable measures as determined in accordance with IFRS.

EBITDA and Adjusted EBITDA

EBITDA refers to net income before finance costs, income taxes, depreciation and amortization. Adjusted EBITDA is calculated as EBITDA before costs associated with severance, gains and losses on sale of equipment and stock based compensation. These measures do not have a standardized definition prescribed by IFRS and therefore may not be comparable to similar captioned terms presented by other issuers.

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

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

(in \$000s)	Three months ended		Nine months ended	
	2021	September 30 2020	2021	September 30 2020
Net loss from continuing operations	296	(421)	(1,045)	(1,771)
Add:				
Finance costs	430	887	2,198	2,488
Depreciation of property & equipment	407	350	1,177	993
Depreciation of right-of-use assets	177	139	394	198
Loss on sale of equipment	52	—	52	—
Gain (loss) on disposal of right-of-use asset	(46)	(105)	527	(116)
Income tax recovery	—	(22)	—	(65)
EBITDA from continuing operations	1,316	828	3,303	1,727
Add:				
Stock based compensation	33	11	95	28
Severance costs	—	17	44	83
Adjusted EBITDA from continuing operations	1,349	856	3,442	1,838
Discontinued operations	—	298	1,561	2,283
Adjusted EBITDA	1,349	1,154	5,003	4,121

Adjusted EBIT

Adjusted EBIT refers to earnings before interest and finance charges, taxes, and severance costs.

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

(in \$000s)	Three months ended		Nine months ended	
	2021	September 30 2020	2021	September 30 2020
Net income (loss)	296	(1,006)	(3,097)	(2,428)
Add:				
Finance costs	430	887	2,198	2,488
Income tax recovery	—	(22)	—	(65)
Severance costs	—	17	44	83
Discontinued operations	—	585	2,052	657
Adjusted EBIT from continuing operations	726	461	1,197	735

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Adjusted free cash flow

Adjusted free cash flow is defined by management as net income plus non-cash expenses, plus or minus the net change in non-cash working capital, plus severance costs, less maintenance capital. Maintenance capital is also a non-IFRS term. Management defines maintenance capital as the amount of capital expenditure required to keep its operating assets functioning at the same level of efficiency. Management believes that adjusted free cash flow reflects the cash generated from the ongoing operation of the business. Adjusted free cash flow is a non-IFRS measure generally used as an indicator of funds available for re-investment and debt payment. There is no standardized method of determining free cash flow, adjusted free cash flow or maintenance capital prescribed under IFRS and therefore the Company's method of calculating these amounts is unlikely to be comparable to similar terms presented by other issuers.

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

(in \$000s)	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Net income (loss) from continuing operations	296	(443)	(1,045)	(1,836)
Add non-cash expenses:				
Depreciation of property & equipment	407	350	1,177	993
Depreciation of right-of-use assets	177	139	394	198
Stock based compensation	33	11	95	28
Finance costs (non-cash portion)	262	85	776	366
Current taxes	—	(22)	—	(65)
	1,175	120	1,397	(316)
Add non-recurring expenses:				
Severance	—	17	44	83
	1,175	137	1,441	(233)
Change in non-cash working capital	893	(655)	545	750
Adjusted free cash flow from continuing operations	2,068	(518)	1,986	517

ZEDCOR INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2021

IN THOUSANDS OF CANADIAN DOLLARS

FORWARD-LOOKING STATEMENTS

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

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

ADDITIONAL INFORMATION

Information about Zedcor Inc. may be found on the SEDAR website at www.sedar.com on the Company's website at www.zedcor.ca. The Company trades on the TSX Venture Exchange under the symbol ZDC.