



**ZEDCOR INC.
CONSOLIDATED INTERIM FINANCIAL
STATEMENTS**



**FOR THE THREE MONTHS ENDED
MARCH 31, 2024 AND 2023**

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2024.

ZEDCOR INC.
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)

(Stated in thousands of Canadian dollars)	March 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash	\$ 1,444	\$ 1,474
Accounts receivable	4,595	4,117
Current portion of finance lease receivable	600	570
Inventory	418	475
Prepaid expenses and deposits	627	650
	7,684	7,286
Non-current assets:		
Finance lease receivable	1,623	1,792
Deposits	195	179
Property and equipment (note 3)	28,479	27,240
Right-of-use assets	4,186	4,469
Deferred tax	2,005	2,005
	36,488	35,685
Total assets	\$ 44,172	\$ 42,971
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,150	\$ 3,242
Current portion of lease liabilities	2,217	2,421
Current debt (note 4)	4,108	3,788
	9,475	9,451
Non-current liabilities:		
Note payable (note 5)	3,265	3,249
Lease liabilities	5,110	5,310
Long term debt (note 4)	14,196	12,846
	22,571	21,405
Total liabilities	32,046	30,856
Shareholders' equity:		
Share capital (note 6)	114,365	114,024
Warrants (note 7)	1,060	1,122
Contributed surplus	2,371	2,216
Accumulated other comprehensive gain (loss)	19	(28)
Deficit	(105,689)	(105,219)
	12,126	12,115
Total liabilities and shareholders' equity	\$ 44,172	\$ 42,971

The accompanying notes are an integral part of these condensed consolidated interim financial statements

ZEDCOR INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND
COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three months ended March 31,	
	2024	2023
	<i>(Stated in thousands of Canadian dollars, except per share amounts)</i>	
Revenues (note 8)	\$ 6,134	\$ 6,443
Direct expenses		
Direct operating costs	2,101	2,573
Depreciation of equipment (note 3)	1,122	658
	<u>3,223</u>	<u>3,231</u>
Gross margin	<u>2,911</u>	<u>3,212</u>
Operating expenses		
General and administrative	2,350	1,789
Depreciation of other property and equipment (note 3)	104	80
Depreciation of right-of-use assets	375	254
Loss on disposal of right-of-use assets	14	—
	<u>2,843</u>	<u>2,123</u>
Other expenses		
Finance costs (note 9)	536	336
Foreign exchange loss	2	1
	<u>538</u>	<u>337</u>
(Loss) income before income taxes	(470)	752
Income tax recovery		
Current recovery	—	—
Net (loss) income	(470)	752
Other comprehensive income		
Unrealized foreign currency translation (gain)	(47)	—
Comprehensive (loss) income	\$ (423)	\$ 752
Net (loss) income per share		
Basic	\$ (0.01)	\$ 0.01
Diluted	\$ (0.01)	\$ 0.01
Weighted average number of shares outstanding (note 6)		
Basic	74,436,712	71,163,138
Diluted	74,436,712	75,671,747

The accompanying notes are an integral part of these condensed consolidated interim financial statements

ZEDCOR INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS'
EQUITY
(Unaudited)

(Stated in thousands of Canadian dollars)	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
Balance - December 31, 2022	\$ 113,183	\$ 1,368	\$ 1,809	\$ —	\$ (107,871)	\$ 8,489
Stock based compensation	—	—	54	—	—	54
Exercise of stock options (note 6)	9	—	(4)	—	—	5
Exercise of warrants (note 7)	486	(246)	—	—	—	240
Comprehensive income	—	—	—	—	752	752
Balance - March 31, 2023	113,678	1,122	1,859	—	(107,119)	9,540
Stock based compensation	—	—	508	—	—	508
Exercise of stock options (note 6)	346	—	(151)	—	—	195
Net income	—	—	—	—	1,900	1,900
Foreign currency translation loss	—	—	—	(28)	—	(28)
Balance - December 31, 2023	114,024	1,122	2,216	(28)	(105,219)	12,115
Stock based compensation	—	—	215	—	—	215
Exercise of stock options (note 6)	137	—	(60)	—	—	77
Exercise of warrants (note 7)	204	(62)	—	—	—	142
Net loss	—	—	—	—	(470)	(470)
Foreign currency translation gain	—	—	—	47	—	47
Balance - March 31, 2024	\$ 114,365	\$ 1,060	\$ 2,371	\$ 19	\$ (105,689)	\$ 12,126

The accompanying notes are an integral part of these condensed consolidated interim financial statements

ZEDCOR INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW
(Unaudited)

	Three months ended March 31,	
(Stated in thousands of Canadian dollars)	2024	2023
Cash flow from (used in):		
Operating activities		
Net (loss) income	\$ (470)	\$ 752
Depreciation of property and equipment (note 3)	1,226	738
Depreciation of right-of-use assets	375	254
Loss on disposal of right-of-use assets	14	—
Foreign currency translation	47	—
Stock based compensation	215	54
Non-cash interest expense and other financing costs	45	24
Receipt of finance lease receivable	139	126
Income taxes recovered	—	—
Cash flow from operating activities before changes in non-cash working capital	1,591	1,948
Changes in non-cash working capital	(933)	(844)
Cash flow from operating activities	658	1,104
Investing activities		
Change in non-cash working capital related to investing activities	427	227
Purchase of property and equipment (note 3)	(2,429)	(1,849)
Cash flow (used in) investing activities	(2,002)	(1,622)
Financing activities		
Proceeds from debt	2,507	937
Repayment of debt	(846)	(535)
Payment of finance lease liability	(571)	(452)
Proceeds from exercise of stock options	77	5
Proceeds from exercise of warrants	147	240
Cash flow from financing activities	1,314	195
Net change in cash in the period	(30)	(323)
Cash, beginning of period	1,474	571
Cash, end of period	\$ 1,444	\$ 248

The accompanying notes are an integral part of these condensed consolidated interim financial statements

ZEDCOR INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Unaudited)
IN THOUSANDS OF CANADIAN DOLLARS

1. CORPORATE INFORMATION

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 equipment and service 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 is listed on the TSX Venture Exchange under the symbol ZDC.

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting. These condensed consolidated interim financial statements do not include all of the information required for full financial disclosure. The disclosures provided below are incremental to those included in the annual financial statements and certain disclosures, which are normally required to be included in the notes to annual financial statements, have been condensed or omitted. The same accounting policies and methods of computation were followed in the preparation of these interim financial statements as were followed in the preparation of the Company's annual financial statements for the year ended December 31, 2023. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto for the year ended December 31, 2023.

These condensed consolidated interim financial statements were approved by the Board of Directors on May 22, 2024.

b) Functional and presentation currency and basis of presentation

These condensed consolidated interim 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 Canadian Dollars and has been rounded to the nearest thousand except for share and per share amounts.

The Company's condensed consolidated interim financial statements are prepared under the historical cost convention, with the exception of items that IFRS requires to be measured at fair value.

c) Significant accounting policies

The significant accounting policies adopted in the preparation of these condensed consolidated interim financial statements are the same as those set out in the annual audited consolidated financial statements for the year ended December 31, 2023.

ZEDCOR INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Unaudited)
IN THOUSANDS OF CANADIAN DOLLARS

3. PROPERTY AND EQUIPMENT

Cost	Rental equipment	Automotive & other equipment	Office furniture & software	Leasehold improvements	Total
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
Additions	2,177	24	154	74	2,429
Disposals	—	—	—	—	—
Effect of changes in foreign exchange rates	34	—	2	—	36
At March 31, 2024	37,695	145	2,370	433	40,643

Accumulated depreciation	Rental equipment	Automotive & other equipment	Office furniture & software	Leasehold improvements	Total
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
Depreciation	1,104	6	104	12	1,226
Elimination on disposal	—	—	—	—	—
At March 31, 2024	10,686	56	1,283	139	12,164

Net Book Value	Rental equipment	Automotive & other equipment	Office furniture & software	Leasehold improvements	Total
At December 31, 2023	25,902	71	1,035	232	27,240
At March 31, 2024	27,009	89	1,087	294	28,479

The Company reviews the carrying value of its long-lived assets and cash generating units at each reporting date to determine whether there is any indication of impairment. Triggers of impairment were not identified.

ZEDCOR INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Unaudited)
IN THOUSANDS OF CANADIAN DOLLARS

4. CREDIT FACILITIES

	Interest rate	Final maturity	Facility maximum	Outstanding as at March 31, 2024	Outstanding as at December 31, 2023
Term Loan	5.15%	Oct 2026	6,100	3,345	3,538
Revolving Equipment Financing	Prime + 2.00%	Revolving	15,000	14,959	13,096
Authorized Overdraft	Prime + 1.50%	Revolving	3,000	—	—
				18,304	16,634
Current portion				(4,108)	(3,788)
Long term debt				14,196	12,846

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 March 31, 2024 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 March 31, 2024 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 March 31, 2024, the Company is in compliance with its financial covenant requirements. The debt servicing ratio as calculated based on the Second Amended Financing Agreement was 2.04 to 1.00 and the funded debt to EBITDA was 1.95 to 1.00.

ZEDCOR INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Unaudited)
IN THOUSANDS OF CANADIAN DOLLARS

5. NOTE PAYABLE

Balance, December 31, 2022	3,182
Accretion of note payable discount	67
Balance, December 31, 2023	3,249
Accretion of note payable discount	16
Balance, March 31, 2024	3,265

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 monthly interest payments totaling \$44 for the three months ended March 31, 2024 (three months ended March 31, 2023 - \$44). The Note Payable is unsecured and subordinated to the Credit Facilities.

6. SHARE CAPITAL

(a) Common share capital

Common shares issued and fully paid:	Number of shares	\$
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
Issued on exercise of stock options	483,333	137
Issued on exercise of warrants	209,965	204
Balance, March 31, 2024	74,902,223	114,365

For the three months ended March 31, 2024, 209,965 warrants were exercised for common shares. For the three months ended March 31, 2023, 2,000,000 warrants were exercised for common shares (note 7).

ZEDCOR INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Unaudited)
IN THOUSANDS OF CANADIAN DOLLARS

(b) 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:

	Three months ended March 31,	
	2024	2023
Net (loss) income for the period attributable to shareholders	(470)	752
Weighted average number of shares outstanding – basic	74,436,712	71,163,138
(Loss) earnings per share – basic	(0.01)	\$0.01
Weighted average number of shares outstanding – basic	74,436,712	71,163,138
Share option dilution	—	2,280,296
Warrant dilution	—	2,228,313
Weighted average number of shares outstanding – diluted	74,436,712	75,671,747
(Loss) earnings per share - diluted	(0.01)	\$0.01

For the three months ended March 31, 2024, the potential dilutive effects of stock-based compensation and warrant dilution were not considered because to do so would be anti-dilutive.

7. WARRANTS

Changes in the outstanding number and movements in warrants are as follows:

Warrants issued	Number of warrants	\$
Balance, December 31, 2022	7,361,870	1,368
Warrant exercises	(2,000,000)	(246)
Balance, December 31, 2023	5,361,870	1,122
Warrant exercises	(209,965)	(62)
Balance, March 31, 2024	5,151,905	1,060

For the three months ended March 31, 2024, 209,965 warrants with an exercise price of \$0.70 were exercised for total proceeds of \$146. For the three months ended March 31, 2023, 2,000,000 warrants with an exercise price of \$0.12 were exercised for total proceeds of \$240.

Subsequent to March 31, 2024, a further 2,407,000 warrants with an exercise price of \$0.70 were exercised for total proceeds of \$1,685.

ZEDCOR INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Unaudited)
IN THOUSANDS OF CANADIAN DOLLARS

8. REVENUE

Revenue is generated from the following sales and services:

	Three months ended March 31,	
	2024	2023
Security tower rental and service	5,755	5,997
Fixed site monitoring and service	221	285
Security personnel	158	161
	6,134	6,443

9. FINANCE COSTS

Finance costs are comprised of the following:

	Three months ended March 31,	
	2024	2023
Bank charges and interest	22	22
Interest on debt	348	183
Interest on note payable	60	60
Interest on finance leases	106	71
	536	336

10. GEOGRAPHICAL INFORMATION

The following table summarizes the Company's revenue and non-current assets as at and for the three months ended March 31, 2024 based on the Company's country of domicile and foreign country in which the Company operates:

	Canada	USA	Total
Revenue	5,801	333	6,134
Non-current assets	31,309	5,179	36,488

As at, and for the three months ended March 31, 2023, the Company did not have any foreign non-current assets or revenues.

11. SUBSEQUENT EVENTS

Subsequent to March 31, 2024, a further 2,407,000 warrants with an exercise price of \$0.70 were exercised for total proceeds of \$1,685.

On May 1, 2024, and subsequent to March 31, 2024, the Company announced a \$10.0 million private placement offering and a concurrent \$4.0 million bought deal financing, pursuant to the Listed Issuer Financing Exemption, at a price of \$1.00 per share. As part of the \$4.0 million bought deal financing, the Company granted the underwriters the option to purchase an additional 1.0 million shares at \$1.00 per share (the private placement together with the concurrent bought deal financing and additional option, the "Financing"). The Financing closed on May 16, 2024 and the Company issued 15.0 million common shares at \$1.00 per share for gross proceeds for of \$15.0 million.