ZEDCOR INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

Zedcor

FOR THE THREE & NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

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" or "Zedcor") for the three months ended September 30, 2023 when compared to the three months ended September 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 nine months ended September 30, 2023 and 2022. 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, 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 and Texas with equipment and servicing centers in British Columbia, Alberta, Manitoba Ontario and Houston, Texas. 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 750 proprietary MobileyeZ security towers, equipped with high resolution cameras which have AI at the Edge. A central monitoring center provides 24/7 live, verified monitoring to support the fleet of towers and monitoring for fixed camera installations. In addition, the segment offers on-site security personnel to customers across all market segments.

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EXECUTIVE SUMMARY:

Selected Financial Highlights

	Three months ended September 30		Nine months ended September 30	
(in $000s)	2023	2022	2023	2022
Revenue	6,431	5,795	19,090	15,682
EBITDA[2]	2,044	2,090	8,029	5,941
Adjusted EBITDA[1,2]	2,285	2,121	6,244	5,188
Adjusted EBIT[1,2]	728	1,255	2,505	2,782
Net income	288	966	3,512	2,922
Net income per share				
Basic	0.00	0.01	0.05	0.04
Diluted	0.00	0.01	0.04	0.04

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

Zedcor recorded $6,431 and $19,090 of revenue for the three and nine months ended September 30, 2023. This compares to $5,795 and $15,682 of revenue from for the three and nine months ended September 30, 2022. The revenue growth of 11% and 22% is the result of a larger fleet of security towers located throughout the Company's six service centers in Canada. Adjusted EBITDA grew to $2,285 and $6,244 for the three and nine months ended September 30, 2023, compared to $2,121 and $5,188 for the three and nine months ended September 30, 2022. This represented a growth of 18% for the nine months ended September 30, 2023.

The Company's security and surveillance services saw increased revenues and EBITDA for the three and nine months ended September 30, 2023 compared to 2022 due largely to increased customer demand of its larger fleet of MobileyeZ security towers. The increased revenue was offset by: 1) reduced security guard revenue; and 2) reduced revenue from a large pipeline construction project that is nearing completion. A majority of the security towers returned from the pipeline construction project have been rented to new or existing customers across Canada and, therefore, reduced the Company's customer/ industry concentration risk.

Zedcor exited the period with 755 MobileyeZ security towers which was an increase of 249 when compared to December 31, 2022 and 314 units when compared to September 30, 2022. Of the 755 units, 12 are located in Zedcor's Houston, Texas service center going through an extensive retrofit program in order to meet the requirements of the US market.

Financial and operational highlights for the three and nine months ended September 30, 2023 include:

- Net income of $288 for the three months ended September 30, 2023. This compares to net income of $966 for the three months ended September 30, 2022. For the nine months ended September 30, 2023 net income was $3,512 compared to net income of $2,922 for the nine months ended September 30, 2022. The increase in net income over the nine months 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 September 30, 2023, approximately 33% of the Company's MobileyeZ security tower fleet is located in Ontario. This represents a growth of 7% from the end of Q2 2023 and 22% from the start of the year. We are seeing strong demand for the Company's services in Eastern Canada and additional security towers will continue to be delivered to Ontario and Manitoba through Q4 2023.

- 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. For the three month period ended September 30, 2023, approximately 33% of the Company's revenues were generated from it's top 3 customers, down from 72% over the three month period ended September 30, 2022. Zedcor's services are customer and industry agonistic and we continued to see that in the first nine months of the year as we continued to diversify our customers across the construction industry and into retail security.

- Expansion into retail security with a leading North American home improvement retailer. After a three-month pilot program which began in June 2023, with locations tested in British Colombia, Southern Alberta, and Southern Ontario, Zedcor entered into a master rental services agreement with to provide MobileyeZ security towers with 24/7 live, verified monitoring at numerous locations across Canada until September 2026.

- Award of Ontario O-Train construction mobile security project. Sites being secured include equipment storage yards, light maintenance and storage facilities and five LRT stations under construction on the O-Train West Extension. As at September 30, 2023 the Company has 19 MobileyeZ security towers deployed with anticipated peak demand for this project up to 26 MobileyeZ. The construction project is expected to be completed in late 2026.

- The Company continued to attract new customers across Canada. For the 3 months ended September 30, 2023, the Company provided services to more than 21 new customers. For the 9 months ended September 30, 2023, the Company has added over 138 new customers.

- On track US expansion. In Q3 2023 the Company leased a facility and 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 exiting the year with approximately 45 Solar Electric MobileyeZ, which will be the preferred unit for this market going forward. Subsequent to the end of the quarter, the Company obtained its Texas security license, continued positive business development with both existing Canadian customers with operations in the US and potential US based customers, hired two sales people for the Houston market and exported additional security towers to the Houston service enter.

SELECTED QUARTERLY FINANCIAL INFORMATION

(Unaudited – in $000s)	Sept 30 2023	Jun 31 2023	Mar 31 2023	Dec 31 2022	Sept 30 2022	Jun 30 2022	Mar 31 2022	Dec 31 2021
Revenue from continuing operations	6,431	6,216	6,443	6,415	5,797	5,256	4,631	4,076
Net income (loss)	288	2,472	752	3,076	966	1,528	428	(535)
Adjusted EBITDA[1]	2,285	1,824	2,135	2,380	2,121	1,694	1,373	961
Adjusted EBITDA per share - basic[1]	0.03	0.02	0.03	0.04	0.03	0.02	0.02	0.02
Net income (loss) per share from continuing operations								
Basic	0.00	0.03	0.01	0.05	0.01	0.02	0.01	(0.01)
Diluted	0.00	0.03	0.01	0.04	0.01	0.02	0.01	(0.01)
Adjusted free cash flow[1]	4,664	968	978	1,931	2,076	(292)	1,216	345

[1] *See Financial Measures Reconciliations below*

RESULTS OF OPERATIONS

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 cameras which have AI at the Edge. A central monitoring center provides 24/7 live, verified monitoring to support the fleet of towers and 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

	Three months ended September 30			Nine months ended September 30		
(in $000s)	2023	2022	% change	2023	2022	% change
Security & surveillance service revenue	6,040	5,112	18%	17,416	13,631	28%
Security personnel, camera sales and other service revenue	391	683	(43%)	1,674	2,051	(18%)
Total revenue	6,431	5,795	11%	19,090	15,682	22%
Security & surveillance service operating costs	1,846	1,592	18%	6,033	4,880	18%
Security personnel, camera sales and other service operating costs	238	602	(60%)	1,173	1,803	(35%)
Total operating costs	2,084	2,194	(5%)	7,206	6,683	8%
Depreciation of operating assets*	892	581	54%	2,299	1,537	50%
Gross Margin	3,455	3,020	14%	9,585	7,462	28%
Security & surveillance service margin %	55%	57%		52%	53%	
Security personnel, camera sales and other service margin	39%	12%		30%	12%	

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

Operational Review

Q3 2023 vs Q3 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 September 30, 2023, revenue increased by 18% compared to the three months ended September 30, 2022. The increase in Q3 2023 revenue reflects the Company's expanded fleet of MobileyeZ security towers. While the fleet grew more than 68% the revenue will not always coincide with the fleet expansion due to product mix and timing of deliveries to the Company's various equipment centers 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 September 30, 2023, approximately 40% 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 approximately a year and shown significant growth in that time period.

Security Personnel, Camera Sales and Other Service Revenue

Q3 2023 vs Q3 2022

Revenue for the three-month period ended September 30, 2023 was $391 compared to $683 for the three month period ended September 30, 2022. This was a decrease of $292. The decrease in revenue was a result of fewer camera sales and fewer security personnel deployed in 2023. These are ancillary services in which the Company is placing less emphasis on to better service the growth of the main service offerings of MobileyeZ tower monitoring.

Operating Margins

Q3 2023 vs Q3 2022

Security & surveillance service margin decreased by 2% percent for the three months ended September 30, 2023 when compared to the three months ended September 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 Q3 2023 vs Q3 2022, it is consistent for the nine months ended September 30, 2023 as a result of the measures discussed above. In addition, the Company has continued to invest in artificial intelligence technology for its cameras in Q3 2023. This will reduce monitoring costs, decrease false alarms and reduce streaming costs as the cameras are upgraded throughout the fleet.

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

OTHER EXPENSES

	Three months ended September 30			Nine months ended September 30		
(in $000s)	2023	2022	% change	2023	2022	% change
General and administrative	2,300	1,490	54%	6,022	3,894	55%
Depreciation of administrative assets	108	60	80%	267	173	54%
Depreciation of right-of-use assets	308	255	20%	860	694	24%
Finance costs	440	289	52%	1,152	743	55%

For the three and nine months ended September 30, 2023:

- Total general and administrative expenses from continuing operations increased 54% compared to the same quarter in 2022. This increase to general and administrative costs of $810 was due to headcount increases in sales, operations management staff, administrative staff and costs associated with the expansion into the US market.
- Depreciation of right-of-use assets increased by $53, or 20%, due to a larger vehicle fleet as a result of headcount increases, and increased number of equipment branches across Canada.
- Finance costs increased by 52% as a result of higher total debt driven by the expansion of the MobileyeZ fleet and increased interest rates.

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 resulting in 68% growth in the MobileyeZ fleet from September 2022 to September 2023. 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 has stayed consistent from June 2023 at above 80% in September 2023, despite the increase in tower fleet size. 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 and Q3 as Zedcor was able to redeploy a significant portion of the MobileyeZ returned from Trans Mountain to new customers, maintaining utilization despite the return of equipment and a larger MobileyeZ fleet.

Priorities that the Company intends to focus on for the remainder of 2023 and the entirety of 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 and 2024 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) Expansion into the US market. The company has leased a facility and has grown it's headcount through Q3 2023. Towers are being prepared for deployment in Q4 2023 with a ramp up in the US fleet through 2024 and beyond to meet high expected demand for the MobileyeZ security tower and monitoring services.

4) 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.

5) 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.

6) 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 nine months ended September 30, 2023 and 2022:

	Nine months ended September 30			
(in $000s)	2023	2022	$ Change	% Change
Cash flow from operating activities	9,096	4,168	4,928	118%
Cash flow used by continuing investing activities	(11,185)	(6,973)	(4,212)	60%
Cash flow from financing activities	2,479	3,829	(1,350)	(35%)

The following table presents a summary of working capital information:

	As at September 30			
(in $000s)	2023	2022	$ Change	% Change
Current assets	7,388	7,841	(453)	(6%)
Current liabilities *	9,013	7,178	1,835	26%
Working capital	(1,625)	663	(2,288)	(345%)

**Includes $3.2 million of debt and $2.0 million of lease liabilities in 2023 and $2.2 million of debt and $1.6 million of lease liabilities in 2022*

The primary uses of funds are operating expenses, 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 September 30, 2023	Outstanding as at December 31, 2022
Term Loan	5.15%	Oct 2026	6,100	3,946	4,748
Revolving Equipment Financing	Prime + 2.00%	Revolving	15,000	10,197	5,799
Authorized Overdraft	Prime + 1.50%	Revolving	3,000	—	905
				14,098	10,547
Current portion				(3,121)	(2,198)
Long term debt				10,977	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 September 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 September 30, 2023 the Prime Interest Rate was 7.20% and the interest rate on the Revolving Equipment Financing was 9.20%. 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 September 30, 2023 the Prime Interest Rate was 7.20% and the interest rate on the Revolving Equipment Financing was 8.70%.

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 September 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 2.61 to 1.00 and the funded debt to EBITDA was 1.48 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, 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 lease obligations as at September 30, 2023:

(in $000s)	1 Year	2-3 years	4-5 years	Thereafter	Total	Carrying value
Accounts payable and accrued liabilities	3,814	—	—	—	3,814	3,814
Current debt	3,191	—	—	—	3,191	3,191
Long-term debt	—	8,364	3,992	—	12,356	10,858
Note payable	175	350	3,508	—	4,033	3,233
Finance lease liabilities	2,354	3,666	1,045	—	7,065	6,601
Total	9,534	12,380	8,545	—	30,459	27,697

OUTSTANDING SECURITIES

At November 16, 2023, the Company had the following securities outstanding:

- 70,892,259 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; 1,874,997 options are exercisable at prices ranging from $0.15 per share to $0.50 per share.
- 1,300,000 restricted share units are outstanding and 1,000,000 deferred share unites are outstanding.

RELATED PARTY TRANSACTIONS

As at September 30, 2023, the Company owed $3,233 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 nine months ended September 30, 2023:

- $131 in interest paid on the Note Payable to a corporation controlled by a director of the Company (nine months ended September 30, 2022 - $131).
- $142 in wages paid to a close family members of an executive officer (nine months ended September 30, 2022 - $82).
- $34 in promotional products and uniforms purchased from a company owned by a close family member of an executive officer (nine months ended September 30, 2022 - $30).
- $275 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 (nine months ended September 30, 2022 - $450).
- $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 (nine months ended September 30, 2022 - $883).
- $68 in corporate secretarial services paid to a company owned by a close family member of an executive officer (nine months ended September 30, 2022 - $66).

These related party transactions are in the normal course of business and have been recorded at the exchange amount. At September 30, 2023 the amounts receivable from related parties was $69 and amounts payable to related parties was $18 (as at September 30, 2022 - $70 receivable and $6 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 9, 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 9, 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, except as noted below:

Foreign Currency Translation

Assets and liabilities of foreign operations having a functional currency other than the Canadian dollar are translated at the rate of exchange prevailing at the reporting date, and revenues and expenses at average rates during the period. Gains or losses on translation are included as a component of shareholders' equity in accumulated other comprehensive loss.

Transactions in foreign currencies are translated to the respective functional currencies of the Company's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in net income or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency gains and losses are reported on a net basis.

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:

(in $000s)	Three months ended September 30 2023	Three months ended September 30 2022	Nine months ended September 30 2023	Nine months ended September 30 2022
Net income	288	966	3,512	2,922
Add:				
Finance costs	440	289	1,152	743
Depreciation of property & equipment	1,000	641	2,566	1,710
Depreciation of right-of-use assets	308	255	860	694
(Gain) on sale of equipment	(3)	(50)	(73)	(124)
(Gain) loss on disposal of right-of-use asset	11	(11)	12	(4)
EBITDA	2,044	2,090	8,029	5,941
Add (deduct):				
Stock based compensation	238	10	382	83
(Gain) loss on foreign exchange	3	21	(8)	47
Other income	—	—	(2,159)	(883)
	241	31	(1,785)	753
Adjusted EBITDA	2,285	2,121	6,244	5,188

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 September 30 2023	2022	Nine months ended September 30 2023	2022
Net income	288	966	3,512	2,922
Add (deduct):				
Finance costs	440	289	1,152	743
Other income	—	—	(2,159)	(883)
Adjusted EBIT	728	1,255	2,505	2,782

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 2023	2022	Nine months ended September 30 2023	2022
Net income	288	966	3,512	2,922
Add non-cash expenses:				
Depreciation of property & equipment	1,000	641	2,566	1,710
Depreciation of right-of-use assets	308	255	860	694
Stock based compensation	238	10	382	83
Finance costs (non-cash portion)	16	53	35	131
	1,850	1,925	7,355	5,540
(Deduct) non-recurring income and expenses:				
Other income	—	—	(2,159)	(883)
	1,850	1,925	5,196	4,657
Change in non-cash working capital	2,814	151	1,414	(1,657)
Adjusted Free Cash Flow	4,664	2,076	6,610	3,000

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.