



ZEDCOR INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS



FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2024 AND 2023

Dated August 13, 2024

ZEDCOR INC.
Management's Discussion and Analysis
For the three and six months ended June 30, 2024

IN THOUSANDS OF CANADIAN DOLLARS

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 six months ended June 30, 2024 when compared to the three and six months ended June 30, 2023. 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 and the condensed consolidated interim financial statements for the three and six months ended June 30, 2024 and 2023. 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 August 13, 2024.

OVERVIEW AND CORPORATE PROFILE

Zedcor Inc. (TSX-V:ZDC) is disrupting the traditional physical security industry through its proprietary MobileyeZ™ security towers by providing turnkey and customized mobile surveillance and live monitoring solutions to blue-chip customers across North America. The Company continues to expand its established platform of over 1,000 MobileyeZ™ towers in Canada and the United States, with emphasis on industry leading service levels, data-supported efficiency outcomes, and continued innovation. Zedcor services the Canadian market through equipment and service centers currently located in British Columbia, Alberta, Manitoba, and Ontario. The Company continues to advance its U.S. expansion which now has the capacity to service markets throughout the Midwest with locations throughout Texas and in Denver, Colorado, with a location in Phoenix, Arizona to follow by Q1 2025.

The Company operates a fleet of over 1,000 proprietary MobileyeZ™ security towers, equipped with high resolution, technology-based cameras, and monitors numerous fixed site locations for customers across various industries. Video from security towers and fixed site locations is streamed to the Company's central monitoring station where video alarms are live verified and responded to based on customer requirements. Zedcor also offers high level security guard services to enterprise level customers who are interested in supplementing video-based security for valuable, high risk, or mission critical operational assets.

ZEDCOR INC.
Management's Discussion and Analysis
For the three and six months ended June 30, 2024
 IN THOUSANDS OF CANADIAN DOLLARS

EXECUTIVE SUMMARY:

Selected Financial Highlights

(in \$000s)	Three months ended June 30		Six months ended June 30		Three months ended March 31
	2024	2023	2024	2023	2024
Revenue	7,372	6,216	13,506	12,659	6,134
Adjusted EBITDA^{1,2}	2,695	1,824	4,593	3,959	1,898
Adjusted EBIT^{1,2}	720	689	786	1,777	76
Net income (loss)	1,409	2,472	939	3,224	(470)
Net income (loss) per share					
Basic	0.02	0.03	0.01	0.04	(0.01)
Diluted	0.02	0.03	0.01	0.04	(0.01)

¹ Adjusted for stock based compensation, foreign exchange (gain) loss, and other income

² See Financial Measures Reconciliations below

Zedcor recorded \$7,372 of revenue for the three months ended June 30, 2024. This compares to \$6,216 of revenue from for the three months ended June 30, 2023. The revenue increase of 19% year over year was due to strong demand for our security towers in Canada and the addition of US revenues. Overall, core security tower revenue increases were offset by reductions in revenue for Zedcor's ancillary services of security personnel, cameras sales and other service revenue. The decrease in service revenue was driven largely by reduced service volumes as non-pipeline security towers do not require as much mobilization which drove service revenues. The Company's core security and surveillance service revenue was up 27% year over year.

Quarter over quarter, the Company's total revenue was up \$1,238 or 20% and adjusted EBITDA was up \$797 or 42%. Revenue increased both year over year and quarter over quarter as a result of a larger fleet of security towers, revenue growth in the US and strong utilization rates during Q2 2024 as the Company was able to redeploy security towers returned from its large pipeline security project which ended in Q4 2023 and grow its fleet of MobileyeZ™.

The Company's security and surveillance services saw increased revenues and EBITDA for the three and six months ended June 30, 2024 compared to 2023 due largely to increased customer demand of its larger fleet of MobileyeZ™ security towers. Zedcor exited the period with 1,003 MobileyeZ™ security towers which was an increase of 178 when compared to December 31, 2023 and 324 units when compared to June 30, 2023.

ZEDCOR INC.
Management's Discussion and Analysis
For the three and six months ended June 30, 2024

IN THOUSANDS OF CANADIAN DOLLARS

Financial and operational highlights for the three and six months ended June 30, 2024 include:

- Net income was \$1,409 for the three months ended June 30, 2024. This compares to net income of \$2,472 for the three months ended June 30, 2023. For the six months ended June 30, 2024 net income was \$939 compared to net income of \$3,224 for the six months ended June 30, 2023. The decrease in net income is due to lower other income, higher finance costs as a result of higher total debt on our equipment financing facilities, higher stock based compensation expense and a \$173 loss on repayment of the Note Payable. Quarter over quarter, the Company was able to reverse a net loss and generate positive earnings per share as a result of: 1) a larger fleet of towers and strong customer demand which drove utilization and, in turn, revenues; 2) strong cost controls and efficiencies generated from our AI camera implementations completed in Q4 2023 which has reduced operating costs and increased margins; and 3) \$1,373 in other income. As part of the sale of the Company's Rental segment assets in 2021, the Company is to receive a 35% bonus for every dollar of EBITDA over certain thresholds. As a result of this agreement, the Company will receive \$1,373 for the third and final anniversary payment.
- 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. Zedcor's services are customer and industry agonistic and we continued to see that in the first half of 2024 as we were able to diversify our customers across the construction industry, into retail security and across other business segments. In addition, of our \$7.4 million of revenue for the three months ended June 30, 2024, 88% of it is reoccurring.
- Continued traction across Ontario, customer diversification in Western Canada and strong utilization across the Canadian MobileyeZ™ fleet. The Company expanded to Ottawa in Q2 2022 and Toronto in Q3 2022. In less than two years, our Toronto equipment and servicing center has grown to be the largest in Canada with approximately 25% of the Canadian fleet being operated out of Toronto. In addition, we started to generate record daily revenues across our Canadian operations in June and our fleet of MobileyeZ™ was nearly 100% utilized in Canada. The Company continued to attract new customers in the region and for the six months ended June 31, 2024, the Company has added over 75 new customers.
- On track US expansion. Zedcor exited the Q2 2024 with 132 MobileyeZ™ located in the US, continued to expand our base of operations with the ability to service customers across Texas and opened an equipment and servicing center in Denver, Colorado. For the six months ended June 30, 2024 the Company generated \$1,082 of revenues in the US and for the 3 months ended June 30, 2024 the Company generated \$749, or 10%, of revenues in the US. This number is expected to expand as we continue to build out our footprint in the US.
- Continued development and expansion of manufacturing capabilities. Zedcor has manufactured over 120 of its Solar MobileyeZ™ Security Tower and has ramped up production capacity out of its Houston, Texas facility with the ability to meet customer demand for our North American operations. We are actively managing our component suppliers and our supply chains, while finding efficiencies in order to streamline manufacturing.
- Continued growth in the retail security segment with an expanded rental and service agreement to provide MobileyeZ™ security towers at 23 sites for a leading North American home improvement retailer. This represented an additional ten store locations and thirteen locations across Canada for our customer's capital initiatives program, including new store builds or major renovations bringing the total MobileyeZ™ coverage for the Customer in Canada to 21 stores and two distribution centers.

ZEDCOR INC.

Management's Discussion and Analysis For the three and six months ended June 30, 2024

IN THOUSANDS OF CANADIAN DOLLARS

- Payment of \$3.5 million to retire the balance of a Note issued in February 2016 and exercise of all outstanding warrants on the Company's balance sheet. This results in streamlined capital structure for the Company.
- Completion of a \$15.0 million equity financing which will help expedite our long-term strategy.

SELECTED QUARTERLY FINANCIAL INFORMATION

	June 30 2024	March 31 2024	Dec 31 2023	Sept 30 2023	Jun 30 2023	Mar 31 2023	Dec 31 2022	Sept 30 2022
(Unaudited - in \$000s)								
Revenue	7,372	6,134	5,799	6,431	6,216	6,443	6,415	5,797
Net income (loss)	1,409	(470)	(860)	288	2,472	752	3,076	966
Adjusted EBITDA ¹	2,695	1,898	1,401	2,285	1,824	2,135	2,380	2,121
Adjusted EBITDA per share - basic ¹	0.03	0.03	0.02	0.03	0.02	0.03	0.04	0.03
Net income (loss) per share								
Basic	0.02	(0.01)	(0.00)	0.00	0.03	0.01	0.05	0.01
Diluted	0.02	(0.01)	(0.01)	0.00	0.03	0.01	0.04	0.01
Adjusted free cash flow ¹	1,016	458	482	4,664	968	978	1,931	2,076

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 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.

ZEDCOR INC.
Management's Discussion and Analysis
For the three and six months ended June 30, 2024
 IN THOUSANDS OF CANADIAN DOLLARS

SECURITY AND SURVEILLANCE SEGMENT RESULTS

(in \$000s)	Three months ended June 30			Six months ended June 30		
	2024	2023	% change	2024	2023	% change
Security & surveillance service revenue	7,163	5,635	27%	12,956	11,376	14%
Security personnel, camera sales and other service revenue	209	581	(64%)	550	1,283	(57%)
Total revenue	7,372	6,216	19%	13,506	12,659	7%
Security & surveillance service operating costs	1,885	2,145	(12%)	3,763	4,187	(10%)
Security personnel, camera sales and other service operating cost	130	404	(68%)	353	935	(62%)
Total operating costs	2,015	2,549	(21%)	4,116	5,122	(20%)
Depreciation of operating assets*	1,142	749	52%	2,264	1,407	61%
Gross Margin	4,215	2,918	44%	7,126	6,130	16%
Security & surveillance service margin %	58%	49%		53%	51%	
Security personnel, camera sales and other service margin	38%	30%		36%	27%	

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

Operational Review

Q2 2024 vs Q2 2023

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 June 30, 2024, revenue increased by 27% compared to the three months ended June 30, 2023. The increase in Q2 2024 revenue reflects the Company's expanded fleet of MobileyeZ security towers, diversified customer base and growth in the Company's geographical footprint. While the fleet grew more than 27% the revenue will not always coincide with the fleet expansion as units are sent out to the Company's various locations throughout North America. Utilization rates for the Company's fleet were strong throughout Q2 2024 and reached record highs in June 2024. Customer demand remains strong and is 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 USA.

Security Personnel, Camera Sales and Other Service Revenue

Q2 2024 vs Q2 2023

Revenue for the three-month period ended June 31, 2024 was \$209 compared to \$581 for the three month period ended June 30, 2023. This was a decrease of \$372. The decrease in revenue was a result of fewer camera sales in 2024 as well as lower third party revenue related to pass through costs such as specialized satellite streaming. These are ancillary services to the Company's main service offerings of MobileyeZ™ and fixed site monitoring. Revenue will fluctuate from quarter to quarter based on the types of projects and amount of fixed installations that can be completed.

ZEDCOR INC.
Management’s Discussion and Analysis
For the three and six months ended June 30, 2024

IN THOUSANDS OF CANADIAN DOLLARS

Gross Margins

Q2 2024 vs Q2 2023

Security & surveillance service margin increased by 9% percent for the three months ended June 30, 2024 when compared to the three months ended June 30, 2023. The increase in margins was the result of 1) reduced repairs and maintenance costs as we experienced higher levels of maintenance costs in 2023 due to the completion of two large pipeline security projects; 2) realized efficiencies from our AI at the edge camera upgrades which reduce alarms; and 3) reduced data streaming costs also driven by the AI camera upgrades.

Security personnel, camera sales and other services margin percentage will fluctuate depending on sales mix. For the three months ended June 30, 2024, the majority of the revenues were generated by security guards as opposed to third party charges which are largely pass through costs.

OTHER EXPENSES

(in \$000s)	Three months ended June 30			Six months ended June 30		
	2024	2023	% change	2024	2023	% change
General and administrative	2,944	1,933	52%	5,294	3,722	42%
Depreciation of administrative assets	114	79	44%	218	159	37%
Depreciation of right-of-use assets	422	298	42%	797	552	44%
Finance costs	511	376	36%	1,047	712	47%

For the three and six months ended June 30, 2024:

- Total general and administrative expenses increased 52% and 42%, respectively, compared to the same quarters in 2023. This increase in general and administrative costs was due to headcount increases in sales, operations management staff and administrative staff as a result of our expanded footprint, US expansion costs, and higher stock-based compensation expense.
- Finance costs increased by \$135 and \$335, respectively, as a result of higher total debt.

OUTLOOK

Zedcor continues to execute its long-term strategy of growing its technology enabled security services across North America. The Company continues to effectively use a mix of cash flow, debt and the proceeds from its equity financing to build additional MobileyeZ™ security towers to provide surveillance services to our expanding customer base. During the quarter, the Company completed a \$15.0 million equity financing which will help expedite our long-term strategy. The Company was able to effectively redeploy equipment to new customers throughout the Company’s operating regions and grow US revenues to over 10% of total revenues in Q2 2024. The Company has grown its salesforce across North America in order to obtain contracts for its MobileyeZ™ and continue to expand its service offering to different industries. The fleet of security towers is fully utilized, and the Company continues 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.

ZEDCOR INC.

Management's Discussion and Analysis For the three and six months ended June 30, 2024

IN THOUSANDS OF CANADIAN DOLLARS

- 2) With the strong demand that Zedcor is seeing for its security towers, the Company continues 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.

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 six months ended June 30, 2024 and 2023:

(in \$000s)	Six months ended June 30			
	2024	2023	\$ Change	% Change
Cash flow from operating activities	3,110	4,289	(1,179)	(27%)
Cash flow used by investing activities	(7,624)	(7,359)	(265)	4%
Cash flow from financing activities	12,156	3,744	8,412	225%

The following table presents a summary of working capital information:

(in \$000s)	As at June 30			
	2024	2023	\$ Change	% Change
Current assets	17,966	10,315	7,651	74%
Current liabilities *	11,903	9,575	2,328	24%
Working capital	6,063	740	5,323	719%

*Includes \$4.4 million of debt and \$2.6 million of lease liabilities in 2024 and \$3.1 million of debt and \$2.0 million of lease liabilities in 2023

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, debt or cash flow from operations.

ZEDCOR INC.
Management's Discussion and Analysis
For the three and six months ended June 30, 2024
 IN THOUSANDS OF CANADIAN DOLLARS

Principal Credit Facility

	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.

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.

ZEDCOR INC.
Management's Discussion and Analysis
For the three and six months ended June 30, 2024

IN THOUSANDS OF CANADIAN DOLLARS

The Company may also enter into specific financing agreements with certain vendors for certain 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).

CREDIT RISK

The Company extends credit to customers, primarily comprised of construction companies, energy companies and pipeline 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 June 30, 2024 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 June 30, 2024:

(in \$000s)	1 Year	2-3 years	4-5 years	Thereafter	Total	Carrying value
Accounts payable and accrued liabilities	4,994	—	—	—	4,994	4,994
Current debt	4,453	—	—	—	4,453	4,352
Long-term debt	—	10,804	6,122	—	16,926	13,234
Finance lease liabilities	2,163	4,315	1,822	—	8,300	7,465
Total	11,610	15,119	7,944	—	34,673	30,045

ZEDCOR INC.
Management's Discussion and Analysis
For the three and six months ended June 30, 2024

IN THOUSANDS OF CANADIAN DOLLARS

OUTSTANDING SECURITIES

At August 13, 2024, the Company had the following securities outstanding:

- 95,762,458 common shares issued and outstanding; and
- 4,441,670 options are outstanding with exercise prices ranging from \$0.15 per share to \$1.25 per share; 1,058,328 options are exercisable at prices ranging from \$0.15 per share to \$0.58 per share.
- 2,975,000 DSU and RSU are outstanding; 333,331 DSU and nil RSU are exercisable

RELATED PARTY TRANSACTIONS

As at June 30, 2024, the Company owed \$nil for a Note Payable to a corporation controlled by a director of the Company as the balance of the Note Payable was paid during the quarter (December 31, 2023 - \$3,249).

The Company had the following related party transactions for the six months ended June 30, 2024:

- \$73 in interest paid on the Note Payable to a corporation controlled by a director of the Company (six months ended June 30, 2023 - \$88).
- \$92 in wages paid to a close family member of an executive officer (six months ended June 30, 2023 - \$101).
- \$26 in promotional products and uniforms purchased from a company owned by a close family member of an executive officer (six months ended June 30, 2023 - \$32).
- \$114 in management fees received from a company controlled by a director as per the purchase and sale agreement for the sale of the Company's Rentals assets (six months ended June 30, 2023 - \$200).
- \$1,373 in other income from the annual bonus as EBITDA targets were exceeded as per the purchase and sale agreement for the sale of the Company's Rentals assets (six months ended June 30, 2023 - \$2,159).
- \$77 in corporate secretarial services paid to a company owned by a close family member of an executive officer (June 30, 2023 - \$68).

These related party transactions are in the normal course of business and have been recorded at the exchange amount. At June 30, 2024 the amounts receivable from related parties was \$1,373 and amounts payable to related parties was \$56 (as at June 30, 2024 - \$2,184 receivable and \$2 payable).

OFF BALANCE SHEET ARRANGEMENTS

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

BUSINESS RISKS AND UNCERTAINTIES

Business risks and uncertainties remain substantially unchanged from those disclosed in the annual Management Discussion and Analysis dated April 12, 2024. For a discussion of the business risks and uncertainties related to Zedcor Inc., please refer to the annual Management Discussion and Analysis and to Zedcor Inc.'s Annual Information Form dated April 12, 2024, both of which can be found on the Company's website or at www.sedarplus.ca.

ACCOUNTING POLICIES

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

ZEDCOR INC.
Management's Discussion and Analysis
For the three and six months ended June 30, 2024
 IN THOUSANDS OF CANADIAN DOLLARS

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 June 30		Six months ended June 30	
	2024	2023	2024	2023
Net income	1,409	2,472	939	3,224
Add:				
Finance costs	511	376	1,047	712
Depreciation of property & equipment	1,256	828	2,482	1,566
Depreciation of right-of-use assets	422	298	797	552
(Gain) on sale of equipment	—	(69)	—	(69)
Loss on disposal of right-of-use asset	2	—	16	—
Loss on repayment of note payable	173	—	173	—
EBITDA	3,773	3,905	5,454	5,985
Add (deduct):				
Stock based compensation	282	90	497	144
(Gain) loss on foreign exchange	13	(12)	15	(11)
Other income	(1,373)	(2,159)	(1,373)	(2,159)
	(1,078)	(2,081)	(861)	(2,026)
Adjusted EBITDA	2,695	1,824	4,593	3,959

ZEDCOR INC.
Management's Discussion and Analysis
For the three and six months ended June 30, 2024
 IN THOUSANDS OF CANADIAN DOLLARS

Adjusted EBIT

Adjusted EBIT refers to earnings before interest and finance charges, taxes, and one time income and expenses.

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

(in \$000s)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Net income	1,409	2,472	939	3,224
Add (deduct):				
Finance costs	511	376	1,047	712
Loss on repayment of note payable	173	—	173	—
Other income	(1,373)	(2,159)	(1,373)	(2,159)
Adjusted EBIT	720	689	786	1,777

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 and one time income and expenses, 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 June 30		Six months ended June 30	
	2024	2023	2024	2023
Net income	1,409	2,472	939	3,224
Add non-cash expenses:				
Depreciation of property & equipment	1,256	828	2,482	1,566
Depreciation of right-of-use assets	422	298	797	552
Loss on repayment of note payable	173	—	173	—
Stock based compensation	282	90	497	144
Finance costs (non-cash portion)	7	(5)	52	19
	3,549	3,683	4,940	5,505
(Deduct) non-recurring income:				
Other income	(1,373)	(2,159)	(1,373)	(2,159)
	2,176	1,524	3,567	3,346
Change in non-cash working capital	(1,160)	(556)	(2,092)	(1,400)
Adjusted Free Cash Flow	1,016	968	1,475	1,946

ZEDCOR INC.
Management's Discussion and Analysis
For the three and six months ended June 30, 2024
IN THOUSANDS OF CANADIAN DOLLARS

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.sedarplus.ca on the Company's website at www.zedcor.com. The Company trades on the TSX Venture Exchange under the symbol ZDC.