

**ZEDCOR INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



**SECURITY  
SOLUTIONS**

**FOR THE THREE MONTHS ENDED  
MARCH 31, 2023 AND 2022**

*Dated May 24, 2023*

[zedcor.ca](http://zedcor.ca)

**ZEDCOR INC.**  
**Management's Discussion and Analysis**  
**For the three months ended March 31, 2023**

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 ended March 31, 2023 when compared to the three months ended March 31, 2022. 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, 2022 and 2021 and the condensed consolidated interim financial statements for the three months ended March 31, 2023 and 2022. These consolidated financial statements are available on the Company's website at [www.zedcor.ca](http://www.zedcor.ca) as well as on SEDAR at [www.sedar.com](http://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 May 24, 2023.

**OVERVIEW AND CORPORATE PROFILE**

Zedcor Inc. is a Canadian public corporation and is the parent company to Zedcor Security Solutions Corp. Zedcor is a technology enabled company that is changing how physical security services are provided to businesses. Zedcor operates throughout Canada with equipment and servicing centers in British Columbia, Alberta, Manitoba and Ontario. The Company has three main service offerings to customers across all market segments: 1) surveillance and live monitoring through its proprietary MobileyeZ security towers; 2) surveillance and live monitoring of fixed site locations; and 3) security personnel.

The Company operates a fleet of over 500 proprietary MobileyeZ security towers, equipped with high resolution, technology-based cameras, and monitors numerous fixed site locations for customers across various industries. Video from security towers and fixed site locations is streamed to the Company's central monitoring station where video alarms are live verified and responded to based on customer requirements. Zedcor also offers high level security guard services to enterprise level customers who are looking to supplement video-based security for valuable, high risk, or mission critical operational assets.

**ZEDCOR INC.**  
**Management's Discussion and Analysis**  
**For the three months ended March 31, 2023**

IN THOUSANDS OF CANADIAN DOLLARS

**EXECUTIVE SUMMARY:**

**Selected Financial Highlights**

<b>(in \$000s, except per share amounts)</b>	<b>Three months ended March 31</b>	
	<b>2023</b>	<b>2022</b>
<b>Revenue</b>	6,443	4,631
<b>Adjusted EBITDA<sup>1,2</sup></b>	2,135	1,373
<b>Adjusted EBIT<sup>2</sup></b>	1,088	651
<b>Net income</b>	752	428
<b>Net income per share</b>		
<b>Basic</b>	0.01	0.01
<b>Diluted</b>	0.01	0.01

<sup>1</sup> Adjusted for stock based compensation and foreign exchange loss

<sup>2</sup> See Financial Measures Reconciliations below

Zedcor recorded revenue of \$6,443 and \$2,135 of adjusted EBITDA for the three months ended March 31, 2023. This compares to revenue of \$4,631 and \$1,373 of adjusted EBITDA from continuing operations for the three months ended March 31, 2022. The revenue growth of 39% and EBITDA growth of 55% shows steady year over year growth for the Company as it continues to execute on its strategy of sustained, profitable growth across North America.

The Company's security and surveillance services saw increased revenues and EBITDA for the quarter ended March 31, 2023 compared to 2022 due to robust customer demand of its larger fleet of MobileyeZ security towers. Zedcor exited the period with 564 MobileyeZ security towers which was an increase of 58 when compared to December 31, 2022 and 273 units when compared to March 31, 2022. While the Company placed orders for equipment with plenty of lead time and anticipated exiting the quarter with more than 564 units, supply chain disruptions continue. The Company is actively looking for ways to manage supply chain disruptions, including continued investment in research and development and optimizing its MobileyeZ assembly operations.

Zedcor is actively managing the increased customer demand for security solutions by adding to its fleet of towers, expanding its geographic footprint across North America and continuing to expand into new industry verticals such as big box retail stores, car dealerships and utilities.

**ZEDCOR INC.**  
**Management's Discussion and Analysis**  
**For the three months ended March 31, 2023**

IN THOUSANDS OF CANADIAN DOLLARS

---

Financial and operational highlights for the three months ended March 31, 2023 include:

- Revenue for the quarter ended March 31, 2023 increased by \$1,812 from \$4,631 to \$6,443. This increase was driven by a larger fleet of MobileyeZ security towers and high utilization of the Company's fleet of security towers. Zedcor maintained double digit quarter over quarter revenue growth.
- Net income from continuing operations was \$752 for the three months ended March 31, 2023. This compares to net income of \$428 for the three months ended March 31, 2022. The increased income is due to a larger fleet of security towers which drove revenue and higher gross margins offset by higher general and administrative costs as the Company expanded across Canada.
- Continued traction across Ontario. The Company expanded to Ottawa in Q2 2022 and Toronto in Q3 2022. As at March 31, 2023, approximately 18% of the Company's MobileyeZ security tower fleet is located in Ontario. We are seeing strong demand for the Company's services in Eastern Canada and additional security towers will be delivered to Ontario and Manitoba in 2023.
- Continued expansion in the Manitoba market. Zedcor opened its equipment and services center in Winnipeg in December 2022. In Q1 2023, the Company secured a work with a Manitoba based construction company for up to 18 electric MobileyeZ security towers across 8 locations in Manitoba. This contract will last up to 10 months with the possibility to extend indefinitely or be relocated to the customer's other construction sites.
- Diversification away from the Company's core pipeline construction customers. Zedcor's services are customer and industry agonistic and we continued to see that in Q1 2023 as we obtained customers across the construction industry and launched a pilot program with a big box retailer subsequent to Q1 2023.
- Preliminary market research and assessment on US expansion. Zedcor believes there is significant demand for its integrated, technology enabled security services in the United States and has started conversations with potential customers on service offerings.

**ZEDCOR INC.**  
**Management's Discussion and Analysis**  
**For the three months ended March 31, 2023**

IN THOUSANDS OF CANADIAN DOLLARS

**SELECTED QUARTERLY FINANCIAL INFORMATION**

	Mar 31 2023	Dec 31 2022	Sept 30 2022	June 30 2022	Mar 31 2022	Dec 31 2021	Sept 30 2021	Jun 30 2021
<b>(Unaudited - in \$000s)</b>								
Revenue from continuing operations	6,443	6,415	5,797	5,256	4,631	4,076	3,684	3,103
Net income (loss) from continuing operations	752	3,076	966	1,528	428	(535)	296	(935)
Adjusted EBITDA <sup>1</sup>	2,135	2,380	2,121	1,694	1,373	961	1,353	1,492
Adjusted EBITDA per share - basic <sup>1</sup>	0.03	0.04	0.03	0.02	0.02	0.02	0.02	0.03
Net income (loss) per share from continuing operations								
Basic	0.01	0.05	0.01	0.02	0.01	(0.01)	0.01	(0.02)
Diluted	0.01	0.04	0.01	0.02	0.01	(0.01)	0.01	(0.02)
Adjusted free cash flow <sup>1</sup>	978	2,076	(292)	1,216	345	2,068	198	(284)

<sup>1</sup> See Financial Measures Reconciliations below

**OPERATING SEGMENT REVIEW**

The Company structured its operations in one operating and reportable segment, Security & Surveillance, based on the way that management organizes the Company's business for making operating decisions and assessing performance.

**Security & Surveillance Segment**

The S&S segment provides technology enabled 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.

**ZEDCOR INC.**  
**Management's Discussion and Analysis**  
**For the three months ended March 31, 2023**

IN THOUSANDS OF CANADIAN DOLLARS

**SECURITY & SURVEILLANCE SEGMENT RESULTS**

(in \$000s)	Three months ended March 31,		
	2023	2022	% change
Security & surveillance service revenue	5,741	4,023	43%
Security personnel, camera sales and other service revenue	702	608	15%
<b>Total revenue</b>	<b>6,443</b>	<b>4,631</b>	<b>39%</b>
Security & surveillance service operating costs	2,042	1,615	26%
Security personnel, camera sales and other service costs	531	548	(3%)
<b>Total operating costs</b>	<b>2,573</b>	<b>2,163</b>	<b>19%</b>
Depreciation of operating assets*	658	467	41%
<b>Gross Margin</b>	<b>3,212</b>	<b>2,001</b>	<b>61%</b>
Security & surveillance service margin %	53%	48%	
Security personnel, camera sales and other service margin	24%	10%	

**Operational Review**

*Q1 2023 vs Q1 2022*

S&S segment revenue is driven by utilization and service of its security tower fleet, service revenue related to security personnel and camera installations and remote monitoring of fixed site locations. For the three months ended March 31, 2023, revenue increased by 39% compared to the three months ended March 31, 2022. The increase in Q1 2023 revenue reflects the Company's expanded fleet of MobileyeZ security towers, strong utilization levels of the MobileyeZ fleet and increased number of fixed monitoring sites. Strong customer demand was driven by:

- a. a need for better physical security services;
- b. operational cost savings for customers;
- c. Macro-economic factors such as labour shortages; and
- d. increased spending on infrastructure.

These factors allowed Zedcor to expand its fleet of MobileyeZ, maintain utilization and expand its geographical footprint with equipment and service centers across Canada. As at December 31, 2022, approximately 25% of the Company's fleet of MobileyeZ is located in Ontario and Manitoba. The three equipment and service centers in these two provinces have been open for less than a year.

**Security Personnel, Camera Sales and Other Service Revenue**

*Q1 2023 vs Q1 2022*

Revenue for the three-month period ended March 31, 2023 was \$702 compared to \$608 for the three month period ended March 31, 2022. This was an increase of \$94. The increase in revenue was driven by more camera sales in 2023. These are ancillary services to the Company's main service offerings of MobileyeZ and fixed site monitoring. Revenue will fluctuate from quarter to quarter based on the types of projects and amount of fixed installations that can be completed.

**ZEDCOR INC.**  
**Management's Discussion and Analysis**  
**For the three months ended March 31, 2023**

IN THOUSANDS OF CANADIAN DOLLARS

**Gross Margins**

*Q1 2023 vs Q1 2022*

Security & surveillance service margin increased by 5% percent for the three months ended March 31, 2023 when compared to the three months ended March 31, 2022. This increase was despite inflationary pressure on costs for wages and spare parts, and while the Company did see increased service technician and monitoring room headcounts and increased R&M costs as a result of a larger fleet, the Company was able to maintain margins as a result of: 1) cost controls; 2) realized efficiencies from a maintenance recall program launched on its MobileyeZ; and 3) proactively managing its supply chain when possible.

Security personnel, camera sales and other services margin percentage will fluctuate depending on sales mix. For the three months ended March 31, 2023, the Company saw higher security personnel revenues, which is generally higher margin, and completed fixed camera installations with higher margins.

**OTHER EXPENSES**

(in \$000s)	2023	Three months ended March 31	
		2022	% change
General and administrative	1,789	1,111	61%
Depreciation of administrative assets	80	53	51%
Depreciation of right-of-use assets	254	196	30%
Finance costs	336	223	51%

For the three months ended March 31, 2023:

- Total general and administrative expenses increased 61% compared to the same quarter in 2022. This increase to general and administrative costs of \$672 was due to headcount increases in sales, operations management staff, and the hiring of branch managers across Canada.
- Finance costs increased by \$113 as a result of higher total debt and increased interest rates as a result of increased Canada Prime Rate.

**ZEDCOR INC.**  
**Management's Discussion and Analysis**  
**For the three months ended March 31, 2023**

IN THOUSANDS OF CANADIAN DOLLARS

---

**OUTLOOK**

Zedcor continues to execute its long-term strategy of growing its technology enabled security services across North America. While there were supply chain delays throughout Q1 which slowed down the Company's ability to build security towers, we continue to effectively use a mix of cash flow and debt to build additional MobileyeZ security towers to provide surveillance services to our expanding customer base. In addition, there are inflationary pressures that the Company is actively monitoring to maintain margins and this remains a priority for management.

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 remained steady in Q1 2023. While we expect the utilization rates to remain strong going forward, there was a drop in utilization rates at the start of Q2 2023 as the Trans Mountain Pipeline Expansion project comes to an end and equipment is redeployed to other customers throughout the Company's operating regions. The Company has grown its salesforce across Canada in order to obtain contracts for its MobileyeZ and continue to expand its service offering to different industries. With the anticipated completion of the Trans Mountain Expansion Pipeline in the first half of 2024 the Company is now situated with a growing salesforce and expanded geographical footprint to be able to diversify its customer base while maintaining utilization rates. This was evidenced in Q2 as Zedcor was able to redeploy a significant portion of the MobileyeZ returned from Trans Mountain to new customers, including starting a pilot project with a major home improvement retailer.

Priorities that the Company intends to focus on for the remainder of 2023 include:

- 1) Obtaining more customers, with a focus on enterprise level customers, and diversifying customer base including geographically and across different industry verticals. The Company is seeing strong demand for its MobileyeZ across Canada and has plans to expand to the United States in the second half of 2023. Based on preliminary research, there is a large market for Zedcor's integrated solution of MobileyeZ security towers with monitoring services. Due to significant spending on infrastructure in the USA, the Company believes its products, coupled with Zedcor's commitment to customer service, are perfectly situated for this market. Zedcor also intends to grow its presence in Eastern Canada.
- 2) Continued expansion across Canada. The Company expanded to Ontario with equipment and service centers in Ottawa and Toronto. The Company has secured customers in Ontario and Quebec and intends to allocate a sizable portion of its 2023 capital spending to expand its Eastern Canada operations and fleet size. The Company has also hired salespeople and branch managers for all of its equipment and service centers across Canada.
- 3) Maintaining margin levels by increasing operational efficiency and continuing to invest in technology. Zedcor has investigated a number of artificial intelligence options that will reduce the number of alarms in its monitoring center. We will be investing in technological solutions to help us exploit this and are actively testing options.
- 4) Building new, innovative products based on customer demand. As the Company has obtained customers in different industry verticals, it has seen an increasing number of use cases for its MobileyeZ. This includes a need for additional sensor technology in both the retail and construction industries. As a result, the Company intends to increase its product offering in sensor technology to help customers solve issues around asset security. As the Company expands into different geographies, we intend to continue to develop additional types of MobileyeZ security towers, including a full solar security tower.
- 5) The Company intends to continue to generate customer and shareholder value and positive earnings per share. By effectively managing its growth, executing on the above noted strategies and increasing its capital markets presence, Zedcor will be able to continue to generate positive earnings per share, grow its shareholder base and increase share price.

**ZEDCOR INC.**  
**Management's Discussion and Analysis**  
**For the three months ended March 31, 2023**

IN THOUSANDS OF CANADIAN DOLLARS

**LIQUIDITY AND CAPITAL RESOURCES**

**Sources and Uses of Cash**

The following table shows a summary of the Company's cash flows by source or (use) for the three months ended March 31, 2023 and 2022:

(in \$000s)	Three months ended March 31			
	2023	2022	\$ Change	% Change
Cash flow from operating activities	1,104	1,386	(282)	(20%)
Cash flow used in continuing investing activities	(1,622)	(1,550)	(72)	(5%)
Cash flow from financing activities	195	1,684	(1,489)	(88%)

The following table presents a summary of working capital information:

(in \$000s)	As at March 31			
	2023	2022	\$ Change	% Change
Current assets	8,366	6,299	2,067	33%
Current liabilities *	8,946	5,968	2,978	50%
Working capital	(580)	331	(887)	(268%)

\*Includes \$3.2 million of debt and \$1.8 million of lease liabilities in 2023 and \$1.7 million of debt and \$1.4 million of lease liabilities in 2022

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 March 31, 2023	Outstanding as at December 31, 2022
Term Loan	5.15%	Oct 2026	6,100	4,465	4,748
Revolving Equipment Financing	Prime + 2.00%	Revolving	3,000	5,551	5,799
Authorized Overdraft	Prime + 1.50%	Revolving	3,000	937	—
				10,953	10,547
Current portion				(3,145)	(2,198)
Long term debt				7,808	8,349

**ZEDCOR INC.**  
**Management's Discussion and Analysis**  
**For the three months ended March 31, 2023**

IN THOUSANDS OF CANADIAN DOLLARS

---

On October 18, 2021, the Company repaid its existing credit facilities and entered into a new financing agreement ("Financing Agreement") which consists of:

1. A \$6.1 million term loan that is fully committed for five years ("Term Loan"). The Term Loan bears interest at 5.15% and will have monthly blended principal and interest payments of \$116. \$4.4 million of the proceeds of the term loan was used to repay the Company's outstanding Loan and Security Facility.
2. A \$3.0 million revolving equipment financing facility ("Revolving Equipment Financing"). The Company is able to draw on this facility at any time for up to 75% of new equipment purchases. The draws bear interest at Prime + 2.0% and each draw will be amortized over 5 years with blended principal and interest payments. As at December 31, 2022 the Prime Interest Rate was 6.45% and the interest rate on the Revolving Equipment Financing was 8.45%. As the Company pays down the debt, it can borrow back up to the facility maximum of \$3.0 million.
3. An authorized overdraft facility ("Authorized Overdraft") up to \$3.0 million, secured by the Company's accounts receivable, up to 75%, less priority payables which are GST payable, income taxes payable, employee remittances payable and WCB payables. The Authorized Overdraft is due on demand and any outstanding overdraft bears interest at Prime + 1.5%. As at December 31, 2022 the Prime Interest Rate was 6.45% and the interest rate on the Revolving Equipment Financing was 7.95%.

On April 27, 2022, the Company entered into an amended financing agreement with its lender (the "Amended Financing Agreement") which expanded the Revolving Equipment Financing from \$3.0 million to \$6.0 million.

The Amended 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 a note payable, and other standard non-financial security.

The agreement has the following annual financial covenant requirements for the fiscal year ends December 31, 2022 and onwards:

- a debt servicing covenant of no less than 1.25 to 1.00; and
- a funded debt to EBITDA covenant of no more than 3.00 to 1.00.

As at March 31, 2023, the Company did not have quarterly financial covenant requirements that it had to comply with.

**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 March 31, 2023 and believes the expected loss provision is sufficient.

**ZEDCOR INC.**  
**Management's Discussion and Analysis**  
**For the three months ended March 31, 2023**

IN THOUSANDS OF CANADIAN DOLLARS

**COMMITMENTS AND OBLIGATIONS**

The following table shows the undiscounted contractual maturities of the Company's financial liabilities and finance and operating lease obligations as at March 31, 2023:

(in \$000s)	1 Year	2-3 years	4-5 years	Thereafter	Total	Carrying value
<b>Accounts payable and accrued liabilities</b>	3,936	—	—	—	3,936	3,936
<b>Current debt</b>	3,553	—	—	—	3,553	3,169
<b>Long-term debt</b>	—	5,707	2,918	—	8,625	7,784
<b>Note payable</b>	175	350	3,581	—	4,106	3,199
<b>Finance lease liabilities</b>	2,118	3,426	2,017	—	7,561	6,601
<b>Total</b>	9,782	9,483	8,516	—	27,781	24,689

**OUTSTANDING SECURITIES**

At May 24, 2023, the Company had the following securities outstanding:

- 72,908,925 common shares issued and outstanding.
- 2,744,905 warrants are outstanding with an exercise price of \$0.12 and 2,616,965 warrants are outstanding with an exercise price of \$0.70; and
- 3,550,000 options are outstanding with exercise prices ranging from \$0.15 per share to \$0.50 per share; of the 3,550,000 options outstanding 2,016,663 options are exercisable at prices ranging from \$0.15 per share to \$0.50 per share.

**RELATED PARTY TRANSACTIONS**

As at March 31, 2023, the Company owed \$3,199 for a Note Payable to a corporation controlled by a director of the Company (December 31, 2022 - \$3,182).

The Company had the following related party transactions for the three months ended March 31, 2023:

- \$51 in interest paid on the Note Payable to a corporation controlled by a director of the Company (three months ended March 31, 2022 - \$17).
- \$49 in wages paid to close family members of an executive officer (three months ended March 31, 2022 - \$29).
- \$nil in promotional products and uniforms purchased from a company owned by a close family member of an executive officer (three months ended March 31, 2022 - \$15).
- \$127 in management fees and rent received from a company controlled by a director as per the purchase and sale agreement for the sale of the Company's Rentals assets (three months ended March 31, 2022 - \$152).
- \$41 in corporate secretarial services paid to a company owned by a close family member of an executive officer (March 31, 2022 - \$32).

These related party transactions are in the normal course of business and have been recorded at the exchange amount. At March 31, 2023 the amounts receivable from related parties was \$68 and amounts payable to related parties was \$23 (as at March 31, 2022 - \$nil receivable and payable).

**OFF BALANCE SHEET ARRANGEMENTS**

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

**ZEDCOR INC.**  
**Management's Discussion and Analysis**  
**For the three months ended March 31, 2023**

IN THOUSANDS OF CANADIAN DOLLARS

**ACCOUNTING POLICIES**

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

**BUSINESS RISKS AND UNCERTAINTIES**

Business risks and uncertainties remain substantially unchanged from those disclosed in the annual Management Discussion and analysis dated April 12, 2023. For a discussion of the business risks and uncertainties related to Zedcor Inc., please refer to the annual Management Discussion and Analysis and Zedcor Inc.'s Annual Information Form date April 12, 2023, both of which can be found on the Company's website or at [www.SEDAR.com](http://www.SEDAR.com).

**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 foreign exchange gains or losses, gains and losses on sale of equipment and stock based compensation. These measures do not have a standardized definition prescribed by IFRS and therefore may not be comparable to similar captioned terms presented by other issuers.

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

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

(in \$000s)	Three months ended March 31	
	2023	2022
<b>Net income</b>	752	428
Add (less):		
Finance costs	336	223
Depreciation of property & equipment	738	520
Depreciation of right-of-use assets	254	196
(Gain) on sale of equipment	—	(26)
<b>EBITDA</b>	<b>2,080</b>	<b>1,341</b>
Add:		
Stock based compensation	54	16
Foreign exchange loss	1	16
	55	32
<b>Adjusted EBITDA</b>	<b>2,135</b>	<b>1,373</b>

**ZEDCOR INC.**  
**Management's Discussion and Analysis**  
**For the three months ended March 31, 2023**

IN THOUSANDS OF CANADIAN DOLLARS

**Adjusted EBIT**

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

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

<b>(in \$000s)</b>	<b>Three months ended March 31</b>	
	<b>2023</b>	<b>2022</b>
<b>Net income</b>	752	428
Add:		
Finance costs	336	223
<b>Adjusted EBIT</b>	<b>1,088</b>	<b>651</b>

**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, 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:

<b>(in \$000s)</b>	<b>Three months ended March 31</b>	
	<b>2023</b>	<b>2022</b>
<b>Net income</b>	752	428
<b>Add non-cash expenses:</b>		
Depreciation of property & equipment	738	520
Depreciation of right-of-use assets	254	196
Stock based compensation	54	16
Finance costs (non-cash portion)	24	36
	<b>1,822</b>	<b>1,196</b>
Change in non-cash working capital	(844)	20
<b>Adjusted free cash flow</b>	<b>978</b>	<b>1,216</b>

**ZEDCOR INC.**  
**Management's Discussion and Analysis**  
**For the three months ended March 31, 2023**

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](http://www.sedar.com) on the Company's website at [www.zedcor.ca](http://www.zedcor.ca). The Company trades on the TSX Venture Exchange under the symbol ZDC.