



ZEDCOR INC.
CONSOLIDATED INTERIM FINANCIAL
STATEMENTS



FOR THE THREE & SIX MONTHS ENDED
JUNE 30, 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 and six months ended June 30, 2024.

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

(Stated in thousands of Canadian dollars)	June 30, 2024		December 31, 2023	
Assets				
Current assets:				
Cash	\$	9,116	\$	1,474
Accounts receivable		7,211		4,117
Current portion of finance lease receivable		627		570
Inventory		534		475
Prepaid expenses and deposits		478		650
		17,966		7,286
Non-current assets:				
Finance lease receivable		1,455		1,792
Deposits		195		179
Property and equipment (note 3)		33,282		27,240
Right-of-use assets		4,676		4,469
Deferred tax		2,005		2,005
		41,613		35,685
Total assets	\$	59,579	\$	42,971
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	\$	4,994	\$	3,242
Current portion of lease liabilities		2,557		2,421
Current debt (note 4)		4,352		3,788
		11,903		9,451
Non-current liabilities:				
Note payable (note 5)		—		3,249
Lease liabilities		4,908		5,310
Long term debt (note 4)		13,234		12,846
		18,142		21,405
Total liabilities		30,045		30,856
Shareholders' equity:				
Share capital (note 6)		131,150		114,024
Warrants		—		1,122
Contributed surplus		2,598		2,216
Accumulated other comprehensive gain (loss)		66		(28)
Deficit		(104,280)		(105,219)
		29,534		12,115
Total liabilities and shareholders' equity	\$	59,579	\$	42,971

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

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

(Stated in thousands of Canadian dollars, except per share amounts)	Three months ended		Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenues (note 8)	\$ 7,372	\$ 6,216	\$ 13,506	\$ 12,659
Direct expenses				
Direct operating costs	2,015	2,549	4,116	5,122
Depreciation of equipment (note 3)	1,142	749	2,264	1,407
	<u>3,157</u>	<u>3,298</u>	<u>6,380</u>	<u>6,529</u>
Gross margin	<u>4,215</u>	<u>2,918</u>	<u>7,126</u>	<u>6,130</u>
Operating expenses				
General and administrative	2,944	1,933	5,294	3,722
Depreciation of other property and equipment	114	79	218	159
Depreciation of right-of-use assets	422	298	797	552
(Gain) on sale of equipment (note 3)	—	(69)	—	(69)
Loss on disposal of right-of-use assets	2	—	16	—
	<u>3,482</u>	<u>2,241</u>	<u>6,325</u>	<u>4,364</u>
Other (income) expenses				
Finance costs (note 9)	511	376	1,047	712
(Gain) loss on foreign exchange	13	(12)	15	(11)
Loss on repayment of Note Payable	173	—	173	—
Other income (note 10)	(1,373)	(2,159)	(1,373)	(2,159)
	<u>(676)</u>	<u>(1,795)</u>	<u>(138)</u>	<u>(1,458)</u>
Income before income taxes	1,409	2,472	939	3,224
Income taxes				
Current income taxes	—	—	—	—
Net income	1,409	2,472	939	3,224
Other comprehensive income				
Unrealized foreign currency translation (gain)	(47)	—	(94)	—
Comprehensive income	\$ 1,456	\$ 2,472	\$ 1,033	\$ 3,224
Net income per share				
Basic	\$ 0.02	\$ 0.03	\$ 0.01	\$ 0.04
Diluted	\$ 0.02	\$ 0.03	\$ 0.01	\$ 0.04
Weighted average number of shares outstanding (note 6)				
Basic	82,734,774	73,018,815	78,586,987	72,306,439
Diluted	87,562,634	79,944,977	82,893,621	78,242,661

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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	—	—	144	—	—	144
Exercise of stock options	274	—	(120)	—	—	154
Exercise of warrants	486	(246)	—	—	—	240
Net income and comprehensive income	—	—	—	—	3,224	3,224
Balance – June 30, 2023	113,943	1,122	1,833	—	(104,647)	12,251
Stock based compensation	—	—	418	—	—	418
Exercise of stock options	81	—	(35)	—	—	46
Net income	—	—	—	—	(572)	(572)
Foreign currency translation	—	—	—	(28)	—	(28)
Balance – December 31, 2023	114,024	1,122	2,216	(28)	(105,219)	12,115
Stock based compensation	—	—	497	—	—	497
Exercise of stock options	264	—	(115)	—	—	149
Exercise of warrants	3,277	(1,122)	—	—	—	2,155
Shares issued, net of share issue costs	13,585	—	—	—	—	13,585
Net income	—	—	—	—	939	939
Foreign currency translation	—	—	—	94	—	94
Balance – June 30, 2024	\$ 131,150	\$ —	\$ 2,598	\$ 66	\$ (104,280)	\$ 29,534

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

	Three months ended		Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<i>(Stated in thousands of Canadian dollars)</i>				
Cash provided by (used in):				
Operating activities				
Net income	\$ 1,409	\$ 2,472	\$ 939	\$ 3,224
Depreciation of property and equipment (note 3)	1,256	828	2,482	1,566
Depreciation of right-of-use assets	422	298	797	552
(Gain) on disposal of property and equipment	—	(69)	—	(69)
Loss on disposal of right-of-use asset	2	—	16	—
Foreign currency translation	(80)	—	(34)	—
Loss on repayment of note payable	173	—	173	—
Stock based compensation	282	90	497	144
Non-cash interest expense and other financing costs	7	(5)	52	19
Receipt of finance lease receivable	141	127	280	253
Income taxes recovered	—	—	—	—
	3,612	3,741	5,202	5,689
Changes in non-cash working capital	(1,160)	(556)	(2,092)	(1,400)
Cash flow from operating activities	2,452	3,185	3,110	4,289
Investing activities				
Change in non-cash working capital related to investing activities	420	115	847	342
Purchase of property and equipment (note 3)	(6,042)	(5,943)	(8,471)	(7,792)
Proceeds from sale of property and equipment (note 3)	—	91	—	91
Cash flow (used in) investing activities	(5,622)	(5,737)	(7,624)	(7,359)
Financing activities				
Proceeds from debt	269	4,403	2,776	5,340
Repayment of debt	(991)	(525)	(1,837)	(1,060)
Payment of finance lease liability	(651)	(478)	(1,222)	(930)
Proceeds from share issuance, net of costs	13,585	—	13,585	—
Repayment of note payable	(3,450)	—	(3,450)	—
Proceeds from exercise of stock options	72	149	149	154
Proceeds from exercise of warrants	2,008	—	2,155	240
Cash flow from financing activities	10,842	3,549	12,156	3,744
Net change in cash in the period	7,672	997	7,642	674
Cash, beginning of period	1,444	248	1,474	571
Cash, end of period	\$ 9,116	\$ 1,245	\$ 9,116	\$ 1,245

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 JUNE 30, 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 with service centers in British Columbia, Alberta, Manitoba and Ontario. The Company has three main service offerings to customers across all market segments: 1) surveillance and live monitoring through its proprietary MobileyeZ security towers; 2) surveillance and live monitoring of fixed site locations; and 3) security personnel.

The Company 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 August 13, 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.

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3. PROPERTY AND EQUIPMENT

Cost	Security towers & equipment	Automotive & other equipment	Office furniture & equipment	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	8,108	40	281	42	8,471
Disposals	—	—	—	—	—
Effects of changes in foreign exchange rates	50	—	3	—	53
At June 30, 2024	43,642	161	2,498	401	46,702

Accumulated depreciation	Security towers & equipment	Automotive & other equipment	Office furniture & equipment	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	2,231	12	215	24	2,482
Elimination on disposal	—	—	—	—	—
At June 30, 2024	11,813	62	1,394	151	13,420

Net Book Value	Security towers & equipment	Automotive & other equipment	Office furniture & equipment	Leasehold improvements	Total
At December 31, 2023	25,902	71	1,035	232	27,240
At June 30, 2024	31,829	99	1,104	401	33,282

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. No triggers for impairment were identified for the Security & Surveillance CGU.

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4. CREDIT FACILITIES

	Interest rate	Final maturity	Facility maximum	Outstanding as at June 30, 2024	Outstanding as at December 31, 2023
Term Loan	5.15%	Oct 2026	6,100	3,039	3,538
Revolving Equipment Financing	Prime + 2.00%	Revolving	15,000	14,282	13,096
Authorized Overdraft	Prime + 1.50%	Revolving	3,000	—	—
Equipment Financing	Various	Various	N/A	265	—
				17,586	16,634
Current portion				(4,352)	(3,788)
Long term debt				13,234	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 June 30, 2024, the Second Amended Financing Agreement provides the Company with the following:

1. A \$6.1 million term loan that is fully committed for five years (“Term Loan”). The Term Loan bears interest at 5.15% and will have monthly blended principal and interest payments of \$116.
2. A \$15.0 million revolving equipment financing facility (“Revolving Equipment Financing”). The Company is able to draw on this facility at any time for up to 100% of new equipment purchases. The draws bear interest at Prime + 2.0% and each draw will be amortized over 5 years with blended principal and interest payments. As at June 30, 2024 the Prime Interest Rate was 6.95% and the interest rate on the Revolving Equipment Financing was 8.95%. As the Company pays down the Revolving Equipment Financing, it can borrow back up to the facility maximum of \$15.0 million.
3. An authorized overdraft facility (“Authorized Overdraft”) up to \$3.0 million, secured by the Company’s accounts receivable, up to 75%, less priority payables which are GST payable, income taxes payable, employee remittances payable and WCB payables. The Authorized Overdraft is due on demand and any outstanding overdraft bears interest at Prime + 1.5%. As at June 30, 2024 the Prime Interest Rate was 6.95% and the interest rate on the Revolving Equipment Financing was 8.45%.

The Second Amended Financing Agreement is secured with a first charge over the Company’s current and after acquired equipment, a general security agreement, a subordination and postponement agreement with a director of the Company with respect to a note payable, and other standard non-financial security.

The agreement has the following quarterly financial covenant requirements, calculated on a trailing twelve month basis:

- a debt servicing covenant of no less than 1.25 to 1.00; and
- a funded debt to EBITDA covenant of no more than 3.00 to 1.00.

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As at June 30, 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 1.89 to 1.00 and the funded debt to EBITDA was 2.04 to 1.00.

The Company may also enter into specific financing agreements with certain vendors for specific pieces of equipment. These financing agreements are entered into at the time of purchase and granted by various third parties based on the Company's financial condition at the time. They are secured with the specific equipment being financed and terms and interest rates are decided at the time of application. As at June 30, 2024 the Company had \$265 outstanding with respect to these specific financing agreements (As at December 31, 2023 - \$nil).

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	28
Repayment of note payable	(3,450)
Loss on repayment of note payable	173
Balance, June 30, 2024	\$ —

The unsecured, subordinated Note Payable, was due to a corporation controlled by a director of the company, matures on December 31, 2026 at its notional value of \$2.5 million and bears interest at 7% per annum, accruing daily from the issue date. In agreement with the lender, the Company started making monthly interest payments in January 2023.

On May 27, 2024 the Company agreed to repay the entire note payable for its notional value of \$2,500 and accrued interest of \$950 for a total of \$3,450. This resulted in a loss on repayment of \$173.

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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	749,999	264
Issued on exercise of warrants	5,361,870	3,277
Issued on vesting of restricted share units	366,664	—
Share issuance, net of share issue costs	15,000,000	13,585
Balance, June 30, 2024	95,687,458	131,150

For the six months ended June 30, 2024, 5,361,870 warrants were exercised for common shares. For the six months ended June 30, 2023, 2,000,000 warrants were exercised for common shares (note 7).

On May 16, 2024, the Company completed an issuance of 5,000,000 common shares, at \$1.00 per common share, pursuant to Part 5A of National Instrument 45-106, and a concurrent private placement of 10,000,000 common shares, at \$1.00 per common share, for total gross proceeds of \$15,000.

Net proceeds of the share issuances were allocated as follows:

	Total
Gross proceeds	15,000
Less: share issue costs	(1,415)
Net proceeds	13,585

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(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:

	For the three months ended		For the six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net income for the period	1,409	2,472	939	3,224
Weighted average number of shares outstanding – basic	82,734,774	73,018,815	78,586,987	72,306,439
Earnings per share – basic	0.02	0.03	0.01	0.04
Weighted average number of shares outstanding – basic	82,734,774	73,018,815	78,586,987	72,306,439
Stock based compensation dilution	4,827,859	4,729,513	4,306,634	3,723,270
Warrant dilution	—	2,196,649	—	2,212,952
Weighted average number of shares outstanding – diluted	87,562,634	79,944,977	82,893,621	78,242,661
Earnings per share – diluted	0.02	0.03	0.01	0.04

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
Warrants exercised	(2,000,000)	(246)
Balance, December 31, 2023	5,361,870	1,122
Warrants exercised	5,361,870	(1,122)
Balance, June 30, 2024	—	—

During the period ended June 30, 2024 2,744,905 warrants with an exercise price of \$0.12 and 2,616,965 warrants with an exercise price of \$0.70 were exercised for gross proceeds of \$2,161. During the year ended December 31, 2023 2,000,000 warrants with an exercise price of \$0.12 were exercised for gross proceeds of \$240.

As at June 30, 2024, the Company does not have any warrants issued and outstanding.

ZEDCOR INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2024 AND 2023
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8. REVENUE

Revenue is generated from the following sales and services:

	For the three months ended		For the six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Security tower rental and service	7,092	5,645	12,847	11,642
Fixed site monitoring and service	198	408	419	693
Security personnel	82	163	240	324
	<u>7,372</u>	<u>6,216</u>	<u>13,506</u>	<u>12,659</u>

9. FINANCE COSTS

Finance costs are comprised of the following:

	For the three months ended		For the six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Bank charges and interest	2	33	24	55
Interest on debt	380	207	728	390
Interest on note payable	40	61	101	121
Interest on finance leases	89	75	194	146
	<u>511</u>	<u>376</u>	<u>1,047</u>	<u>712</u>

10. 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 \$114 in management fees which were netted against general and administrative costs for the six months ended June 30, 2024 (six months ended June 30, 2023 - \$200). The Company may also receive an annual bonus payment of 35% of EBITDA in excess of certain annual targets (the "Annual Bonus"). The Company recorded \$1,373 in other income for the three and six month ended June 30, 2024 for the Annual Bonus (three and six months ended June 30, 2023 - \$2,159).

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11. GEOGRAPHICAL INFORMATION

The following table summarizes the Company's revenue and non-current assets as at and for the three and six months ended June 30, 2024 based on the Company's country of domicile and foreign country in which the Company operates:

	Canada	USA	Total
Revenue – For the six months ended June 30, 2024	12,424	1,082	13,506
Revenue – For the three months ended June 30, 2024	6,623	749	7,372
Non-current assets – As at June 30, 2024	31,178	10,435	41,613

As at, and for the six months ended June 30, 2023, the Company did not have any foreign non-current assets or revenues.