

**ZEDCOR INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**



**FOR THE THREE MONTHS ENDED MARCH 31,  
2021 AND 2020**

**SECURITY  
SOLUTIONS**

**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 interim consolidated financial statements for the three months ended March 31, 2021.

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

(Stated in thousands of Canadian dollars)	March 31, 2021	December 31, 2020
<b>Assets</b>		
Current assets:		
Cash	\$ 180	\$ 761
Accounts receivable	3,904	3,191
Current portion of finance lease receivable	441	447
Income taxes recoverable	88	88
Inventory	78	—
Prepaid expenses and deposits	332	338
	5,023	4,825
Non-current assets:		
Finance lease receivable	3,176	3,280
Property and equipment (note 3)	22,016	22,549
Right-of-use assets	1,918	1,837
	27,110	27,666
<b>Total assets</b>	<b>\$ 32,133</b>	<b>\$ 32,491</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,806	\$ 1,596
Current portion of finance lease liability	1,539	1,525
Current debt (note 4)	3,453	2,940
	6,798	6,061
Non-current liabilities:		
Finance lease liability	5,199	5,339
Long term debt (note 4)	13,020	14,377
Note payable (note 5)	2,812	2,696
	21,031	22,412
Total liabilities	\$ 27,829	\$ 28,473
Shareholders' equity		
Share capital (note 6)	\$ 107,656	\$ 107,625
Preferred equity (note 6)	2,864	2,864
Warrants	587	587
Contributed surplus	1,613	1,582
Deficit	(108,416)	(108,640)
	\$ 4,304	\$ 4,018
<b>Total liabilities and shareholders' equity</b>	<b>\$ 32,133</b>	<b>\$ 32,491</b>

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

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

	<b>Three months ended March 31,</b>	
(Stated in thousands of Canadian dollars, except per share amounts)	<b>2021</b>	<b>2020</b>
<b>Revenues</b>	\$ 4,760	\$ 4,715
<b>Direct expenses</b>		
Direct operating costs	1,775	1,803
Depreciation of equipment (note 3)	821	1,184
	<u>2,596</u>	<u>2,987</u>
<b>Gross margin</b>	<b>2,164</b>	<b>1,728</b>
<b>Operating expenses</b>		
General and administrative	857	897
Depreciation of other property and equipment (note 3)	25	32
Depreciation of right-of-use assets	235	337
(Gain) on sale of equipment (note 3)	(49)	(51)
(Gain) on disposal of right-of-use assets	(72)	—
	<u>996</u>	<u>1,215</u>
<b>Other expenses</b>		
Finance costs (note 7)	944	819
	<u>944</u>	<u>2,034</u>
<b>Income (loss) before income taxes</b>	<b>224</b>	<b>(306)</b>
<b>Income tax recovery</b>		
Current recovery	—	(19)
Deferred recovery	—	—
	<u>—</u>	<u>(19)</u>
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<b>\$ 224</b>	<b>\$ (287)</b>
<b>Basic earnings (loss) per share</b>	\$ 0.004	\$ (0.005)
<b>Diluted earnings (loss) per share</b>	\$ 0.004	\$ (0.005)
<b>Weighted average number of shares</b>		
<b>Outstanding (note 6)</b>		
Basic	57,668,533	54,441,391
Diluted	59,981,331	54,441,391

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

(Stated in thousands of Canadian dollars)	Share capital	Preferred shares	Warrants	Contributed surplus	Deficit	Total
<b>Balance - December 31, 2019</b>	\$ 107,320	\$ 2,864	\$ 468	1,505	\$(103,962)	8,195
Stock based compensation	—	—	—	9	—	9
Extension and amendment of warrant exercise price	—	—	26	—	—	26
Issuance of warrants	—	—	6	—	—	6
Shares issued as consideration for loan guarantee	31	—	—	—	—	31
Comprehensive loss	—	—	—	—	(287)	(287)
<b>Balance - March 31, 2020</b>	107,351	2,864	500	1,514	\$(104,249)	7,980
Stock based compensation	—	—	—	68	—	68
Extension and amendment of warrant exercise price	—	—	31	—	—	31
Issuance of warrants	—	—	56	—	—	56
Shares issued (note 6)	274	—	—	—	—	274
Comprehensive loss	—	—	—	—	(4,391)	(4,391)
<b>Balance - December 31, 2020</b>	107,625	2,864	587	1,582	\$(108,640)	4,018
Stock based compensation	—	—	—	31	—	31
Shares issued as consideration for loan guarantee (note 6)	31	—	—	—	—	31
Comprehensive income	—	—	—	—	224	224
<b>Balance - March 31, 2021</b>	\$ 107,656	\$ 2,864	\$ 587	1,613	\$(108,416)	4,304

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

	<b>Three months ended March 31,</b>	
<i>(Stated in thousands of Canadian dollars)</i>	<b>2021</b>	<b>2020</b>
<b>Cash flow from (used in):</b>		
<b>Operating</b>		
Net income (loss) from continuing operations	\$ 224	\$ (287)
Depreciation of property and equipment (note 3)	846	1,216
Depreciation of right-of-use assets	235	337
(Gain) on disposal of property and equipment (note 3)	(49)	(51)
(Gain) on disposal of right-of-use assets	(72)	—
Stock based compensation	31	9
Non-cash interest expense and other financing costs	318	130
Receipt of finance lease receivable	110	37
	<u>1,643</u>	<u>1,391</u>
Changes in non-cash working capital	(730)	(436)
<b>Cash flow from operating activities</b>	<b>913</b>	<b>955</b>
<b>Investing</b>		
Change in non-cash working capital related to investing activities	157	341
Purchase of property and equipment (note 3)	(956)	(688)
Proceeds from sale of property and equipment (note 3)	710	135
<b>Cash flow used in investing activities</b>	<b>(89)</b>	<b>(212)</b>
<b>Financing</b>		
Proceeds from debt	323	115
Repayment of debt	(1,344)	(559)
Payment of finance lease liability	(384)	(260)
<b>Cash flow used in financing activities</b>	<b>(1,405)</b>	<b>(704)</b>
Net change in cash in the period	(581)	39
Cash, beginning of year	761	170
<b>Cash, end of period</b>	<b>\$ 180</b>	<b>\$ 209</b>

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**ZEDCOR INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020**  
(Unaudited)  
IN THOUSANDS OF CANADIAN DOLLARS

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**1. CORPORATE INFORMATION:**

Zedcor Inc. (the "Company") was formed under the laws of Alberta as a corporation on August 10, 2011. On September 17, 2020, the Company received shareholder approval for the name change from Zedcor Energy Inc. to Zedcor Inc.

The Company operates with two primary business segments across Western Canada:

- 1) Security & Surveillance which provides technology based remote surveillance, live monitoring and security personnel to customers involved in pipeline construction, civil & municipal construction, oil & gas exploration and emergency response.
- 2) Rentals which provides surface equipment rentals, temporary accommodation rentals, and power generation rentals to customers involved in oil & gas exploration, construction, and emergency response.

The Company is listed on the TSX Venture Exchange under the symbol ZDC.

In early March 2020, the World Health Organization declared coronavirus outbreak ("COVID-19") to be a pandemic. Responses to the spread of COVID-19 have resulted in significant disruption to business operations and a significant increase in economic uncertainty, with more volatile commodity prices, currency exchange rates, and a marked decline in long-term interest rates. These events are resulting in a challenging economic climate in which it is difficult to reliably estimate the length or severity of these developments and their financial impact. A significant adverse impact to the Company includes, but is not limited to, substantial reductions in revenues and cash flows, increased risk of non-payment from customers and future impairments of property and equipment. Estimates and judgments made in the preparation of these financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

**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, 2020. 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, 2020.

These consolidated financial statements were approved by the Board of Directors on May 18, 2021 and are presented in Canadian dollars, which is the Company's functional currency.

**ZEDCOR INC.**  
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**b) Basis of presentation and going concern**

These consolidated financial statements have been prepared based on accounting policies applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In the presentation of financial statements, Management is required to identify where events or conditions indicate that significant doubt may exist about the Company's ability to continue as a going concern.

**c) Significant accounting policies**

The significant accounting policies adopted in the preparation of these condensed consolidated financial statements are the same as those set out in the annual audited consolidated financial statements for the year ended December 31, 2020.

**ZEDCOR INC.**  
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**3. PROPERTY AND EQUIPMENT:**

<b>Cost</b>	<b>Rental equipment</b>	<b>Automotive &amp; other equipment</b>	<b>Office furniture &amp; software</b>	<b>Leasehold improvements</b>	<b>Total</b>
<b>At December 31, 2019</b>	56,762	238	1,101	170	58,271
Additions	1,696	8	74	7	1,785
Disposals	(5,515)	(5)	—	—	(5,520)
<b>At December 31, 2020</b>	52,943	241	1,175	177	54,536
Additions	874	—	82	—	956
Disposals	(1,868)	(10)	(65)	—	(1,943)
<b>At March 31, 2021</b>	51,949	231	1,192	177	53,549

<b>Accumulated depreciation</b>	<b>Rental equipment</b>	<b>Automotive &amp; other equipment</b>	<b>Office furniture &amp; software</b>	<b>Leasehold improvements</b>	<b>Total</b>
<b>At December 31, 2019</b>	27,895	208	739	124	28,966
Depreciation	4,146	17	118	17	4,298
Elimination on disposal	(3,391)	(4)	—	—	(3,395)
Impairment	2,118	—	—	—	2,118
<b>At December 31, 2020</b>	30,768	221	857	141	31,987
Depreciation	812	3	25	6	846
Elimination on disposal	(1,226)	(9)	(65)	—	(1,300)
<b>At March 31, 2021</b>	30,354	215	817	147	31,533

<b>Net Book Value</b>	<b>Rental equipment</b>	<b>Automotive &amp; other equipment</b>	<b>Office furniture &amp; software</b>	<b>Leasehold improvements</b>	<b>Total</b>
<b>At December 31, 2020</b>	22,175	20	318	36	22,549
<b>At March 31, 2021</b>	21,595	16	375	30	22,016

During the three months ended March 31, 2021, the Company sold assets with a net book value of \$661 for proceeds of \$710, resulting in a gain of \$49 (three months ended March 31, 2020 – \$51).

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 for either cost generating unit (“CGU”).



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**4. CREDIT FACILITIES:**

	Interest rate	Final maturity	Facility maximum	Outstanding as at March 31, 2021	Outstanding as at December 31, 2020
		January			
Loan and Security Facility	12.75%	1, 2023	19,309	16,150	17,317
Operating Loan Facility	Prime + 5.0%	Revolving	3,000	323	—
				16,473	\$17,317
Current portion				(3,453)	(2,940)
Long term debt				13,020	14,377

The Company's credit facilities consist of a Loan and Security Facility and an Operating Loan Facility.

Loan and Security Facility:

The Loan and Security Facility was renewed in December 2020. It consists of a one time \$17.3 million draw and a \$2.0 million accordion feature which the Company can draw on subject to approval from the lender. In December 2020, the Company drew \$0.8 million of the accordion feature.

The key terms of the Loan and Security facility are as follows:

- Bears interest at a rate of 12.75% and is secured with a first charge over the Company's assets;
- Extension fee of 2% per annum, a portion of which was capitalized to the loan and a portion of which was paid with the issuance of 2,000,000 common shares of the Company in December 2020;
- Does not require quantitative financial covenants, but imposed restrictions on the Loan's collateral, being the property and equipment of the Company, and has a \$2.5 million personal guarantee from a Board Member of the Company; and
- Term of the Loan and Security Facility was extended to January 1, 2023 with an option to renew for an additional 12 months at the satisfaction of the lender.

As at March 31, 2021, the Company has:

- \$15.4 million outstanding on the one time draw of \$17.3 million. This loan has monthly blended principal and interest payments of \$391;
- \$0.7 million outstanding on the \$0.8 million draw on the accordion feature. This loan has monthly blended principal and interest payments of \$23 until June 2021, \$39 from July 2021 to December 2021 and then \$29 thereafter; and
- \$ 1.2 million available to draw on the accordion feature, subject to approval from the lender.

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Operating Loan Facility:

The Operating Loan Facility is comprised of a \$3.0 million line of credit which is payable on demand by the lender and bears interest at a rate of Prime plus 5.0%. The Operating loan facility is margined by the Company's accounts receivable, and the available amount is determined monthly based on 75% of the Company's accounts receivable aged less than 90 days and 85% of the Company's accounts receivable aged less than 120 days from investment grade customers.

The Operating Loan Facility requires that the Company's current ratio does not fall below 1.50:1.00, the debt service coverage ratio does not fall below 1.00:1.00 until December 31, 2021 and 1.25:1.00 thereafter, and imposes a maximum debt level for the Company. As at March 31, 2021, the Company's current ratio, as defined to exclude the current portion of long term debt, was 2.15:1.00; the debt service coverage ratio, calculated in accordance with IAS 17 per agreement with lender, was 1.35:1.00 and the Company's total debt of \$27,829 was below the maximum of \$32,500.

**5. NOTE PAYABLE**

<b>Balance, December 31, 2019</b>	<b>\$ 2,979</b>
Interest payable	115
Accretion of note payable discount	140
Extinguishment of note payable	(3,234)
Recognition of note payable at fair value	2,658
Interest payable	14
Accretion of note payable discount	24
<b>Balance, December 31, 2020</b>	<b>\$ 2,696</b>
Interest payable	44
Accretion of note payable discount	72
<b>Balance, March 31, 2021</b>	<b>\$ 2,812</b>

The unsecured, subordinated Note Payable, which is due to a corporation controlled by a director of the company, matures on January 1, 2023 at its nominal value of \$2.5 million and bears interest at 7% per annum, accruing daily from the issue date. Interest is payable annually but the Company has not made any interest payments on the note, in agreement with the holder. The Note Payable is unsecured and subordinated to the Loan and Security Facility and interest payments are subject to certain restrictions in the Loan and Security Facility.

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**6. SHARE CAPITAL**

**(a) Common share capital**

<b>Common shares issued and fully paid:</b>	<b>Number of shares</b>	<b>\$</b>
<b>Balance, December 31, 2019</b>	<b>54,244,775</b>	<b>107,320</b>
Issued as consideration for loan guarantee	1,366,469	125
Issued as consideration for loan fees	2,000,000	180
<b>Balance, December 31, 2020</b>	<b>57,611,244</b>	<b>107,625</b>
Issued as consideration for loan guarantee	173,778	31
<b>Balance, March 31, 2021</b>	<b>57,785,022</b>	<b>107,656</b>

**(b) Preferred equity**

<b>Preferred shares issued:</b>	<b>Number of shares</b>	<b>\$</b>
<b>Balance, March 31, 2021 and December 31, 2020</b>	<b>4,400,000</b>	<b>2,864</b>

The Preferred Shares are non-voting and non-transferrable, have a stated value of \$0.70 per share and a term of five years. The Preferred Shares have a cumulative dividend of 5% of the stated value commencing on January 31, 2017 until January 31, 2018 and a 10% cumulative dividend from January 31, 2018 thereafter, with dividend payments being subject to certain restrictions in the Company's existing secured credit facilities, and at the discretion of the Board of Directors. The dividend can be settled at the discretion of the Company in either cash or through the issuance of Common Shares based on the conversion price of \$0.70.

After January 31, 2020, the Preferred Shares may be converted by the holder thereof into the Company's Common Shares at a conversion price of \$0.70 per share, subject to the right of Company to redeem the Preferred Shares prior to such conversion for a cash amount per share equal to the lesser of: (i) \$2.00; and (ii) the current market price of the Common Shares.

The Company shall have the right to redeem the Preferred Shares at any time if the current market price of the Common Shares exceeds \$2.00 by either, at Company's sole option, (i) payment of cash of \$2.00 per Preferred Share; or (ii) through the issuance of 4,400,000 Common Shares, subject to certain adjustments.

The Preferred Shares may be redeemed at the end of the term, at the Company's sole option, for either (i) a cash amount per share equal to the lesser of \$2.00 and the current market price; or (ii) 4,400,000 Common Shares, subject to certain adjustments.

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**(c) 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:

	<b>Three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Net income (loss) for the period attributable to shareholders	\$ 224	\$ (287)
Weighted average number of shares outstanding – basic	57,668,533	54,441,391
Earnings (loss) per share – basic	\$0.004	(\$0.005)
Weighted average number of shares outstanding – basic	57,668,533	54,441,391
Share option dilution	624,351	—
Warrant dilution	1,688,447	—
Weighted average number of shares outstanding – diluted	59,981,331	54,441,391
Earnings (loss) per share - diluted	\$0.004	(\$0.005)

**7. FINANCE COSTS:**

Finance costs are comprised of the following:

	<b>Three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Bank charges and interest	5	4
Interest on debt	775	583
Interest on note payable	116	67
Interest on finance leases	48	165
	944	819

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**8. OPERATING SEGMENTS:**

The Company structures its operations in two operating and reportable segments: (i) Security & Surveillance and (ii) Rentals, based on the way that management organizes the Company's businesses for making operating decisions and assessing performance.

Information regarding results of the segments are included below. Performance is measured based on segment earnings, which is earnings before income tax, depreciation, amortization and finance costs, as included in internal management reports.

The following is a summary of the Company's results by segment for the three months ended March 31, 2021 and 2020:

<b>SECURITY &amp; SURVEILLANCE SEGMENT</b>		
	<b>Three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Total segment revenue	2,683	1,429
Segment earnings	1,313	641
Depreciation of property and equipment	347	247
Depreciation of right-of-use assets	71	—
Additions to property and equipment	874	627

<b>RENTALS SEGMENT</b>		
	<b>Three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Total segment revenue	2,077	3,286
Segment earnings	1,163	1,627
Depreciation of property and equipment	493	958
Depreciation of right-of-use assets	122	206
(Gain) on sale of equipment	(49)	(51)
Additions to property and equipment	—	61

<b>CORPORATE SEGMENT</b>		
	<b>Three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Segment earnings	(348)	(253)
Depreciation of property and equipment	6	11
Depreciation of right-of-use assets	42	131
Additions to property and equipment	82	—

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<b>SEGMENT TOTAL</b>		
	<b>Three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Total segment revenue	4,760	4,715
Segment earnings	2,128	2,015
Depreciation of property and equipment	846	1,216
Depreciation of right-of-use assets	235	337
(Gain) on sale of equipment	(49)	(51)
Additions to property and equipment	956	688

The following is a summary of the Company's assets by segment as at March 31, 2021 and December 31, 2020:

<b>AS AT MARCH 31, 2021</b>				
	<b>Security &amp; Surveillance</b>	<b>Rentals</b>	<b>Corporate</b>	<b>Total</b>
Property and equipment	7,315	14,627	74	22,016
Right-of-use assets	533	749	636	1,918

<b>AS AT DECEMBER 31, 2020</b>				
	<b>Security &amp; Surveillance</b>	<b>Rentals</b>	<b>Corporate</b>	<b>Total</b>
Property and equipment	6,767	15,707	75	22,549
Right-of-use assets	515	736	586	1,837

A reconciliation of segment earnings to loss before taxes is as follows:

	<b>Three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Segment earnings	2,128	2,015
Deduct:		
Finance costs	944	819
Depreciation of equipment	846	1,216
Depreciation of right-of-use assets	235	337
Gain (loss) on sale of equipment	(49)	(51)
Gain on sale of right-of-use assets	(72)	—
Income (loss) before taxes	224	(306)