# ZEDCOR INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

SECURITY
SOLUTIONS

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022**

Dated August 15, 2023

zedcor.ca

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 six ended June 30, 2023 when compared to the three and six months ended June 30, 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 and six months ended June 30, 2023 and 2022. These consolidated financial statements are available on the Company's website at www.zedcor.com as well as on SEDAR at www.sedar.com.

This MD&A is management's assessment of the Company's operations and financial results, as well as management's view of future prospects. These assessments and views are based on certain assumptions related to future events which are uncertain. Statements related to assessments and views which are not statements of historical fact are considered to be forward-looking statements. For a discussion on the risks and uncertainties related to such information please refer to "Forward-Looking Statements" 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 August 15, 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 700 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.

## EXECUTIVE SUMMARY:

### Selected Financial Highlights

| (in $000s) | Three months ended June 30 2023 | Three months ended June 30 2022 | Six months ended June 30 2023 | Six months ended June 30 2022 |
|---|---|---|---|---|
| **Revenue** | 6,216 | 5,256 | 12,659 | 9,887 |
| **EBITDA**[2] | 3,905 | 2,510 | 5,985 | 3,851 |
| **Adjusted EBITDA**[1,2] | 1,824 | 1,694 | 3,959 | 3,067 |
| **Adjusted EBIT**[1,2] | 689 | 876 | 1,777 | 1,527 |
| **Net income** | 2,472 | 1,528 | 3,224 | 1,956 |
| **Net income per share** | | | | |
| **Basic** | 0.03 | 0.02 | 0.04 | 0.03 |
| **Diluted** | 0.03 | 0.02 | 0.04 | 0.03 |

[1] *Adjusted for stock based compensation, foreign exchange (gain) loss, and other income*
[2] *See Financial Measures Reconciliations below*

Zedcor recorded $6,216 and $12,659 of revenue for the three and six months ended June 30, 2023. This compares to $5,256 and $9,887 of revenue from for the three and six months ended June 30, 2022. The revenue growth of 18% and 28% is the result of a larger fleet of security towers located throughout the Company's six service centers in Canada. Adjusted EBITDA grew to $1,824 and $3,959 for the three and six months ended June 30, 2023, compared to $1,694 and $3,067 for the three and six months ended June 30, 2022. This was a growth of 8% for the three months ended June 30, 2023 and a growth of 29% for the six months ended June 30, 2023.

The Company's security and surveillance services saw increased revenues and EBITDA for the three and six months ended June 30, 2023 compared to 2022 due largely to increased customer demand of its larger fleet of MobileyeZ security towers. Zedcor exited the period with 679 MobileyeZ security towers which was an increase of 173 when compared to December 31, 2022 and 313 units when compared to June 30, 2022.

Financial and operational highlights for the three and six months ended June 30, 2023 include:

- Net income was $2,472 for the three months ended June 30, 2023. This compares to net income of $1,528 for the three months ended June 30, 2022. For the six months ended June 30, 2023 net income was $3,224 compared to net income of $1,956 for the six months ended June 30, 2022. The increase in net income is directly attributable to: 1) a larger fleet of towers and strong customer demand which drove utilization and, in turn, revenues; and 2) $2,159 in other income. As part of the sale of the Company's Rental segment assets in 2021, the Company is to receive a 35% bonus for every dollar of EBITDA over certain thresholds. As a result of this agreement, the Company will receive $2,159 for the second anniversary payment.
- Continued traction across Ontario. The Company expanded to Ottawa in Q2 2022 and Toronto in Q3 2022. As at June 30, 2023, approximately 26% of the Company's MobileyeZ security tower fleet is located in Ontario. This represents a growth of 8% from the end of Q1 2023 and 15% from the start of the year. 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 project 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. As the Company increases its fleet of MobileyeZ and expands geographically, our risk related to customer concentration is decreased. Zedcor's services are customer and industry agonistic and we continued to see that in the first half of the year 2023 as we continued to diversify our customer across the construction industry and launched a pilot program with a big box retailer in Q2 2023. The pilot has progressed well and we plan to negotiate a contract with the customer in Q3 2023.

- The Company continued to attract new customers across Canada. For the 3 months ended June 30, 2023, the Company provided services to over 50 new customers. For the 6 months ended June 30, 2023, the Company has added over 120 new customers.

- On track US expansion. Subsequent to June 30, 2023, the Company has leased a facility and during the quarter, the Company has hired its first employee in the US. In addition, the Company has shipped a small number of security towers for research & development purposes to help ensure supply targets are met for its 2024 expansion program. We anticipate to exit the year with approximately 45 Solar Electric MobileyeZ, which will be the preferred unit for this market going forward.

## SELECTED QUARTERLY FINANCIAL INFORMATION

| (Unaudited – in $000s) | June 30 2023 | March 31 2023 | Dec 31 2022 | Sept 30 2022 | Jun 30 2022 | Mar 31 2022 | Dec 31 2021 | Sept 30 2021 |
|---|---|---|---|---|---|---|---|---|
| **Revenue from continuing operations** | 6,216 | 6,443 | 6,415 | 5,797 | 5,256 | 4,631 | 4,076 | 3,684 |
| **Net income (loss)** | 2,472 | 752 | 3,076 | 966 | 1,528 | 428 | (535) | 296 |
| **Adjusted EBITDA[1]** | 1,824 | 2,135 | 2,380 | 2,121 | 1,694 | 1,373 | 961 | 1,353 |
| **Adjusted EBITDA per share - basic[1]** | 0.02 | 0.03 | 0.04 | 0.03 | 0.02 | 0.02 | 0.02 | 0.02 |
| **Net income (loss) per share from continuing operations** | | | | | | | | |
| **Basic** | 0.03 | 0.01 | 0.05 | 0.01 | 0.02 | 0.01 | (0.01) | 0.01 |
| **Diluted** | 0.03 | 0.01 | 0.04 | 0.01 | 0.02 | 0.01 | (0.01) | 0.01 |
| **Adjusted free cash flow[1]** | 968 | 978 | 1,931 | 2,076 | (292) | 1,216 | 345 | 2,068 |

[1] *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-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.

## SECURITY AND SURVEILLANCE SEGMENT RESULTS

| (in $000s) | Three months ended June 30 2023 | 2022 | % change | Six months ended June 30 2023 | 2022 | % change |
|---|---|---|---|---|---|---|
| **Security & surveillance service revenue** | 5,635 | 4,496 | 25% | 11,376 | 8,519 | 34% |
| **Security personnel, camera sales and other service revenue** | 581 | 760 | (24%) | 1,283 | 1,368 | (6%) |
| **Total revenue** | 6,216 | 5,256 | 18% | 12,659 | 9,887 | 28% |
| **Security & surveillance service operating costs** | 2,145 | 1,673 | 28% | 4,187 | 3,288 | 27% |
| **Security personnel, camera sales and other service operating cost** | 404 | 653 | (38%) | 935 | 1,201 | (22%) |
| **Total operating costs** | 2,549 | 2,326 | 10% | 5,122 | 4,489 | 14% |
| **Depreciation of operating assets*** | 749 | 489 | 53% | 1,407 | 956 | 47% |
| **Gross Margin** | 2,918 | 2,441 | 20% | 6,130 | 4,442 | 38% |
| **Security & surveillance service margin %** | 49% | 52% | | 51% | 50% | |
| **Security personnel, camera sales and other service margin** | 30% | 14% | | 27% | 12% | |

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

### Operational Review

*Q2 2023 vs Q2 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 June 30, 2023, revenue increased by 25% compared to the three months ended June 30, 2022. The increase in Q2 2023 revenue reflects the Company's expanded fleet of MobileyeZ security towers. While the fleet grew more than 25% the revenue will not always coincide with the fleet expansion as units are sent out to the Company's various equipment throughout Canada. In addition, a large pipeline construction project that the Company provided security towers for is coming to an end. While the Company was able to service these towers and distribute throughout its service center network for other customers, there is a timing delay as the equipment is serviced and delivered for other customers.

Overall, customer demand remains strong and 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, expand its geographical footprint and diversify its customer base across Canada. As at June 30, 2023, approximately 33% 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

*Q2 2023 vs Q2 2022*

Revenue for the three-month period ended June 31, 2023 was $581 compared to $760 for the three month period ended June 30, 2022. This was a decrease of $179. The decrease in revenue was a result of fewer 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.

### Gross Margins

*Q2 2023 vs Q2 2022*

Security & surveillance service margin decreased by 3% percent for the three months ended June 30, 2023 when compared to the three months ended June 30, 2022. This decrease in margin was due to a inflationary pressure on costs for wages and spare parts, higher repair & maintenance expenses as towers are returned from the pipeline contract and added operating costs as a result of expanded geographical footprint which was offset by 1) cost controls; 2) realized efficiencies from a maintenance recall program launched on its MobileyeZ; and 3) proactively managing its supply chain when possible. While margin did decline in Q2 2023 vs Q2 2022, it is slightly higher for the six months ended June 30, 2023 as a result of the measures discussed above. In addition, the Company has invested in artificial intelligence technology for its cameras in Q2 2023. This will reduce monitoring costs and decrease false alarms.

Security personnel, camera sales and other services margin percentage will fluctuate depending on sales mix. For the three months ended June 30, 2023, the Company saw completed fixed camera installations with higher margins.

## OTHER EXPENSES

| (in $000s) | Three months ended June 30 2023 | 2022 | % change | Six months ended June 30 2023 | 2022 | % change |
|---|---|---|---|---|---|---|
| **General and administrative** | 1,933 | 1,293 | 49% | 3,722 | 2,404 | 55% |
| **Depreciation of administrative assets** | 79 | 60 | 32% | 159 | 113 | 41% |
| **Depreciation of right-of-use assets** | 298 | 243 | 23% | 552 | 439 | 26% |
| **Finance costs** | 376 | 231 | 63% | 712 | 454 | 57% |

For the three and six months ended June 30, 2023:

- Total general and administrative expenses increased 49% and 55%, respectively, compared to the same quarters in 2022. Of the increase for the three and six months ended June 30, 2023, $85 is related to USA expansion costs incurred in Q2 2023 for wages, legal, travel and other costs. This remaining increase to general and administrative costs of $555 and $1,233, respectively, was due to headcount increases in sales, operations management staff, executives, administration staff, and the hiring of branch managers across Canada.
- Finance costs increased by $145 and $259, respectively, as a result of higher total debt and increased interest rates as a result of increased Canada Prime Rate.

## 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, these were largely resolved in Q2. Zedcor continues 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 declined at the start of Q2 2023 but has rebounded to above 80% in June 2023. While we expect the utilization rates to remain strong going forward, there will be volatility on a monthly basis as the Trans Mountain Expansion Pipeline 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 by the end of 2023 the Company is 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 and 2024 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 expanded 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.

## 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 six months ended June 30, 2023 and 2022:

| | Six months ended June 30 | | | |
|---|---|---|---|---|
| **(in $000s)** | **2023** | **2022** | **$ Change** | **% Change** |
| **Cash flow from operating activities** | 4,289 | 2,047 | 2,242 | 110% |
| **Cash flow used by investing activities** | (7,359) | (4,020) | (3,339) | 83% |
| **Cash flow from financing activities** | 3,744 | 3,773 | (29) | (1%) |

The following table presents a summary of working capital information:

| | Six months ended June 30 | | | |
|---|---|---|---|---|
| **(in $000s)** | **2023** | **2022** | **$ Change** | **% Change** |
| **Current assets** | 10,315 | 7,772 | 2,543 | 33% |
| **Current liabilities *** | 9,575 | 6,128 | 3,447 | 56% |
| **Working capital** | 740 | 1,644 | (904) | (55%) |

**Includes $3.1 million of debt and $2.0 million of lease liabilities in 2023 and $2.0 million of debt and $1.5 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, debt or cash flow from operations.

### Principal Credit Facility

| | Interest rate | Final maturity | Facility maximum | Outstanding as at June 30, 2023 | Outstanding as at December 31, 2022 |
|---|---|---|---|---|---|
| Term Loan | 5.15% | Oct 2026 | 6,100 | 4,169 | 4,748 |
| Revolving Equipment Financing | Prime + 2.00% | Revolving | 15,000 | 10,658 | 5,799 |
| Authorized Overdraft | Prime + 1.50% | Revolving | 3,000 | — | — |
| | | | | 14,827 | 10,547 |
| Current portion | | | | (3,147) | (2,198) |
| Long term debt | | | | 11,680 | 8,349 |

On June 6, 2023, the Company entered into a second amending agreement ("Second Amended Financing Agreement") which increased the Company's equipment financing from $6.0 million to $15.0 million. As at June 30, 2023, the Second Amended Financing Agreement provides the Company with the following:

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.
2. A $15.0 million revolving equipment financing facility ("Revolving Equipment Financing"). The Company is able to draw on this facility at any time for up to 100% 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 June 30, 2023 the Prime Interest Rate was 6.95% and the interest rate on the Revolving Equipment Financing was 8.95%. As the Company pays down the Revolving Equipment Financing, it can borrow back up to the facility maximum of $15.0 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 June 30, 2023 the Prime Interest Rate was 6.95% and the interest rate on the Revolving Equipment Financing was 8.45%.

The Second 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 quarterly financial covenant requirements, calculated on a trailing twelve month basis:

- 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 June 30, 2023, the Company is in compliance with its financial covenant requirements. The debt servicing ratio as calculated based on the Second Amended Financing Agreement was 2.89 to 1.00 and the funded debt to EBITDA was 1.55 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 June 30, 2023 and believes the expected loss provision is sufficient.

### 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 June 30, 2023:

| (in $000s) | 1 Year | 2-3 years | 4-5 years | Thereafter | Total | Carrying value |
|---|---|---|---|---|---|---|
| **Accounts payable and accrued liabilities** | 4,446 | — | — | — | 4,446 | 4,446 |
| **Current debt** | 3,073 | — | — | — | 3,073 | 3,147 |
| **Long-term debt** | — | 7,392 | 4,825 | — | 12,217 | 11,680 |
| **Note payable** | 175 | 350 | 3,479 | — | 4,004 | 3,216 |
| **Finance lease liabilities** | 2,337 | 3,544 | 1,921 | — | 7,802 | 6,528 |
| **Total** | 10,031 | 11,286 | 10,225 | — | 31,542 | 29,017 |

## OUTSTANDING SECURITIES

At August 15, 2023, the Company had the following securities outstanding:

- 73,908,925 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
- 2,775,000 options are outstanding with exercise prices ranging from $0.15 per share to $0.58 per share; 1,741,665 options are exercisable at prices ranging from $0.15 per share to $0.50 per share.
- 2,200,000 DSU and RSU are outstanding; nil DSU and RSU are exercisable

## RELATED PARTY TRANSACTIONS

As at June 30, 2023, the Company owed $3,216 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 six months ended June 30, 2023:

- $88 in interest paid on the Note Payable to a corporation controlled by a director of the Company (six months ended June 30, 2022 - $41).
- $101 in wages paid to a close family member of an executive officer (six months ended June 30, 2022 - $57).
- $32 in promotional products and uniforms purchased from a company owned by a close family member of an executive officer (six months ended June 30, 2022 - $25).
- $200 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 (six months ended June 30, 2022 - $300).
- $2,159 in other income from the annual bonus as EBITDA targets were exceeded as per the purchase and sale agreement for the sale of the Company's Rentals assets (six months ended June 30, 2022 - $883).
- $68 in corporate secretarial services paid to a company owned by a close family member of an executive officer (June 30, 2022 - $66).

These related party transactions are in the normal course of business and have been recorded at the exchange amount. At June 30, 2023 the amounts receivable from related parties was $2,184 and amounts payable to related parties was $2 (as at June 30, 2023 - $942 receivable and $nil payable).

## OFF BALANCE SHEET ARRANGEMENTS

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

## 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 to Zedcor Inc.'s Annual Information Form dated April 12, 2023, 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.

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

| | **Three months ended June 30** | | **Six months ended June 30** | |
|---|---|---|---|---|
| **(in $000s)** | **2023** | **2022** | **2023** | **2022** |
| **Net income** | 2,472 | 1,528 | 3,224 | 1,956 |
| Add: | | | | |
| Finance costs | 376 | 231 | 712 | 454 |
| Depreciation of property & equipment | 828 | 549 | 1,566 | 1,069 |
| Depreciation of right-of-use assets | 298 | 243 | 552 | 439 |
| (Gain) on sale of equipment | (69) | (48) | (69) | (74) |
| Loss on disposal of right-of-use asset | — | 7 | — | 7 |
| **EBITDA** | 3,905 | 2,510 | 5,985 | 3,851 |
| Add (deduct): | | | | |
| Stock based compensation | 90 | 57 | 144 | 73 |
| (Gain) loss on foreign exchange | (12) | 10 | (11) | 26 |
| Other income | (2,159) | (883) | (2,159) | (883) |
| | (2,081) | (816) | (2,026) | (784) |
| **Adjusted EBITDA** | 1,824 | 1,694 | 3,959 | 3,067 |

### *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 June 30 2023 | 2022 | Six months ended June 30 2023 | 2022 |
|---|---|---|---|---|
| **Net income** | 2,472 | 1,528 | 3,224 | 1,956 |
| Add (deduct): | | | | |
| Finance costs | 376 | 231 | 712 | 454 |
| Other income | (2,159) | (883) | (2,159) | (883) |
| **Adjusted EBIT** | 689 | 876 | 1,777 | 1,527 |

### *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 June 30 2023 | 2022 | Six months ended June 30 2023 | 2022 |
|---|---|---|---|---|
| **Net income** | 2,472 | 1,528 | 3,224 | 1,956 |
| **Add non-cash expenses:** | | | | |
| Depreciation of property & equipment | 828 | 549 | 1,566 | 1,069 |
| Depreciation of right-of-use assets | 298 | 243 | 552 | 439 |
| Stock based compensation | 90 | 57 | 144 | 73 |
| Finance costs (non-cash portion) | (5) | 42 | 19 | 78 |
| | 3,683 | 2,419 | 5,505 | 3,615 |
| **(Deduct) non-recurring income:** | | | | |
| Other income | (2,159) | (883) | (2,159) | (883) |
| | (2,159) | (883) | (2,159) | (883) |
| Change in non-cash working capital | (556) | (1,828) | (1,400) | (1,808) |
| **Adjusted Free Cash Flow** | 968 | (292) | 1,946 | 924 |

## 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.