ZEDCOR INC.
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2023 AND 2022

Independent Auditor's Report

To the Shareholders of Zedcor Inc.:

Opinion

We have audited the consolidated financial statements of Zedcor Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022, and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Stephen Bonnell.

Calgary, Alberta

MNP LLP

April 10, 2024

Chartered Professional Accountants

MNP

ZEDCOR INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023 AND 2022
IN THOUSANDS OF CANADIAN DOLLARS

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash	$ 1,474	$ 571
Accounts receivable (note 23)	4,117	4,699
Current portion of finance lease receivable (note 4)	570	527
Inventory (note 5)	475	1,315
Prepaid expenses and deposits	650	430
	7,286	7,542
Non-current assets:		
Finance lease receivable (note 4)	1,792	2,362
Deposits	179	167
Property and equipment (note 6)	27,240	17,563
Right-of-use assets (note 7)	4,469	2,939
Deferred tax (note 11)	2,005	2,005
	35,685	25,036
Total assets	$ 42,971	$ 32,578
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,242	$ 3,409
Current portion of lease liabilities (note 9)	2,421	1,772
Current debt (note 8)	3,788	2,198
	9,451	7,379
Non-current liabilities:		
Note payable (note 10)	3,249	3,182
Lease liabilities (note 9)	5,310	5,179
Long term debt (note 8)	12,846	8,349
	21,405	16,710
Total liabilities	30,856	24,089
Shareholders' equity		
Share capital (note 12)	114,024	113,183
Warrants (note 13)	1,122	1,368
Contributed surplus	2,216	1,809
Accumulated other comprehensive loss	(28)	—
Deficit	(105,219)	(107,871)
	12,115	8,489
Total liabilities and shareholders' equity	$ 42,971	$ 32,578

Approved on behalf of the Board of Directors:

(Signed) "Dean Swanberg"
Dean Swanberg – Director

(Signed) "Brian McGill"
Brian McGill – Director

See accompanying notes to the Consolidated Financial Statements

ZEDCOR INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
IN THOUSANDS OF CANADIAN DOLLARS

	Year ended December 31, 2023	2022
Revenues (note 16)	$ 24,889	$ 22,099
Direct expenses		
Direct operating costs	9,263	9,164
Depreciation of equipment (note 6)	3,240	2,162
	12,503	11,326
Gross margin	12,386	10,773
Operating expenses		
General and administrative (note 17)	8,543	5,495
Depreciation of other property and equipment (note 6)	374	250
Depreciation of right-of-use assets (note 7)	1,249	938
Loss (gain) on sale of equipment (note 6)	27	(139)
Loss (gain) on disposal of right-of-use assets (note 7)	81	(14)
	10,274	6,530
Other (income) expenses		
Finance costs (note 18)	1,621	1,063
Foreign exchange (gain) loss	(2)	70
Other income (note 21)	(2,159)	(883)
	(540)	250
Income before income taxes	**2,652**	**3,993**
Income taxes (note 11)		
Current tax expense	—	—
Deferred tax recovery	—	(2,005)
	—	(2,005)
Net income	**2,652**	**5,998**
Other comprehensive income		
Unrealized foreign currency translation loss	(28)	—
Comprehensive income	**$ 2,624**	**$ 5,998**
Net income and comprehensive income per share		
Basic	$ 0.04	$ 0.09
Diluted	$ 0.03	$ 0.08
Weighted average number of shares outstanding (note 15)		
Basic	73,122,487	67,639,086
Diluted	79,097,811	72,927,501

See accompanying notes to the Consolidated Financial Statements

ZEDCOR INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
IN THOUSANDS OF CANADIAN DOLLARS

	Share capital	Preferred shares	Warrants	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance – December 31, 2021	$ 107,807	$ 2,864	$ 587	$ 1,681	$ —	$ (112,541)	$ 398
Stock based compensation (note 14)	—	—	—	129	—	—	129
Exercise of stock options (note 12)	20	—	—	(1)	—	—	19
Units issued, net of Unit issue costs (note 12)	1,203	—	—	—	—	—	1,203
Warrants issued (note 13)	—	—	781	—	—	—	781
Conversion of preferred shares, net of share issue costs (note 12)	2,825	(2,864)	—	—	—	—	(39)
Shares issued for dividend on conversion of preferred shares (note 12)	1,328	—	—	—	—	—	1,328
Dividend on conversion of preferred shares (note 12)	—	—	—	—	—	(1,328)	(1,328)
Net loss	—	—	—	—	—	5,998	5,998
Balance – December 31, 2022	113,183	—	1,368	1,809	—	(107,871)	8,489
Stock based compensation (note 14)	—	—	—	562	—	—	562
Exercise of stock options (note 12)	355	—	—	(155)	—	—	200
Exercise of warrants (note 13)	486	—	(246)	—	—	—	240
Net income	—	—	—	—	—	2,652	2,652
Foreign currency translation loss	—	—	—	—	(28)	—	(28)
Balance – December 31, 2023	$ 114,024	$ —	$ 1,122	$ 2,216	$ (28)	$ (105,219)	$ 12,115

See accompanying notes to the Consolidated Financial Statements

ZEDCOR INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
IN THOUSANDS OF CANADIAN DOLLARS

	Year ended December 31, 2023	2022
Cash from (used in):		
Operating activities		
Net income	$ 2,652	$ 5,998
Depreciation of property and equipment (note 6)	3,614	2,412
Depreciation of right-of-use assets (note 7)	1,249	938
Loss (gain) on sale of equipment (note 6)	27	(139)
Loss (gain) on disposal of right-of-use assets (note 7)	81	(14)
Income tax recovery (note 11)	—	(2,005)
Stock based compensation (note 14)	562	129
Non-cash interest expense and other financing costs	151	145
Receipt of finance lease receivable (note 4)	527	441
Income taxes recovered	—	88
Cash flow from operating activities before changes in non-cash working capital	8,863	7,993
Changes in non-cash working capital (note 19)	1,023	(1,803)
Cash flow from operating activities	9,886	6,190
Investing activities		
Change in non-cash working capital related to investing activities (note 19)	(133)	128
Purchase of property and equipment (note 6)	(13,465)	(8,988)
Proceeds from disposal of property and equipment (note 6)	147	225
Proceeds from disposal of right-of-use assets (note 7)	—	28
Cash flow used in investing activities	(13,451)	(8,607)
Financing activities		
Proceeds from debt (note 8)	8,676	5,223
Repayment of debt (note 8)	(2,589)	(2,687)
Proceeds from Unit issuance, net of costs	—	1,984
Conversion of preferred shares	—	(39)
Payment of lease liability (note 9)	(2,059)	(1,612)
Proceeds from exercise of stock options	200	11
Proceeds from exercise of warrants (note 13)	240	—
Cash flow from financing activities	4,468	2,880
Net change in cash in the year	903	463
Cash, beginning of year	571	108
Cash, end of year	$ 1,474	$ 571

See accompanying notes to the Consolidated Financial Statements

1. CORPORATE INFORMATION AND NATURE BUSINESS:

Zedcor Inc. (the "Company") was formed under the laws of Alberta as a corporation on August 10, 2011. The Company is a technology enabled business that is changing how physical security services are provided to businesses. Zedcor operates throughout Canada and Texas with branches 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 is listed on the TSX Venture Exchange under the symbol ZDC.

2. BASIS OF PREPARATION:

a) Statement of compliance

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and in effect at the closing date of December 31, 2023. These consolidated financial statements were authorized for issue by the Company's Board of Directors on April 10, 2023.

b) Functional and presentation currency and basis of presentation

These consolidated financial statements are presented in Canadian dollars which is the Company's presentation currency. Each of the Company's subsidiaries determines its functional currency, and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Canadian operations is the Canadian Dollar and the functional currency of the United States operations is the United States Dollar. All financial information presented in dollars has been rounded to the nearest thousand except for share and per share amounts.

The Company's consolidated financial statements are prepared under the historical cost convention, with the exception of items that IFRS requires to be measured at fair value. The accounting policies set out in note 3 have been applied consistently in the preparation of the consolidated financial statements.

c) Critical accounting estimates and significant management judgments

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

Depreciation and amortization

Amounts recorded for depreciation and amortization are based on the estimated useful lives and residual values of the underlying assets. Useful lives and residual values are based on management's best estimate using knowledge of past transactions and as such are subject to measurement uncertainty. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear and legal or other limitations to use. It is possible that changes in these factors may cause changes in the estimated useful lives and residual values of the Company's property and equipment, right of use assets, and intangible assets in the future.

Recoverability of assets

The Company assesses impairment on its non-financial assets when it has determined that a potential indicator of impairment exists. The assessment of the existence of impairment indicators is based on various internal and external factors and involves management's judgement. Impairment exists when the carrying value of a non-financial asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use ("VIU").

Assessing for indicators of possible impairment requires judgment in the assessment of facts and circumstances and is a subjective process that often involves a number of estimates and is subject to interpretation.

Allowance for doubtful accounts

Amounts included in allowance for doubtful accounts reflect the lifetime expected credit losses for trade receivables. Management determines allowances based on specific accounts of future expected credit losses, considering historical credit loss experience, current economic conditions, and forecasts of future economic conditions. Significant or unanticipated changes in economic conditions could impact the magnitude of future expected credit losses.

The Company uses the "expected credit loss" model for calculating allowance for doubtful accounts and recognizes expected credit losses as a loss allowance for assets measured at amortized cost. The Corporation's trade and other receivables are typically short-term with payments received within a twelve month period, do not have a significant financing component and are to customers with good credit ratings, therefore the Company recognizes expected credit losses based on specific reserves for individual customers. The carrying amount of these assets is net of any loss allowance.

Income taxes

Tax interpretations, regulations, and legislation, in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred taxes are assessed by management at the end of the reporting period to determine the likelihood that they may be realized from future taxable earnings.

Inventories

Management reviews the carrying amount of inventories at the end of each reporting year and the recorded amount is adjusted to the lower of cost or net realizable value. As part of the review, management is required to make certain assumptions when determining expected realizable amounts. The value of slow-moving inventories is based on management's assessment of market conditions for its products as determined by usage and estimated future demand.

Leases

IFRS 16 requires management to make judgements and estimates in order to determine the value of the right-of-use assets and the lease liabilities. Judgements may relate to the identification of a lease in a contract, calculation of the incremental borrowing rate and the determination of the lease term and whether an extension or termination option in a lease will be exercised. Estimates may relate to the lease term, separation of lease and non-lease components and the determination of the appropriate discount rates.

Share-based payments

The compensation costs relating to share-based payment arrangements are based on estimates of how many stock options and warrants will actually vest, be exercised, estimated volatility, future forfeiture rates and expected life of the stock options and warrants.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES:

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

a) Basis of consolidation:

These financial statements include the accounts of Zedcor Inc. and its wholly owned subsidiaries. Subsidiaries are those entities controlled by Zedcor Inc. Control exists when Zedcor Inc. has power over an investee, exposure or rights to variable returns from its involvement with its investees and the ability to use its power to affect its return from the investee. Subsidiaries are fully consolidated from the date on which control is transferred to Zedcor Inc. They are derecognized from the date that control ceases. The following entities have been included in these consolidated financial statements:

	Basis of consolidation	Jurisdiction
Zedcor Inc.	Parent	Canada
Zedcor Security Solutions Corp.	100% owned	Canada
Zedcor Holdings (USA), Inc.	100% owned	USA
Zedcor Industrial Services Corp.	100% owned	Canada

Inter-entity balances, transactions and any unrealized gains or losses arising from inter-entity transactions are eliminated in the preparation of these consolidated financial statements.

b) Business combinations:

The acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets obtained, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquired business. The acquired business' identifiable net assets, including intangible assets, liabilities and contingent liabilities, are recognized at their fair values at the acquisition date.

To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets, goodwill is recognized. To the extent the fair value of consideration paid is less than the fair value of net identifiable tangible assets and intangible assets, the excess is recognized in the statement of income.

Transaction costs, other than those associated with the issuance of debt or equity securities, incurred in connection with a business combination, such as legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred.

c) Inventory:

Inventories, which comprise of supplies and finished products for sale to customers, in the construction of the Company's assets or for parts and supplies in maintaining the Company's assets, are stated at the lower of cost and net realizable value. Costs of inventories are determined using the weighted average cost method and includes the cost of purchase and other costs required to bring the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale. The cost of finished product inventories includes the cost of materials and the cost of direct labour. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of write-down previously recorded is reversed.

Inventory is recognized as property and equipment when it meets the definition of property and equipment and are expected to be used in construction of the Company's own assets. Spare parts inventory is recognized in the statement of income when it is determined to be replacing broken parts on the Company's property and equipment.

d) Property and equipment:

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized in the statement of income.

The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

IN THOUSANDS OF CANADIAN DOLLARS

Depreciation is provided for at the following rates and methods:

	Basis of depreciation	Useful life/ declining balance rate	Residual value
Security towers and support equipment	Straight line	3 to 10 years	0% to 10%
Technology equipment for security towers	Declining balance	30%	—
Rental equipment	Declining balance	20% to 30%	0% to 20%
Automotive and other equipment	Declining balance	20% to 30%	—
Furniture, computer, software and office equipment	Declining balance	20% to 100%	—

Leasehold improvements and right-of-use assets are amortized over the term of the lease or, for right-of-use assets where ownership is transferred at the end of the lease, over its estimated useful life.

e) Impairment of non-financial assets:

The carrying value of long-term assets, excluding goodwill, is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or CGU may not be recoverable. If indicators of impairment exist, the recoverable amount of the asset or CGU is estimated. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or CGU is the greater of its fair value less costs of disposal and its VIU. Fair value is determined to be the amount for which the asset could be sold for in an arm's length transaction. The VIU calculation is based on a discounted cash flow model. The cash flows are derived from the Company's forecast and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Reversals of impairments are recognized when the indicators of an impairment loss recognized in prior periods may no longer exist, or may have decreased. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. In this event, the carrying amount of the asset or CGU is increased to its revised recoverable amount with an impairment reversal recognized in net earnings. The recoverable amount is limited to the original carrying amount less depreciation and amortization as if no impairment had been recognized for the asset or CGU for prior periods. An impairment loss in respect of goodwill is not reversed.

f) Leases:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease; if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension options, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease.

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

g) Provisions:

A provision is recognized if, as a result of a past event, the Company has a legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

h) Onerous contracts:

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the asset associated with that contract.

i) Revenue recognition:

Revenue from security tower rentals is recognized over time as the rental service and monitoring is rendered, based upon agreed daily, weekly or monthly rates, and only if collectability is reasonably assured.

Revenue from fixed camera installations is recognized when inventories are sold to the customer and installed at client sites and only if it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Revenue from monitoring contracts at fixed locations is recognized over time as the monitoring services are rendered, based upon agreed monthly rates and only if it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Revenue from security personnel services are recognized over time as the service is rendered, based upon agreed daily or hourly rate, and only if collectability is reasonably assured.

j) Equity settled transactions:

The Company has a share-based compensation plan that allows employees, contractors, officers and directors, who have been granted options, to purchase common shares at a set price over a specified time period. From time to time, the Company may issue either stock options, restricted share units ("RSU"), deferred share units ("DSU") or a combination to employees, contractors, officers and directors.

Stock Options

Option exercise prices approximate the market price of the shares on the date the options are granted. Options granted under the plan vest over three years and expire five years after the grant date.

Share based compensation expense related to stock options is determined based on the estimated fair value of the options on the date they are granted. The fair value of the options granted is estimated using the Black-Scholes option pricing model. Factors used in this model include expected volatility, expected dividends, risk-free interest rates, expected life of the options and estimated future forfeitures.

The compensation expense is recognized in earnings over the vesting period, with a corresponding increase in contributed surplus.

Consideration paid on the exercise of the options is recorded as an increase in shareholders' equity together with corresponding amounts previously recognized in contributed surplus. Forfeitures are estimated for at date of grant, which may result in a reduction of compensation expense in the period of the forfeiture.

Restricted Share Units

RSU are granted without an exercise price and the vesting period is determined by the Board of Directors at each grant date. The Company has the option to settle the RSUs at the time of vesting in shares of the Company or in cash. The Company treats these units as equity settled. Share based compensation expense related to RSUs is determined based on the estimated fair value of the RSU which is the price of the shares on the date they are granted.

The compensation expense is recognized in earnings over the vesting period, with a corresponding increase in contributed surplus. Forfeitures are estimated for at date of grant, which may result in a reduction of compensation expense in the period of the forfeiture.

Deferred Share Units

DSUs may be granted to officers or directors of the Company without an exercise price and the vesting period is determined by the Board of Directors at each grant date. The Company has the option to settle the DSUs at the time of vesting in shares of the Company or in cash with settlement to occur upon the director or officers retirement or termination from the Company. The Company treats these units as share settled. Share based compensation expense related to DSUs is determined based on the estimated fair value of the DSU which is the price of the shares on the date they are granted.

The compensation expense is recognized in earnings over the vesting period, with a corresponding increase in contributed surplus. Forfeitures are estimated for at date of grant, which may result in a reduction of compensation expense in the period of the forfeiture.

k) Finance costs:

Finance costs are comprised of interest expense on borrowings, amortization of the discount on the Note Payable and other non-cash finance costs, and are recognized in earnings when incurred. Borrowing costs that are not directly attributable to the acquisition of a qualifying asset are recognized in profit or loss.

l) Income taxes:

Income tax expense is comprised of current and deferred tax. Current and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the period, using tax rates enacted at the reporting date, and any adjustment to the tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that will not affect accounting nor taxable profit or loss.

- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be in effect when the temporary differences reverse, based on laws that have been enacted or substantially enacted at the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available in sufficient amounts to offset the tax losses, credits and temporary differences.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

m) Net income and comprehensive income per share:

Basic net income per share is determined by dividing the net income by the weighted average number of shares outstanding during the year. Diluted net income per share reflects the potential dilution that would occur if stock options and warrants were exercised. The treasury stock method is used to determine the dilutive effect of stock options and warrants. Under the treasury stock method only "in-the-money" options and warrants impact the dilution calculation.

n) 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.

o) Financial instruments:

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The "expected credit loss" model applies to financial assets measured at amortized cost, and contract assets and debt instruments at FVOCI.

Non-derivative financial assets

The Company initially recognizes cash and cash equivalents, accounts receivable and deposits on the date that they originate. All other financial assets (including assets designated at fair value through net income or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortized cost is calculated using the "expected credit loss" model and recognizes expected credit losses as a loss allowance. The Corporation recognizes an amount equal to the lifetime expected credit losses based on the Corporation's historical experience and including forward-looking information. The carrying amount of these assets in the consolidated statement of financial position is net of any loss allowance. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The Company has the following non-derivative financial assets:

Financial instrument	Initial measurement	Subsequent measurement
Cash and cash equivalents	Amortized cost	Amortized cost
Accounts receivable	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost

Cash and cash equivalents comprise of cash balances and cash deposits with original maturities of three months or less.

The Company initially recognizes trade and other receivable on the date that they originate. Impairment of trade and other receivables is recognized in selling, general and administration expenses when evidence of impairment arises. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss, or a portion of such is reversed. The amount of the impairment loss reversed may not exceed the original impairment amount.

Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they originate. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities:

Financial instrument	Initial measurement	Subsequent measurement
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Note payable	Amortized cost	Amortized cost
Debt	Amortized cost	Amortized cost

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Interest, losses and gains relating to the financial liability are recognized in profit or loss.

IN THOUSANDS OF CANADIAN DOLLARS

Financial derivatives not using hedge accounting

The Company holds derivative financial instruments at times to hedge its interest rate exposure. Financial derivatives not using hedge accounting are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are recognized at fair value and changes therein are accounted for in profit or loss.

p) Segment reporting:

The Company's operating segments are organized based on the operating structure of the Company's business and are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CEO has authority for resource allocation and assessment of the Company's performance and is therefore the CODM.

The Company has one segment – Security & Surveillance (S&S).

q) Government subsidies

Government subsidies are recognized only when there is reasonable assurance that (a) the Company will comply with any conditions attached to the subsidy and (b) the subsidy will be received. The government subsidies are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes the expense for the related costs for which the subsidies are intended to compensate. The Company has elected to present these amounts net of the related expense.

4. LEASE RECEIVABLE:

	Properties	Equipment	Total
At December 31, 2021	3,313	17	3,330
Additions	—	10	10
Receipts	(443)	(8)	(451)
At December 31, 2022	2,870	19	2,889
Receipts	(517)	(10)	(527)
At December 31, 2023	2,353	9	2,362

5. INVENTORY:

The major components of inventory are as follows:

	December 31, 2023	December 31, 2022
Spare parts	321	—
Finished goods	154	1,315
	475	1,315

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the average cost method and net realizable value is the estimated selling price in the ordinary course of business. As at December 31, 2023 and 2022, the balance of the Company's inventory was carried at weighted average cost.

IN THOUSANDS OF CANADIAN DOLLARS

The following tables summarizes the movements in inventory:

	December 31, 2023	December 31, 2022
Opening balance	1,315	383
Inventory additions	922	3,455
Expensed to direct operating costs	(984)	(552)
Reclassification to property and equipment	(778)	(1,971)
	475	1,315

The Company sells inventory to its customers and uses inventory as spare parts for repairs and maintenance of its security towers.

6. PROPERTY AND EQUIPMENT:

Cost	Security towers & equipment	Automotive	Office furniture & computers	Leasehold improvements	Total
At December 31, 2021	15,234	116	1,120	151	16,621
Additions	8,235	125	519	109	8,988
Disposals	(86)	(4)	(7)	(12)	(109)
At December 31, 2022	23,383	237	1,632	248	25,500
Additions	12,771	—	583	111	13,465
Disposals	(670)	(116)	(1)	—	(787)
At December 31, 2023	35,484	121	2,214	359	38,178

Accumulated depreciation	Security towers & equipment	Automotive	Office furniture & computers	Leasehold improvements	Total
At December 31, 2021	4,809	116	575	48	5,548
Depreciation	2,116	19	231	46	2,412
Elimination on disposal	(14)	—	—	(9)	(23)
At December 31, 2022	6,911	135	806	85	7,937
Depreciation	3,168	30	374	42	3,614
Elimination on disposal	(497)	(115)	(1)	—	(613)
At December 31, 2023	9,582	50	1,179	127	10,938

IN THOUSANDS OF CANADIAN DOLLARS

Net Book Value	Security towers & equipment	Automotive	Office furniture & computers	Leasehold improvements	Total
At December 31, 2022	16,472	102	826	163	17,563
At December 31, 2023	25,902	71	1,035	232	27,240

For the year ended December 31, 2023, the Company sold assets with a net book value of $174 (year ended December 31, 2022 - $86) for proceeds of $147 (year ended December 31, 2022 - $225), resulting in a loss of $27 (year ended December 31, 2022 – gain of $139).

At each reporting period, the Company reviews the carrying value of its property and equipment for indicators of impairment. As at December 31, 2023 and 2022, no indicators of impairment existed for the Company's security & surveillance CGU.

7. RIGHT-OF-USE ASSETS:

Cost	Properties	Automotive	Equipment	Total
At December 31, 2021	286	1,057	316	1,659
Additions	1,806	772	106	2,684
Disposals	(192)	(218)	—	(410)
At December 31, 2022	1,901	1,610	422	3,933
Additions	1,624	1,491	—	3,115
Disposals	—	(810)	—	(810)
At December 31, 2023	3,525	2,291	422	6,238

Accumulated Depreciation	Properties	Automotive	Equipment	Total
At December 31, 2021	140	229	—	369
Depreciation	351	453	134	938
Disposals	(191)	(122)	—	(313)
At December 31, 2022	300	560	134	994
Depreciation	554	663	32	1,249
Disposals	—	(474)	—	(474)
At December 31, 2023	854	749	166	1,769

Net Book Value	Properties	Automotive	Equipment	Total
At December 31, 2022	1,600	1,051	288	2,939
At December 31, 2023	2,671	1,542	256	4,469

IN THOUSANDS OF CANADIAN DOLLARS

During the year ended December 31, 2023, the Company:

a. Disposed of right-of-use automotive assets with a net book value of $336 (year ended December 31, 2022 - $97). This resulted in a loss on disposal of $81 (year ended December 31, 2022 – gain of $14).

b. Renewed the leases for the Company's service center properties in Vancouver and Calgary. The Company also signed a lease for its manufacturing and service center in Houston, Texas. This increased right-of-use asset cost by $1,624.

c. Added new fleet vehicles or replaced disposed fleet vehicles which resulted in increased right-of-use asset cost by $1,491.

During the year ended December 31, 2022, the Company:

a. Entered into a 36 month financing lease for certain inventory items for $106.

b. Ended the lease for one of its properties which reduced right-of-use cost by $191 and accumulated amortization by the same amount.

c. Entered into leases for new service center properties in Calgary, Ottawa, Toronto and Winnipeg; the Company also relocated its service center in Edmonton. The Company also entered into a lease for its head office space. This increased right-of-use asset cost by $1,806.

d. Expanded its fleet of vehicles which resulted in increased right-of-use asset cost by $772.

8. CREDIT FACILITIES:

	Interest rate	Final maturity	Facility maximum	Outstanding as at December 31, 2023	Outstanding as at December 31, 2022
Term Loan	5.15%	Oct 2026	6,100	3,538	4,748
Revolving Equipment Financing	Prime + 2.00%	Revolving	15,000	13,096	5,799
Authorized Overdraft	Prime + 1.50%	Revolving	3,000	—	—
				16,634	10,547
Current portion				(3,788)	(2,198)
Long term debt				12,846	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 December 31, 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 December 31, 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 December 31, 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 December 31, 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 2.15 to 1.00 and the funded debt to EBITDA was 1.91 to 1.00.

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 was 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.

IN THOUSANDS OF CANADIAN DOLLARS

The following table summarizes the Company's credit facility maturity:

Maturity Analysis	Total
Less than one year	5,016
Two to five years	13,874
More than five years	—
Total undiscounted liability as at December 31, 2023	**18,890**
Less: implicit interest	(2,256)
Total as at December 31, 2023	**16,634**

9. LEASE LIABILITES:

The following table summarizes the Company's lease liabilities based on type:

	Properties	Automotive	Equipment	Total
At December 31, 2021	4,811	828	316	5,955
Repayments	(1,066)	(436)	(110)	(1,612)
Additions	1,823	772	107	2,702
Disposals	—	(94)	—	(94)
At December 31, 2022	5,568	1,070	313	6,951
Repayments	(1,290)	(629)	(140)	(2,059)
Other adjustments	81	—	—	81
Additions	1,624	1,491	—	3,115
Disposals	—	(357)	—	(357)
At December 31, 2023	5,983	1,575	173	7,731

The following table summarizes the Company's lease maturities:

Maturity Analysis	Total
Less than one year	2,960
Two to five years	5,769
More than five years	8
Total undiscounted lease payables as at December 31, 2023	**8,737**
Less: implicit interest	(1,006)
Total lease liabilities as at December 31, 2023	**7,731**
Current portion	2,421
Long term portion	5,310

IN THOUSANDS OF CANADIAN DOLLARS

10. NOTE PAYABLE:

As at December 31, 2023, the note payable had a carrying value of $3,249 (as at December 31, 2022 - $3,182).

Balance, December 31, 2021	**3,115**
Accretion of note payable discount	67
Balance, December 31, 2022	**3,182**
Accretion of note payable discount	67
Balance, December 31, 2023	**3,249**

The Note Payable is due to a corporation controlled by a director of the Company. It is due to mature on December 1, 2026 at its notional value of $2.5 million. The Note Payable bears interest at 7% per annum, accruing daily from the issue date. The Company made annual interest payments of $175 in 2023 (2022 - $175). The Note Payable is unsecured and subordinated to the Credit Facilities.

11. INCOME TAXES:

The major components of income tax expense are as follows:

	December 31, 2023	December 31, 2022
Current income tax expense	—	—
Deferred tax recovery	—	(2,005)
Provision for income taxes	—	(2,005)

Reconciliation of effective tax rate:

	December 31, 2023	December 31, 2022
Net loss before income tax	2,652	3,993
Statutory tax rate	25.0%	24.3%
Expected tax	663	970
Non-deductible expenses and non-taxable income	200	65
Change in valuation allowance	—	(3,175)
Unrecognized benefit of tax losses	(889)	—
Change in enacted tax rate	123	80
Difference in deferred tax rate on temporary differences	(97)	103
Prior year adjustment	—	(48)
Tax recovery	—	2,005

The statutory tax rate changed due to the Company's operations being in different provinces which have higher tax rates.

IN THOUSANDS OF CANADIAN DOLLARS

The Company's deferred assets and liabilities are as follows:

	December 31, 2023	December 31, 2022
Property & equipment	5,587	5,145
Right-of-use asset and lease receivables	(1,680)	(1,432)
Capital lease obligations	(1,902)	(1,708)
Net deferred tax asset	2,005	2,005

The following table summarizes the Company's unrecognized deductible temporary differences:

	December 31, 2023	December 31, 2022
Property & equipment	31,448	29,339
Non-capital losses	14,211	21,278
Capital losses	2,196	2,196

As at December 31, 2023 the Company's had non-capital loss carry forwards of approximately $14,211 (as at December 31, 2022 - $21,278) which are available to reduce future taxable income. $696 of these losses are for the Company's operations in the United States and the remaining are in Canada. Of the $13,515 capital losses from Canada $12,309 of these losses expire in 2036 and the remaining losses expire in 2037. Also included in the December 31, 2023 tax pools are net capital losses of $2,196 (as at December 31, 2022 - $2,196), which are available to reduce future capital gains and do not expire. However, these loses are unrecognized as a deferred income tax asset at December 31, 2023 and 2022, as management does not believe sufficient future net capital gains will be generated.

12. SHARE CAPITAL:

Common share capital

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

Common shares issued and fully paid:	Number of shares	$
Balance, December 31, 2021	**58,299,943**	**107,807**
Unit issuance, net of issuance costs	5,233,930	1,203
Issued on conversion of preferred shares, net of issuance costs	4,400,000	2,825
Issued for stock dividend on conversion of preferred shares	2,883,386	1,328
Issued on exercise of stock options	75,000	20
Balance, December 31, 2022	**70,892,259**	**113,183**
Issued on exercise of stock options	1,316,666	355
Issued on exercise of warrants	2,000,000	486
Balance, December 31, 2023	74,208,925	114,024

IN THOUSANDS OF CANADIAN DOLLARS

On March 30, 2022, the Company issued 4,533,930 units ("Units") for $0.50 per Unit and total gross proceeds of $2,267. Each Unit consisted of one common share of the Company and one-half of one common share purchase warrant of the Company. Each whole common share purchase warrant entitles the holder thereof to acquire one common share at a price of $0.70 for a period of two years from the date of issue (note 13).

On April 6, 2022, the Company completed a private placement of 700,000 additional Units for $0.50 per Unit, and total gross proceeds of $350. As part of the private placement, the Company issued an additional 350,000 warrants which entitle the holders thereof to acquire one common share at a price of $0.70 for a period of two years from the date of issue (note 13).

Net proceeds of the March 30, 2022 and April 6, 2022 Unit issuances were allocated as follows:

Issue date	March 30, 2022	April 6, 2022	Total
Gross proceeds	2,267	350	2,617
Less: share issue costs	(582)	(51)	(633)
Net proceeds	1,685	299	1,984
Allocated to share capital	1,018	185	1,203
Allocated to warrants	667	114	781

13. WARRANTS:

Changes in the outstanding number, weighted average exercise price and movements in warrants are as follows:

Warrants issued	Number of warrants	$
Balance, December 31, 2021	**4,744,905**	**587**
Warrant issuance – March 30, 2022	2,266,965	667
Warrant issuance – April 6, 2022	350,000	114
Balance, December 31, 2022	**7,361,870**	**1,368**
Warrants exercised	(2,000,000)	(246)
Balance, December 31, 2023	**5,361,870**	**1,122**

During the year ended December 31, 2023 2,000,000 warrants with an exercise price of $0.12 were exercised for total proceeds of $240 (year ended December 31, 2022 - $nil).

The following table summarizes the Company's issued and outstanding warrants, exercise prices and expiry dates as at December 31, 2023:

Issue date	December 4, 2020	March 30, 2022	April 6, 2022
Warrants issued and outstanding	2,744,905	2,266,965	350,000
Exercise price	$0.12	$0.70	$0.70
Expiry date	Nov 25, 2024	Mar 30, 2024	Apr 6, 2024

IN THOUSANDS OF CANADIAN DOLLARS

As part of the Unit issuances completed on March 30, 2022 and April 6, 2022 (note 12), the Company issued 2,616,965 warrants. Each warrant issued allows the holder to acquire one common share at a price of $0.70 for a period of two years from the date of issue. These warrants were exercised subsequent to December 31, 2023 (note 25).

The fair value of the warrants was determined using the Black-Scholes model with the following assumptions:

Issue date	March 30, 2022	April 6, 2022
Expected annual dividend	$0.00	$0.00
Expected volatility	166%	152%
Risk-free interest rate	2.31%	2.37%
Expected life of warrants	2 years	2 years

14. STOCK BASED COMPENSATION:

(a) Stock options

Changes in outstanding and exercisable employee options are as follows:

	Number of options	Vested/ Exercisable	Exercise price	Remaining contractual life in years	Weighted average exercise price
Options as at December 31, 2021	3,150,000	1,049,995	—	3.43	0.17
Options vested	—	1,000,001	0.16	—	—
Options exercised	(75,000)	(75,000)	0.15	—	—
Options forfeited	(183,334)	(49,999)	0.21	—	—
Options granted – April 29, 2022	325,000	—	0.50	4.33	0.50
Options granted – August 18, 2022	350,000	—	0.50	4.63	0.50
Options as at December 31, 2022	3,566,666	1,924,997	—	2.86	0.23
Options vested	—	1,091,666	0.22	—	—
Options exercised	(1,316,666)	(1,316,666)	0.15	—	—
Options forfeited	(125,000)	(8,333)	0.50	—	—
Options granted – May 29, 2023	325,000	—	0.58	4.41	0.58
Options as at December 31, 2023	2,450,000	1,691,664	—	2.39	0.30

During the year ended December 31, 2023, 1,316,666 options were exercised (year ended December 31, 2022 – 75,000) for total proceeds of $200 (year ended December 31, 2022 - $11).

IN THOUSANDS OF CANADIAN DOLLARS

The Company estimated the fair value of the 675,000 and 325,000 employee stock options issued in 2022 and 2023, respectively, using the Black-Scholes method of valuation. All options vest equally over three years on each of the first, second and third anniversaries of the grant date. The Black-Scholes estimate of fair value used the following assumptions:

Issue date	May 29, 2023	August 18, 2022	April 29, 2022
Expected annual dividend	$0.00	$0.00	$0.00
Expected volatility	103.3%	153.7%	157.1%
Risk-free interest rate	3.91%	3.27%	2.64%
Expected life of options	3.06 years	2.85 years	2.73 years
Expected forfeiture rate	35.4%	37.2%	38.1%
Grant date fair value	$0.58	$0.41	$0.36

During the year ended December 31, 2023, $160 of stock-based compensation related to stock options was recorded in general and administrative expenses (twelve months ended December 31, 2022 - $129). At December 31, 2023, the weighted average price of exercisable options was $0.20 (as at December 31, 2022 - $0.23).

(b) Restricted share units

The Company put into place a restricted share unit ("RSU") plan in 2023 pursuant to which the Company may grant RSUs to certain employees. The vesting of the RSUs will be determined by the Board of Directors at each grant date. The Company may settle any vested RSUs by issuing cash or shares. As at December 31, 2023, the Company intends to settle vested RSU through the issuance of shares and, accordingly, these RSUs are treated as equity settled share based payments.

RSUs issued, outstanding and the weighted average remaining life of the RSUs at December 31, 2023 and 2022 are as follows:

	Number of RSUs	Vested/ Exercisable	Remaining contractual life in years
RSUs as at December 31, 2021 and 2022	—	—	—
RSUs granted – May 29, 2023	1,200,000	—	1.41
RSUs granted – August 17, 2023	100,000	—	1.63
RSUs as at December 31, 2023	1,300,000	—	1.43

The fair value of each RSU granted is based on the market price of the Company's shares on the date of the grant. The RSUs granted on May 29 and August 17, 2023 vest equally over 3 years on each of the first, second and third anniversary date of the grant. For the year ended December 31, 2023 a weighted average forfeiture rate of 15% was applied. For the year ended December 31, 2023 the Company recognized stock based compensation expense of $219 related to RSUs (year ended December 31, 2022 - $nil)

IN THOUSANDS OF CANADIAN DOLLARS

(c) Deferred share units

The Company put into place a deferred share unit ("DSU") plan in 2023 pursuant to which the Company may grant DSUs to certain officers and directors of the Company. The vesting of the DSUs will be determined by the Board of Directors at each grant date. Once vested, the Company will settle DSUs, through the issuance of shares or payment of cash, upon the director or officer no longer being a director or officer of the Company. As at December 31, 2023, the Company intends to settle vested DSU through the issuance of shares and, accordingly, these DSUs are treated as equity settled share based payments.

DSUs issued, outstanding and the weighted average remaining life of the DSUs at December 31, 2023 and 2022 are as follows:

	Number of RSUs	Vested/ Exercisable	Remaining contractual life in years
DSUs as at December 31, 2021 and 2022	—	—	—
DSUs granted – May 29, 2023	1,000,000	—	1.41
DSUs as at December 31, 2023	1,000,000	—	1.41

The fair value of each DSU granted is based on the market price of the Company's shares on the date of the grant. The DSUs granted on May 29, 2023 vest equally over 3 years on each of the first, second and third anniversary date of the grant. For the year ended December 31, 2023 a weighted average forfeiture rate of 15% was applied. For the year ended December 31, 2023 the Company recognized stock based compensation expense of $183 related to DSUs (year ended December 31, 2022 - $nil)

15. PER SHARE AMOUNTS:

Basic and diluted earnings per share have been calculated on the basis of weighted average number of common shares outstanding as outlined below:

	December 31, 2023	December 31, 2022
Net income for the period	2,682	5,998
Less: dividend on preferred shares for the period	—	(82)
Net income for the period attributable to common shareholders	2,682	5,916
Weighted average number of shares outstanding – basic	73,122,487	67,639,086
Earnings per share – basic	0.04	0.09
Weighted average number of shares outstanding – basic	73,122,487	67,639,086
Share option dilution	1,452,165	1,836,282
Restricted share unit dilution	1,300,000	—
Deferred share unit dilution	1,000,000	—
Warrant dilution	2,223,159	3,452,133
Weighted average number of shares outstanding – diluted	79,097,811	72,927,501
Earnings per share – diluted	0.03	0.08

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The diluted weighted average reflects the dilutive effect of "in-the-money" options, restricted and deferred share units outstanding.

16. REVENUE:

Revenue is generated from the following sales and services:

	December 31, 2023	December 31, 2022
Security tower surveillance services	23,283	20,485
Fixed site monitoring services	1,208	1,030
Security personnel	398	584
	24,889	22,099

17. GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses from continuing operations are comprised of the following:

	December 31, 2023	December 31, 2022
Administrative salaries and office costs	6,839	4,426
Professional and consulting fees	277	329
Advertising, promotion, and investor relations	460	329
Computer and technology related expenses	379	272
Bad debt expenses	26	10
Stock based compensation	562	129
	8,543	5,495

18. FINANCE COSTS:

Finance costs are comprised of the following:

	December 31, 2023	December 31, 2022
Bank charges and interest	88	30
Interest on debt	975	561
Interest and accretion of discount on note payable	242	242
Interest on finance leases	316	230
	1,621	1,063

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19. CHANGES IN NON-CASH WORKING CAPITAL:

Changes in non-cash working capital related to operating activities:

	December 31, 2023	December 31, 2022
Accounts receivable	582	(1,556)
Inventory	840	(932)
Prepaid expenses and deposits	(232)	(216)
Accounts payable and accrued liabilities	(34)	773
Accounts payable and accrued liabilities related to investing activities	(133)	128
Income taxes payable	—	—
	1,023	(1,803)
Supplementary information:		
Cash interest paid	1,470	918
Taxes recovered	—	(88)

20. RELATED PARTY TRANSACTIONS:

a) Key management personnel compensation:

In addition to their salaries, the Company also provides non-cash benefits to executive officers. The Company has no retirement or post-employment benefits available to its directors and executive officers.

The remuneration of key management personnel and directors during the year ended December 31 was:

	2023	2022
Short term employment salary and benefits	1,769	1,455
Share-based payments expense	421	69

b) Transactions with key management personnel and directors:

On February 2, 2016 the Company issued a vendor take back note as part of an acquisition. During 2017, the holder of the vendor take back note was elected as a director of the Company. As at December 31, 2023, the note payable had a carrying value of $3,249 (as at December 31, 2022 - $3,182) (note 10).

The Company had the following related party transactions for the twelve months ended December 31, 2023:

- $205 in wages paid to close family members of an executive officer (December 31, 2022 - $120).
- $128 in corporate secretarial services paid to a company owned by a close family member of an executive officer (December 31, 2022 - $99).
- $50 in promotional products purchased from a company owned by a close family member of an executive officer (twelve months ended December 31, 2022 - $41).

- $350 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 (twelve months ended December 31, 2022 - $612) (note 21). In addition, the Company purchased $111 in services from the same company (twelve months ended December 31, 2022 - $70).
- $2,159 in bonus payments were received during the year from a company controlled by a director as per the purchase and sale agreement for the sale of the Company's Rentals assets (twelve months ended December 31, 2022 - $883) (note 21).

These related party transactions are in the normal course of business and have been recorded at the exchange amount. At December 31, 2023 the amounts receivable from related parties was $32 and amounts payable to related parties was $44 (as at December 31, 2022 - $107 receivable and $7 payable).

21. OTHER INCOME:

On June 30, 2021, the Company sold the assets of its Rentals Segment to a company controlled by a director of the Company for gross proceeds of $11.3 million. In addition to the gross proceeds, the Company will receive a monthly management fee for up to 36 months after the closing date. The Company received $350 in management fees which were netted against general and administrative costs for the year ended December 31, 2023 (year ended December 31, 2022 - $600). The Company may also receive an annual bonus payment of 35% of EBITDA in excess of certain annual targets (the "Annual Bonus"). The annual targets are calculated on the first, second, and third anniversary dates of closing. The Company received $2,159 in other income for the year ended December 31, 2023 for the Annual Bonus (year ended December 31, 2022 - $883).

22. CAPITAL MANAGEMENT:

The Company's objective when managing capital is to prudently exercise financial discipline and to deliver positive returns. The Company's capital management strategy remained unchanged during the year ended December 31, 2023.

The Company monitors capital based on the ratio of debt to Adjusted EBITDA (Adjusted EBITDA is a non-GAAP measure and defined as net income before interest, taxes, depreciation, amortization, gain or loss on disposal of property and equipment and non-cash share-based compensation plus non-recurring charges such as acquisition expenses, refinancing charges and severance payments). This ratio is calculated as debt, defined as total liabilities excluding trade payables and other accrued current liabilities incurred in the ordinary course of business, and deferred income taxes divided by Adjusted EBITDA. The Company's strategy is to maintain the debt to EBITDA ratio and debt service coverage ratios within the parameters as set out in the Company's current loan agreement (note 8).

The Company considers its capital structure to include shareholders' equity, credit facilities, and working capital. In order to maintain or adjust its capital structure, the Company may from time to time, issue shares and adjust its capital spending to manage the level of its short-term borrowings, or may revise the terms of its credit facilities to support future growth initiatives.

IN THOUSANDS OF CANADIAN DOLLARS

23. FINANCIAL INSTRUMENTS:

a) Fair value:

The fair value of the Company's financial instruments consisting of cash, accounts receivable, deposits, accounts payable and accrued liabilities, current debt, note payable and long term debt approximate their carrying value as at December 31, 2023 and 2022, due to their short-term maturities, floating interest rates and that the interest rate for the Note payable approximates market interest rates.

b) Credit risk:

Credit risk is the risk of financial loss resulting from a customer or counter party to a financial instrument failing to meet its obligation to the Company. Credit risk arises principally from the Company's cash, accounts receivable and leases receivable.

The Company is exposed to credit risk with respect to cash and actively manages that risk with deposits at reputable financial institutions.

The Company is exposed to credit risk with respect to accounts receivable as it has a concentration of customers involved in the construction industry. The Company's accounts receivable represent balances owing, largely, by a number of unrelated companies with no significant exposure to any individual customer. Management believes that the Company's credit risk with respect to accounts receivable is limited due to the Company's broad customer base. Historically credit losses have not been significant. As at December 31, 2023, one customer made up 11% of the Company's accounts receivable balance (As at December 31, 2022 – two customers accounted for 60%). No other customer's accounts receivable balance exceeds, 10% of the total.

The Company considers accounts that have been outstanding for more than 90 days as past due. The allowance for doubtful accounts in respect of trade receivables is used to record impairment losses unless the Company is satisfied that a recovery of the amount owing is extremely remote, at which point the amounts are considered irrecoverable and are written off against the trade receivables directly. Aging of accounts receivable is as follows:

	December 31, 2023	December 31, 2022
Trade receivables, gross:		
Outstanding 1 - 30 days	2,014	2,427
Outstanding 30 – 60 days	1,415	1,893
Outstanding over 60 days	649	376
	4,078	4,696
Allowance for doubtful accounts	(50)	(50)
Trade receivables, net	4,028	4,646
Sales tax and other receivables	89	53
Accounts receivable	4,117	4,699

The movement in the allowance for doubtful accounts in respect of trade receivables during the years ended December 31, 2023 and 2022 was as follows:

IN THOUSANDS OF CANADIAN DOLLARS

	2023	2022
Balance as at January 1,	50	50
Change in allowance of trade receivables	—	—
Balance as at December 31,	50	50

Based on historical default rates, the Company believes that no additional bad debt allowance is necessary in respect of trade receivables.

The Company is also exposed to credit risk with respect to lease receivables. A significant portion of the lease receivable balance is due from one sublessor. Management believes that the Company's credit risk with respect to leases receivable is limited as the sublessor is a large company with a diversified customer base and diversified operations.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

At December 31, 2023, the Company had negative working capital of $2,165 (as at December 31, 2022 - $163). The Company believes that future cash flows from operations will be sufficient to meet its obligations as they arise.

The following table shows the undiscounted contractual maturities of the Company's financial liabilities and financial lease obligation as at December 31, 2023:

	1 Year	2-3 years	4-5 years	Thereafter	Total	Carrying value
Accounts payable and accrued liabilities	3,242	—	—	—	3,242	3,242
Current debt	5,016	—	—	—	5,016	3,788
Long-term debt	—	13,874	—	—	13,874	12,846
Note payable	175	3,800	—	—	3,975	3,249
Finance lease liabilities	2,960	4,405	1,364	8	8,737	7,731
Total	11,393	22,079	1,364	8	34,844	30,856

The Company is actively managing its financing and cash flow from operations to ensure adequate liquidity is available through fiscal year 2023. As at December 31, 2023, the Company's debt service coverage ratio, calculated in accordance with the agreement with the lender, was 2.15:1.00 which is above the requirement of 1.25:1.00. In addition, the Company is not forecasting a breach of covenants for fiscal year 2024. This expectation could be adversely affected by a material negative change or a longer than anticipated downturn in the economy. The Company regularly prepares and updates budgets and forecasts in order to monitor its liquidity and ability to meet its financial obligations and commitments, including the ability to comply with the financial covenants. If available liquidity is not sufficient to meet the Company's operating and debt servicing obligations as they come due, management's plans include further expenditure reductions, asset dispositions, or pursuing other corporate strategic alternatives.

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d) Market risk

Interest rate risk:

Interest rate risk is the risk that the fair value of a financial instrument or its cash flows will fluctuate as a result of changes in interest rates. As at December 31, 2023, the Company has $13,096 of floating interest rate debt. At December 31, 2023, a 1% change in interest rates on the floating rate debt would result in a $131 change to net income before taxes (December 31, 2022 - $58).

Currency risk:

Currency risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Company purchases equipment, parts and supplies from foreign suppliers that are denominated in United States dollars ("USD"). The Company also has foreign exchange exposure related to its operations in the United States which have a functional currency of the United States dollar.

At December 31, 2023 the Company had the following financial instruments denominated in foreign currencies:

	Amount as at December 31, 2023	Currency
Cash	107	USD
Accounts receivable	28	USD
Accounts payable and accrued liabilities	163	USD
Leases	1,228	USD

A 1% change in the foreign exchange rate would result in a loss/ gain of $13 on a net basis (December 31, 2022 - $nil). Management does not believe that its foreign currency risk would result in a material and does not employ derivative instruments to manage foreign currency risk.

Dependence on major customers:

The Company generates approximately 40% of its revenue from its top three customers (twelve months ended December 31, 2022 – 72% from largest customers). Only one customer accounts for more than 10% of revenue. There can be no assurance that the current customers will continue their relationships with the Company. The loss of the Company's major customer, or any significant decrease in services provided to a customer, prices paid or any other changes to the terms of service with customers, could have a material adverse effect on the financial results, cash flows, and the overall financial condition of the Company.

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24. GEOGRAPHICAL INFORMATION

The following table summarizes the Company's revenue and non-current assets as at and for the year ended December 31, 2023 based on the Company's country of domicile and foreign country in which the Company operates:

	Canada	USA	Total
Revenue	24,863	26	24,889
Non-current assets	32,771	2,914	35,685

As at, and for the year ended December 31, 2022, the Company did not have any foreign non-current assets or revenues.

25. SUBSEQUENT EVENTS

2,266,965 warrants which were set to expire on March 30, 2024 and 350,000 warrants which were set to expire on April 6, 2024, were exercised for common shares subsequent to December 31, 2021. Total proceeds from the warrant exercises subsequent to December 31, 2023 was $1,831.

On January 29, 2024, the Company received notice from a director of the Company that its management services agreement, as part of its Rental Segment asset sale, was being terminated as at February 29, 2024.