Zedcor

2023 ANNUAL REPORT

ZEDCOR INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2023 AND 2022

Dated April 10, 2024

The following management's discussion and analysis ("MD&A") provides an overview of the events and transactions that have affected the performance of Zedcor Inc. (the "Company" or "our" or "we") for the three and twelve months ended December 31, 2023 when compared to the three and twelve months ended December 31, 2022. The MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto of Zedcor Inc. for the years ended December 31, 2023 and 2022. These consolidated financial statements are available on the Company's website at www.zedcor.com as well as on SEDAR at www.sedarplus.ca.

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 April 10, 2024.

OVERVIEW AND CORPORATE PROFILE

Zedcor Inc. is a Canadian public corporation and is the parent company to Zedcor Security Solutions Corp, Zedcor Security Solutions (USA), LLC and Zedcor Manufacturing Solutions (USA), LLC. 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 850 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.

EXECUTIVE SUMMARY:

Selected Financial Highlights

	Three months ended December 31		Twelve months ended December 31	
(in $000s, except per share amounts)	2023	2022	2023	2022
Revenue	5,799	6,415	24,889	22,099
EBITDA[1,2]	1,215	2,312	9,244	8,253
Adjusted EBITDA[1,2]	1,401	2,380	7,645	7,569
Adjusted EBIT[1,2]	(391)	1,391	2,114	4,173
Net income (loss) before income taxes	(860)	1,071	2,652	3,993
Net income (loss) per share				
Basic	(0.00)	0.05	0.04	0.09
Diluted	(0.01)	0.04	0.03	0.08

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

Zedcor recorded $5,799 and $24,889 of revenue for the three and twelve months ended December 31, 2023. This compares to $6,415 and $22,099 of revenue from for the three and twelve months ended December 31, 2022. The revenue growth of 13% for the year is the result of a larger fleet of security towers located throughout the Company's six service centers in Canada. Revenue for the year grew despite pipeline construction projects for the Company's two largest customers winding down throughout 2023. A number of the security towers which were returned had been continually providing reliable security services to two different customers since 2017 without being returned to the Company for service. Once returned, Zedcor was able to repair and upgrade the returned towers, which drove costs higher in the second half of the year, while also diversifying and growing its customer base both geographically and across different industries.

Adjusted EBITDA was to $1,401 and $7,645 for the three and twelve months ended December 31, 2023, compared to $2,380 and $7,569 for the three and twelve months ended December 31, 2022. This represented a growth of 1% for the twelve months ended December 31, 2023.

The Company's security and surveillance services saw increased revenues and EBITDA for the twelve months ended December 31, 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 two large pipeline construction projects that were completed in the second half of 2023. In addition, in Q4 2023, the Company's revenue at its two Alberta, Canada equipment centers saw reduced revenues due to inclement weather which delayed the start of construction projects for some of the Company's customers. 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 and industry concentration risks. Utilization for the Company's fleet of security towers averaged 82% in Q4 2023, which is a low point for the Company. Subsequent to the end of the year, utilization rebounded and was over 90% for the Company's fleet of Electric MobileyeZ™. The Company's US based operations also ramped up subsequent to the end of the year which reduced the negative impact on adjusted EBITDA.

Zedcor exited the period with 825 MobileyeZ™ security towers which was an increase of 319 when compared to December 31, 2022. Of the 825 units, 50 are located in Zedcor's Houston, Texas service center.

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

- For the twelve months ended December 31, 2023 net income before tax was $2,652 compared to net income before tax of $3,993 for the twelve months ended December 31, 2022. The decrease in net income year over year is directly attributable to: 1) two of the Company's largest customers wrapping up pipeline construction projects during the second half of the year and 2) USA expansion costs, which totaled $721, negatively impacted net income before tax. Of the $721 in USA expansion costs, approximately 70% are one time costs related to expansion, setup of manufacturing operations and legal fees. Zedcor still remained profitable during 2023 due 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 received $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 December 31, 2023, approximately 40% of the Company's MobileyeZ security tower fleet is located in Ontario. This represents a growth of 28% from the start of the year. The Company's intentions to diversify its geographical footprint and grow its customer base is yielding results. We are continuity to see strong demand for the Company's services in Eastern Canada and additional security towers will continue to be delivered to Ontario and Manitoba in 2024.

- 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 has decreased. For the three-month period ended December 31, 2023, 12% of the Company's revenues were generated from its top 3 customers, down from 69% over the three-month period ended December 31, 2022. While the revenue from the top three customers decreased by 57%, security tower revenue decreased by only 3% for Q4 2023 compared to Q4 2022. Zedcor's services are customer and industry agonistic and we continued to see that in 2023 as we were able 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 Video Monitoring™ at numerous locations across Canada until September 2026. The number of locations that we are servicing has expanded subsequent to December 31, 2023.

- 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 December 31, 2023 the Company has 24 MobileyeZ™ security towers deployed with anticipated peak demand for this project which is expected to be completed in late 2026.

- The Company continued to attract new customers across Canada. For the 3 months ended December 31, 2023, the Company provided services to more than 50 new customers. For the 12 months ended December 31, 2023, the Company has added over 190 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. Zedcor exited the year with 50 MobileyeZ™, 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 sales people for the Houston market and generated its first US revenue in Q4 2023.

- The Company continued to manage its supply chain and logistics. Orders were proactively placed for light tower materials, cameras and communication equipment for the Company's 2024 capital program. Zedcor also started manufacturing operations out of its Houston facility in order to resolve bottle necks related to light tower assembly. By addressing this bottleneck, the Company can ramp up production to meet anticipated customer demand for the expansive US market. This will also allow the Company to control its capital costs, while designing innovative solutions in order to proactively meet customer needs. Additional security products will be constructed based on customer demand, expansion plans into other strategic markets in Canada and the USA, and availability of capital.

SELECTED QUARTERLY FINANCIAL INFORMATION

(Unaudited – in $000s)	Dec 31 2023	Sept 30 2023	June 30 2023	Mar 31 2023	Dec 31 2022	Sept 30 2022	Jun 30 2022	Mar 31 2022
Revenue	5,799	6,431	6,216	6,443	6,415	5,797	5,256	4,631
Net income (loss)	(860)	288	2,472	752	3,076	966	1,528	428
Adjusted EBITDA[1]	1,401	2,285	1,824	2,135	2,380	2,121	1,694	1,373
Adjusted EBITDA per share - basic[1]	0.02	0.03	0.02	0.03	0.04	0.03	0.02	0.02
Net income (loss) per share								
Basic	(0.00)	0.00	0.03	0.01	0.05	0.01	0.02	0.01
Diluted	(0.01)	0.00	0.03	0.01	0.04	0.01	0.02	0.01
Adjusted free cash flow[1]	482	4,664	968	978	1,931	2,076	(292)	1,216

[1] *See Financial Measures Reconciliations below*

OPERATING SEGMENT REVIEW

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

Security & Surveillance Segment

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

SECURITY & SURVEILLANCE SEGMENT RESULTS

	Three months ended December 31			Twelve months ended December 31		
(in $000s)	2023	2022	% change	2023	2022	% change
Security & surveillance service revenue	5,598	5,754	(3%)	23,014	19,385	19%
Security personnel, camera sales and other service revenue	201	661	(70%)	1,875	2,714	(31%)
Total revenue	5,799	6,415	(10%)	24,889	22,099	13%
Security & surveillance service operating costs	1,915	1,920	0%	7,948	6,800	17%
Security personnel, camera sales and other service operating costs	142	561	(75%)	1,315	2,364	(44%)
Total operating costs	2,057	2,481	(17%)	9,263	9,164	1%
Depreciation of operating assets*	940	625	50%	3,240	2,162	50%
Gross Margin	2,802	3,309	(15%)	12,386	10,773	15%
Security & surveillance service margin %	49%	56%		51%	54%	
Security personnel, camera sales and other service margin	29%	15%		30%	13%	

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

Security & Surveillance Service Revenue

Q4 2023 vs Q4 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 December 31, 2023, revenue decreased by 3% compared to the three months ended December 31, 2022. Revenue decreased only 3%, or $0.2 million while revenues from its top 3 customers decreased by more than $3.7 million. The strategic decision to expand across Canada, grow the sales team and pursue customer diversification yielded results and the Company continues to see growth in revenue subsequent to Q4 2023. In addition, due to the completion of major pipeline construction projects, the Company had to service the security coming back from the projects and distribute throughout its service center network for other customers. This caused 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 and into the US. As at December 31, 2023, over 45% 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

Q4 2023 vs Q4 2022

Revenue for the three-month period ended December 31, 2023 was $201 compared to $661 for the three month period ended December 31, 2023. This was a decrease of $460. The decrease in revenue was a result of fewer camera sales and fewer security personnel deployed in Q4 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. Revenue will fluctuate from quarter to quarter based on the types of projects and amount of fixed installations that can be completed.

Operating Margins

Q4 2023 vs Q4 2022

Security & surveillance service margin decreased by 7% percent for the three months ended December 31, 2023 when compared to the three months ended December 31, 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 the MobileyeZ™; and 3) proactively managing its supply chain when possible. While margin did decline in Q4 2023 vs Q4 2022, it is relatively consistent for the year ended December 31, 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 2023. This will reduce monitoring costs, decrease false alarms and reduce streaming costs as the cameras are upgraded throughout the fleet. As revenue rebounds from the decrease in Q4 2023, the Company anticipates that margins will increase slightly.

Security personnel, camera sales and other services margin percentage will fluctuate depending on sales mix. For the three months ended December 31, 2023, the Company completed more fixed camera installations with higher margins.

OTHER EXPENSES

(in $000s)	Three months ended December 31 2023	2022	% change	Twelve months ended December 31 2023	2022	% change
General and administrative	2,521	1,601	57%	8,543	5,495	55%
Depreciation of administrative assets	107	77	39%	374	250	50%
Depreciation of right-of-use assets	389	244	59%	1,249	938	33%
Finance costs	469	320	47%	1,621	1,063	52%

For the three months ended December 31, 2023:

- Total general and administrative expenses increased 57% compared to the same quarter in 2022. This increase to general and administrative costs of $920 was due to headcount increases in sales, operations management staff, administrative staff, year end staff and management bonuses and costs associated with the expansion into the US market. $591 of the G&A costs for the three months ended December 31, 2023 are related to US expansion.
- Depreciation of right-of-use assets increased by $145, or 59%, due to a larger vehicle fleet as a result of headcount increases, and increased number of equipment branches across Canada and the addition of a US service and manufacturing center.
- Finance costs increased by 47% as a result of higher total debt driven by the expansion of the MobileyeZ™ fleet and increased interest rates.

2023 STRATEGIC INITIATIVES RECAP

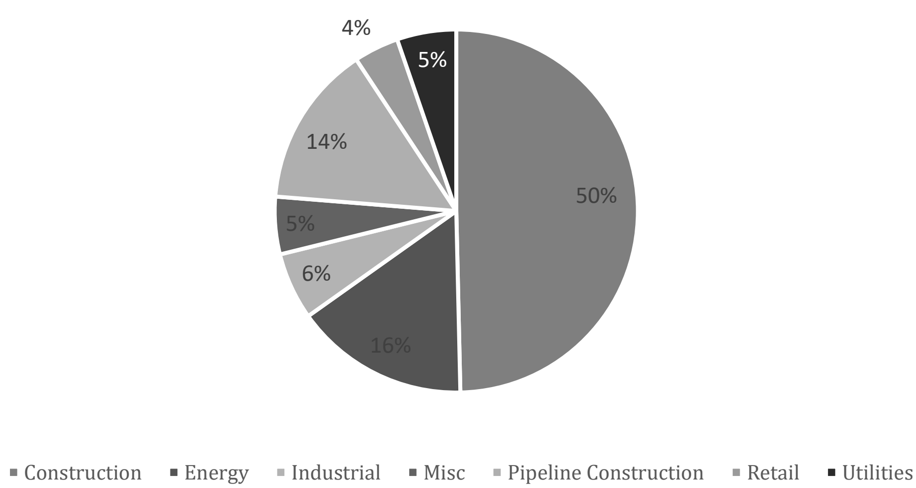
The Company's strategic objectives for 2023 included 1) obtaining more customers, with a focus on enterprise level customers, and diversifying customer base including geographically and across different industry verticals; 2) maintaining margin levels by increasing operational efficiency and continuing to invest in technology; 3) Building new, innovative products based on customer demand; and 4) generate customer and shareholder value and positive earnings per share. Zedcor has worked toward achieving these objectives, setting up the Company to further grow in 2024.

1) Obtaining more customers, with a focus on enterprise level customers, and diversifying customer base including geographically and across different industry verticals. For the year ended December 31, 2023, the Company has added over 190 new customers. A number of these customers were brought on in the second half of the year and, as our fleet of MobileyeZ™ continues to grow at each service center, the Company intends to grow revenues for each of these customers in 2024. In addition, the Company has diversified its revenues streams both by customer and by industry verticals. The followings tables compare the Company's Q1 2023 revenue by customer and by industry verticals with Q4 2023 which highlight how Zedcor has moved towards completing its objectives of diversification.

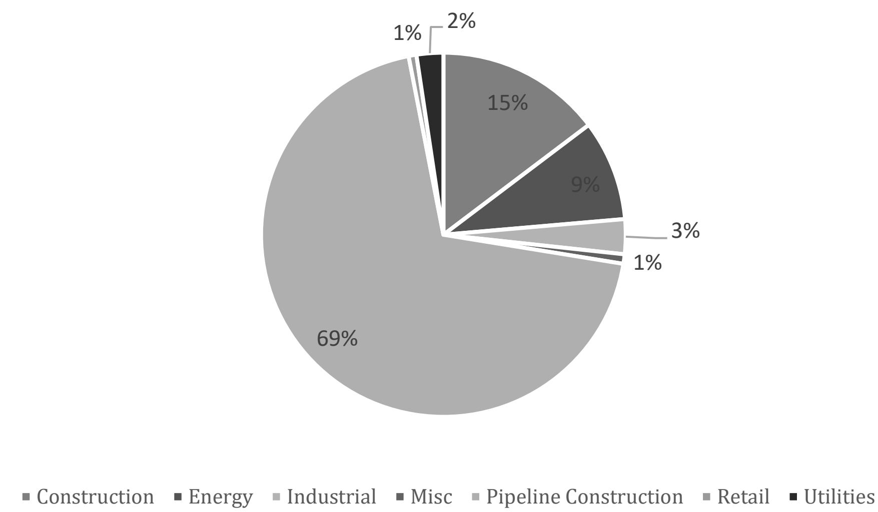
Revenue by Customer

(in $000s)	Q4 2023	Q1 2023	$ Change	% Change
Top 3 customers	700	4,162	(3,462)	(83%)
Other customers	5,099	2,281	2,818	124%
Total	5,799	6,443	(644)	(10%)

Revenue by Industry – Q4 2023



Revenue by Industry – Q1 2023



2) Maintaining margin levels by increasing operational efficiency and continuing to invest in technology. Gross margin for the year ended December 31, 2023 was 50% compared to 49% for the year ended December 31, 2022. The Company managed to maintain margins despite increased labor costs due to inflation and increased repairs and maintenance costs for security towers returned from pipeline construction projects. The Company's investment in technology resulted in fewer alarms from its increased security tower fleet which allowed the Company to reduce data streaming costs and monitoring costs. We anticipate margins to remain steady or increase going forward as a result of these technological investments.

3) Building new, innovative products based on customer demand. This continues to be an objective for Zedcor into 2024. In the second half of 2023, the Company started to develop its proprietary Solar Electric MobileyeZ™. This is a brand new, fully standalone security tower that is lower capital cost for the Company and cost effective for customers. The prototype was completed in November 2023 and subsequent to the end of the year, Zedcor has gone into production of these units which can be used throughout North America. The Company anticipates building 400 – 500 of these security towers for 2024. In addition, the Company is in the development phase for other innovative security solutions which will leverage Zedcor's 24/7 Live, Verified™ video monitoring center located in North America.

4) The Company intends to generate customer and shareholder value and positive earnings per share. This is another ongoing objective for the Company and management remains focused on generating value.

OUTLOOK

Zedcor continues to execute its long-term strategy of growing its technology enabled security services across North America. 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. While there was a decrease in utilization in Q4 2023, this was temporary and revenue and utilization levels have increased in Q1 2024. As the Trans Mountain Expansion Pipeline project came to an end in Q4 2023, the Company was able to effectively redeploy equipment 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. The Company also expanded its service offering to Houston, Texas in Q4 2023 and is excited about the early results we are seeing for expansion in Texas and other regions in the United States. The US fleet of security towers is fully utilized and the Company is starting to build a backlog of demand.

Priorities that the Company intends to focus on for the remainder for 2024 include:

1) Expanding operations in the United States and continuing to grow revenues in Canada. Due to significant spending on infrastructure in North America, along with increased theft and vandalism, the Company is seeing strong demand for its products in both countries. Zedcor's innovative products, coupled with the Company's commitment to customer service, are perfectly situated to disrupt the traditional security market.
2) With the strong demand that Zedcor is seeing for its security towers, the Company intends to further take control of its supply chain and remove bottlenecks for its security towers by manufacturing and assembling more of the components of its towers in house. This will allow us to actively manage demand and, over time, reduce our capital costs.
3) 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 security solutions coupled with Zedcor's 24/7 Live, Verified™ video monitoring. This includes a need for additional AI based technology that is actively monitored as well as a mobile security product with a smaller footprint.
4) The Company intends 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.

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.

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 twelve months ended December 31, 2023 and 2022:

	Twelve months ended December 31			
(in $000s)	2023	2022	$ Change	% Change
Cash flow from operating activities	9,886	6,190	3,696	60%
Cash flow used in investing activities	(13,451)	(8,607)	(4,844)	56%
Cash flow from financing activities	4,468	2,880	1,588	55%

The following table presents a summary of working capital information:

	Twelve months ended December 31			
(in $000s)	2023	2022	$ Change	% Change
Current assets	7,286	7,542	(256)	(3%)
Current liabilities *	9,451	7,379	1,072	15%
Working capital	(2,165)	163	(2,328)	(1,428%)

**Includes $3.8 million of debt and $2.4 million of lease liabilities in 2023 and $2.2 million of debt and $1.8 million of lease liabilities in 2022*

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

Principal Credit Facility

	Interest rate	Final maturity	Facility maximum	Outstanding as at 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.

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

COMMITMENTS AND OBLIGATIONS

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

(in $000s)	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

OUTSTANDING SECURITIES

At April 10, 2023, the Company had the following securities outstanding:

- 77,359,223 common shares issued and outstanding;
- 2,744,905 warrants are outstanding with an exercise price of $0.12;
- 2,200,000 restricted share units and deferred share units; and
- 1,850,000 options are outstanding with exercise prices ranging from $0.15 per share to $0.58 per share. Of the outstanding options, 1,158,331 options are exercisable at prices ranging from $0.15 per share to $0.50 per share.

RELATED PARTY TRANSACTIONS

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 continued operations 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). 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).

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).

OFF BALANCE SHEET ARRANGEMENTS

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

ACCOUNTING POLICIES

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

Critical Accounting Estimates and Significant Management Judgments

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, plant and equipment, right of use assets, and intangible assets in the future. As it pertains to property, plant and equipment, effective October 1, 2022, the Company revised its estimates of useful life and residual value of its security tower assets.

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.

Impairment of property and equipment

The Company is required to make a judgment regarding the need for impairment testing at each reporting date by evaluating conditions specific to the organization that may lead to the impairment of assets. The Company's assets are segregated into cash-generating-units ("CGU") based on their ability to generate largely independent cashflows and used for impairment testing. The determination of the Company's CGUs is subject to Management's judgment. In addition, the going concern assessment and the related disclosures of liquidity was a matter of significant judgment.

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 common shares will actually vest and be exercised.

Risk Factors

The following information is a summary only of certain risk factors relating to the Corporation and should be read in conjunction with the detailed information appearing elsewhere in this Annual Information Form. Prospective investors should carefully consider the risk factors set out below and consider all other information contained in this Annual Information Form and in the Corporation's other public filings before making an investment decision. The risks set out below are not an exhaustive list, nor should be taken as a complete summary or description of all the risks associated with the Corporation's business and the security and technology business generally.

Competition entering the marketplaces in which Zedcor Operates

Competition in the rental and security industry is intense and growing. Zedcor competes with national and international companies that may have substantially greater personnel and financial resources, as well as better name recognition and larger customer bases. Also, given the potential size of the market, it is foreseeable that new competition with greater resources may enter the marketplace on an on-going basis.

Dependence on Major Customers

Zedcor generates approximately 40% of its revenues from continuing operations from its top three customers and there can be no assurance that the current customers will continue their relationships with Zedcor. The loss of one or more major customers, 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 Zedcor.

Economic and Political Conditions

Changes in economic conditions, including, without limitation, recessionary or inflationary trends, commodity prices, equity market levels or strength, consumer credit availability, interest rates, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence could have a material adverse effect on Zedcor's business, financial condition, results of operations or cash flows. In addition, economic and business conditions in Zedcor's markets may be affected by disruptions in the financial markets caused by political or other events and such effects may adversely impact Zedcor's business, financial condition, and results of operations or cash flows.

Impact of Economic Cycle

A number of the Corporation's customers consist of companies operating primarily in the construction, oil and gas transportation, and energy industries which are all affected by trends in the general economic conditions within their respective markets. Changes in the price of oil and gas, interest rates, commodity prices, exchange rates, availability of capital, general economic prospects and adverse weather conditions may all impact their businesses by affecting levels of consumer, corporate and government spending. The Corporation's business and financial performance is largely affected by the impact of such business cycle factors on its customer base.

Inflation

Increased inflation could reduce the Corporation's purchasing power and result in negative impacts on the ability to obtain goods and services required for the operation of its business, or to pass on rising costs to its customers. To the extent that the Corporation is unable to offset such cost inflation through higher prices of its offerings or other cost savings, there could be a negative impact on the Corporation's business, sales and margin performance, net income, cash flows and the trading price of the Common Shares.

Infectious Disease, Pandemic or Similar Public Health Threat

A local, regional, national or international outbreak of a contagious disease, pandemic or similar public health threat, or a fear of any of the foregoing, including but not limited to the COVID virus, could result in restrictive measures being taken by the Corporation or various governments and business which may result in additional risk and uncertainties to the Corporation's business, operations and financial condition.

The extent of the effect of a disease, pandemic or public health threat on the Corporation's business, financial condition, results of operations, cash flows, reputation, access to capital, cost of borrowing, access to liquidity, and/or business plans may, in particular, and without limitation, will depend on numerous factors, including the duration, spread and intensity of an outbreak, the actions by governments and others taken to contain an outbreak or mitigate its impacts and changes in the preferences of consumers all of which are uncertain and difficult to predict as such factors evolve rapidly over the course of any such event or public health threat. Certain aspects of the Corporation's business and operations that have been or could potentially continue to be impacted by the outbreak of any disease, pandemic or public health threat include increased operational costs; delays or longer-term stoppage of major capital projects; temporary or long-term labour shortages or disruption; temporary or long-term impacts on domestic and global supply chains, reduced cash flows resulting in less funds from operations being available to fund capital expenditure budgets; reduced commodity prices impacting customers and their need for the Corporation's services; the inability to deliver products or services to customers, road or port closures or pipeline shut-ins, including as a result of pipeline companies suffering workforce disruptions or otherwise being unable to continue to operate; and the ability to obtain additional capital including, but not limited to, debt and equity financing being adversely impacted as a result of unpredictable financial markets, commodity prices and/or a change in market fundamentals. As the impacts of any disease, pandemic or public health threat materialize, the prolonged effects of the disruption may have adverse impacts on the Corporation's business strategies and initiatives, resulting in ongoing effects to the Corporation's financial results, including the increase of counterparty, market and operational risks.

Decreases in Government and/ or Customer Spending on Construction and Infrastructure Projects

A portion of Zedcor's revenue and growth prospects are derived from the construction industry and large constructions projects. If there is a decline in government spending on infrastructure projects or a decline in construction activity in Canada, there could be a negative impact on the Corporation's business, sales and margin performance, net income, cash flows and the trading price of the Common Shares.

Dependence on Short Term Rental Contracts

The business operations of Zedcor depend on successful execution of performance based contracts. The key factors which determine whether a client continues to use Zedcor are service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience, safety and competitive price. There can be no assurance that Zedcor's relationships with its customers will continue.

Reliance upon Management

Executive management and other key personnel are essential to Zedcor's business. The loss of the services of any of these persons could have an adverse effect on the business. Zedcor's ability to develop its products and deliver services could be harmed if it is not able to recruit and retain qualified personnel. In order to address this risk, the Corporation is proactive in its human resource management and works to provide an attractive workplace environment for all employees.

Dependence on Suppliers and *Timing of Completion of Rental Units to be Deployed to the Corporation's Customers*

Failure of suppliers to deliver equipment or services in a timely and efficient manner could be detrimental to Zedcor's ability to keep customers and to expand. In addition, vendors ability to manage supply chains, hire and retain staff and meet their delivery deadlines are outside of the Corporation's control. No assurances can be given that the Corporation will be successful in maintaining its required supply of equipment.

Safety

The services provided by the Corporation involve a number of hazards and risks on job-sites. To address these risks, the Corporation has developed and implemented safety and training programs. In addition, a comprehensive insurance and risk management program has been established to protect the Corporation's assets and operations.

Capital Markets

The Corporation, along with local, national and international companies with which it competes, has restricted access to capital, bank debt and equity. As such, the Corporation is dependent upon the lending capacity of many financial institutions which fluctuates depending on broad market conditions. As future capital expenditures will be financed out of funds generated from operations, borrowings and possible future equity sales, the Corporation's ability to do so is dependent on, among other factors, the overall state of capital markets and investor appetite for investments in the security and surveillance industry and the Corporation's securities in particular.

To the extent that external sources of capital become limited, unavailable or available on onerous terms, the Corporation's ability to make capital investments and maintain existing assets may be impaired, such that its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

Volatility of Market Price

The market price of the Common Shares could be subject to significant fluctuation in response to variations in quarterly and yearly operating results, the success of Zedcor's business strategy and other factors. In addition, the stock market experiences price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of affected issuers. These fluctuations may adversely affect the market price of the Common Shares.

Future Capital Requirements

Zedcor may require additional financing in order to grow and expand its operations. It is possible that required future financing will not be available or, if available, will not be available on favourable terms. If Zedcor issues Common Shares or other securities, including convertible securities, to finance its operations or expansion plans, shareholders may suffer dilution of their investment. If adequate funds are not available, or are not available on acceptable terms, the Corporation may not be able to take advantage of opportunities, or otherwise optimally respond to competitive pressures.

Access to Credit Markets

Due to the nature of the Corporation's business it is necessary from time to time for the Corporation to access other sources of capital beyond its internally generated cash flow in order to fund the development and acquisition of its long term asset base. As part of this strategy, the Corporation obtains some of the necessary capital by incurring debt and therefore the Corporation is dependent to a certain extent on continued availability of the credit markets. The continued availability of the credit markets for Zedcor is primarily dependent on the state of the economy and the health of the banking industry in North America and abroad. There is risk that if the global economy and banking industry experience unexpected and/or prolonged deterioration, then Zedcor's access to credit markets may contract or disappear altogether. The Corporation tries to mitigate this risk by dealing with reputable lenders and tries to structure its lending agreements to give it the most flexibility possible should these situations arise. However, the situations that may give rise to credit markets tightening or disappearing are beyond Zedcor's control.

Zedcor is also dependent to a certain extent on continued access to equity capital markets. The Corporation is listed on the TSXV and maintains an active investor relations program. Continued access to capital is dependent on Zedcor's ability to continue to perform at a level that meets market expectations.

Impact of Future Financings on Market Price

In order to finance future operations or acquisitions opportunities, the Corporation may raise funds through the issuance of Common Shares or the issuance of debt instruments or securities convertible into Common Shares. The Corporation cannot predict the size of future issuances of Common Shares or the issuance of debt instruments or other securities convertible into Common Shares or the effect, if any, that future issuances and sales of the Corporation's securities will have on the market price of the Common Shares.

Credit Facility Risk

The Corporation is required to comply with the covenants and other terms and conditions of the Financing Agreement. A breach by the Corporation of its obligations under the foregoing agreement or any circumstances reducing the funds available to the Corporation thereunder, could result in the requirement to repay a portion or all of the Corporation's indebtedness thereunder. In addition, the Corporation relies on its banking partners to provide additional and on-going financing to fund short term cash flow needs and long term growth.

Successfully Managing its Growth

Zedcor's growth strategy will continue to place significant demands on its financial, operational and management resources. In order to continue its growth, Zedcor may need to add administrative, management and other personnel, and make additional investments in operations and systems. Zedcor cannot provide assurance that it will be able to find and train qualified personnel, or do so on a timely basis, or expand its operations and systems.

Adequacy of Insurance Coverage

Zedcor seeks to obtain and maintain, at all times, insurance coverage in respect of its potential liabilities and the accidental loss of value of its assets from risks, in those amounts, with those insurers, and on those terms it considers appropriate, taking into account all relevant factors, including the practices of owners of similar assets and operations. However, not all risks are covered by insurance, and Zedcor cannot provide assurance that insurance will be available consistently or on an economically feasible basis or that the amounts of insurance will be sufficient to cover losses or claims that may occur involving its assets or operations.

Uncertain Operating Conditions

The Corporation's financial results will be affected by a number of factors. The primary factors affecting Zedcor's operating results are changes in oil and gas prices, technology, equipment costs, labour costs, overhead costs and quantity of customer orders. In addition to this, other factors having an impact on results are competition; asset and capacity management; customer service effectiveness; and overall industry economic conditions. Variability of results can be caused by any one or any combination of these factors.

Zedcor's Operations are Geographically Concentrated and Susceptible to Local Economies and Regulations

Zedcor's business operations are carried out primarily in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario and are susceptible to those markets' local economy, regulations and seasonal fluctuations. Weather or other seasonal trends may temporarily affect Zedcor's revenues and expenses. Seasonal factors and unexpected weather patterns may lead to declines in the activity levels of construction companies and corresponding declines in the demand for goods and services of Zedcor.

Potential Replacement of or Reduced Use of Products and Services

Certain security equipment of the Corporation may become obsolete or experience a decrease in demand through the introduction of competing products or new technologies that are lower in cost, exhibit enhanced performance characteristics or are determined by the market to be more preferable for a variety of reasons. The changes could have a material adverse effect on the Corporation's business, financial condition, results or operations and cash flows. Although the Corporation makes reasonable efforts to keep current with the changing market for security and surveillance services and technological and regulatory changes, there can be no assurance that the Corporation will be able to identify all changes to competing products and technology.

Failure of suppliers to deliver equipment in a timely and efficient manner could be detrimental to Zedcor's ability to keep customers and to expand. No assurances can be given that the Corporation will be successful in maintaining its required supply of equipment.

Environmental Requirements

The Corporation's equipment rental customers consist of companies operating primarily in the construction and oil and gas transportation industries which are all affected by potential changes to environmental requirements. Potential changes in requirements may result in increased operating costs and capital expenditures for pipeline construction companies, thereby delaying or decreasing the demand for Zedcor's services.

Management is unable to predict the impact of changes to environmental regulations and it is possible that changes could adversely affect Zedcor's business, financial condition and results of operations. These regulations would likely result in higher operating costs for our customers in the region, putting further pressure on project economics, and may also impair the Corporation's ability to provide its services economically.

Conflicts of Interest

The directors of Zedcor may be or become engaged in different industries, both on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers may be in direct competition with the Corporation. Conflicts of interest, if any, which arise will be subject to and governed by the procedures prescribed by the ABCA.

Climate Change Regulations

The Corporation's equipment rental customers consist of companies operating primarily in the construction and oil and gas transportation industries which are all affected by changes in climate change regulations and policies.

Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. The federal and certain provincial governments have implemented legislation aimed at incentivizing the use of alternative fuels and in turn reducing carbon emissions. Potential changes in requirements may result in increased operating costs and capital expenditures for pipeline construction companies, thereby delaying or decreasing the demand for Zedcor's services. The adoption of such laws and regulations and the imposition of fees, taxes or other costs, could adversely affect customers' activity levels which in turn could negatively impact Zedcor's business due to a reduction in demand for security equipment. Further, the taxes placed on carbon emissions may have the effect of increasing the Corporation's operating expenses, each of which may have a material adverse effect on the Corporation's profitability and financial condition. Further, the imposition of carbon taxes puts the Corporation at a disadvantage with the Corporation's competitors who operate in jurisdictions where there are less costly carbon regulations.

In addition to climate policy risk, climate change is expected to increase the frequency of severe weather conditions, including high winds, heavy rainfall, extreme temperatures, flooding and wildfires, which may result in disruptions in operations or transportation interruptions which may lead to increased expenditures or reduced revenues for Zedcor.

Technology Risk

Zedcor's ability to meet customer demands in respect of performance and cost will depend upon continuous improvements in services, and there can be no assurance that Zedcor will be successful in this regard or that Zedcor will have resources available to meet this continuing demand. Failure to meet this demand could have a material adverse effect on Zedcor's business, financial condition, results of operations and cash flows. No assurances can be given that Zedcor's competitors will not achieve technological advantages.

Dilution

The Corporation may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation which may be dilutive. This may have a dilutive effect on our expected net income/loss available to our shareholders per share. Furthermore, the Corporation may issue further securities in the future, including Common Shares or securities convertible into Common Shares. To the extent that the Corporation undertakes further equity or debt financings in the future, the issuance of such securities will result in dilution to Zedcor's shareholders. The price per share at which subsequent equity financings take place could be higher or lower than the price paid by investors.

Litigation

In the normal course of the Corporation's operations, it may become involved in, named as party to, or be the subject of, various legal proceedings, tax proceedings, and legal actions, related to personal injuries, property damage, property tax, land rights, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Corporation and as a result, could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results of operations.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, the Corporation may disclose confidential information relating to the business, operations or affairs of the Corporation. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Corporation will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damages to its business that such a breach of confidentiality may cause.

Internal Controls

Effective internal controls are necessary for Zedcor to provide reliable financial reports and to help prevent fraud. Although Zedcor will undertake a number of procedures in order to help ensure the reliability of its financial reports, including those imposed on it under Canadian securities laws, Zedcor cannot be certain that such measures will ensure that Zedcor will maintain adequate control over financial processes and reporting.

Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm Zedcor's results of operations or cause it to fail to meet its reporting obligations. If Zedcor or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in Zedcor financial statements and harm the trading price of the Common Shares.

Information Technology Systems and Cyber-Security

The Corporation relies heavily on information technology, such as computer hardware and software systems, in order to properly operate its business. In the event the Corporation is unable to regularly deploy software and hardware, effectively upgrade systems and network infrastructure, and take other steps to maintain or improve the efficiency and efficacy of systems, the operation of such systems could be interrupted or result in the loss, corruption, or release of data, compromise confidential customer or employee information, result in the disruption of business, theft or extortion of funds, regulatory infractions, loss of competitive advantage and reputational damage. In addition, information systems could be damaged or interrupted by natural disasters, force majeure events, telecommunications failures, power loss, acts of war or terrorism, computer viruses, malicious code, physical or electronic security breaches, intentional or inadvertent user misuse or error, or similar events or disruptions. Any of these or other events could cause interruptions, delays, loss of critical and/or sensitive data or similar effects, which could have a material adverse impact on the protection of intellectual property, and confidential and proprietary information, and on the Corporation's business, financial condition, results of operations and cash flows.

In the ordinary course of business, the Corporation collects, uses and stores sensitive data, including intellectual property, proprietary business information and personal information of the Corporation's employees and third parties. Despite the Corporation's security measures, its information systems, technology and infrastructure may be vulnerable to attacks by hackers and/or cyberterrorists or breaches due to employee error, malfeasance or other disruptions. Any such breach could compromise information used or stored on the Corporation's systems and/or networks and, as a result, the information could be accessed, publicly disclosed, lost or stolen.

To date the Corporation has not experienced any material losses relating to cyber-attacks or other information security breaches. However, there can be no assurance that the Corporation will not incur such losses in the future. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties or other negative consequences, including disruption to the Corporation's operations and damage to its reputation, which could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. Although the Corporation maintains a risk management program, which includes an insurance component that may provide coverage for the operational impacts from an attack to, or breach of, Zedcor's information technology and infrastructure, including process control systems, the Corporation does not maintain stand-alone cyber insurance. Furthermore, not all cyber risks are insurable. As a result, Zedcor's existing insurance may not provide adequate coverage for losses stemming from a cyber-attack to, or breach of, its information technology and infrastructure.

Geopolitical Conditions May Adversely Affect the Corporation's Business and Access to Capital

Political and other conditions in foreign countries and regions, including geopolitical risks such as the current conflict between Russia and Ukraine, may adversely affect our business and access to capital as it creates volatility in equity and debt markets. The extent of the conflict's effects on our business and results of operations as well as the global economy, cannot be predicted. To the extent the current conflict between Russia and Ukraine or other geopolitical conflicts adversely affect our business, they may also have the effect of heightening many of our other risks identified any of which could materially and adversely affect our business and results of operations

Forward-Looking Statements may Prove Inaccurate

Undue reliance should not be placed on forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties are found in this Annual Information Form under the heading "*Forward-Looking Statements*".

FINANCIAL MEASURES RECONCILIATIONS

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

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

EBITDA and Adjusted EBITDA

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

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

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

(in $000s)	Three months ended December 31 2023	2022	Twelve months ended December 31 2023	2022
Net income (loss)	(860)	3,076	2,652	5,998
Add (less):				
Finance costs	469	320	1,621	1,063
Depreciation of property & equipment	1,048	702	3,614	2,412
Depreciation of right-of-use assets	389	244	1,249	938
Loss (gain) on sale of equipment	100	(15)	27	(139)
Loss (gain) loss on disposal of right-of-use asset	69	(10)	81	(14)
Income tax recovery	—	(2,005)	—	(2,005)
EBITDA	1,215	2,312	9,244	8,253
Add (deduct):				
Stock based compensation	180	45	562	129
Foreign exchange loss (gain)	6	23	(2)	70
Other income	—	—	(2,159)	(883)
	186	68	(1,599)	(684)
Adjusted EBITDA	1,401	2,380	7,645	7,569

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 December 31 2023	2022	Twelve months ended December 31 2023	2022
Net income (loss)	(860)	3,076	2,652	5,998
Add (deduct):				
Finance costs	469	320	1,621	1,063
Income tax recovery		(2,005)		(2,005)
Other income	—	—	(2,159)	(883)
Adjusted EBIT	(391)	1,391	2,114	4,173

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 December 31 2023	2022	Twelve months ended December 31 2023	2022
Net income (loss)	(860)	3,076	2,652	5,998
Add non-cash expenses:				
Depreciation of property & equipment	1,048	702	3,614	2,412
Depreciation of right-of-use assets	389	244	1,249	938
Stock based compensation	180	46	562	129
Finance costs (non-cash portion)	116	14	151	145
Income tax recovery		(2,005)		(2,005)
	873	2,077	8,228	7,617
(Deduct) non-recurring income				
Other income	—	—	(2,159)	(883)
	873	2,077	6,069	6,734
Change in non-cash working capital	(391)	(146)	1,023	(1,803)
Adjusted free cash flow	482	1,931	7,092	4,931

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.

ZEDCOR INC.
CONSOLIDATED FINANCIAL STATEMENTS

Zedcor

FOR THE YEAR ENDED
DECEMBER 31, 2023 AND 2022

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.

MNP LLP
2000, 112 - 4th Avenue SW, Calgary AB, T2P 0H3 1.877.500.0792 T: 403.263.3385 F: 403.269.8450

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

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

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

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.

IN THOUSANDS OF CANADIAN DOLLARS

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.

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