

ZEDCOR INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS



**SECURITY
SOLUTIONS**

**FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2022 AND 2021**

ZEDCOR INC.
Management's Discussion and Analysis
For the three and six months ended June 30, 2022

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 ended March 31, 2022 when compared to the three months ended March 31, 2021. 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, 2021 and 2020 and the condensed consolidated interim financial statements for the three months ended March 31, 2022 and 2021. These consolidated financial statements are available on the Company's website at www.zedcor.ca as well as on SEDAR at www.sedar.com.

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 May 25, 2022.

OVERVIEW AND CORPORATE PROFILE

Zedcor Inc. is a Canadian public corporation and is currently the parent company to Zedcor Security Solutions Corp. ("Zedcor"). Zedcor is engaged in providing security & surveillance services across Canada. The Company trades on the TSX Venture Exchange under the symbol "ZDC". The Company operates with one business segment: Security & Surveillance ("S&S").

With a fleet of light towers equipped with high resolution, technology-based security cameras and equipment monitored by a central command center, the S&S segment operates in Western and Central Canada and Ontario and provides technology-based security and surveillance services. Specifically, the Company has three main service offerings to customers across all market segments: 1) rental, service and remote monitoring of its proprietary MobileyeZ security towers; 2) live, verified remote monitoring of fixed site locations; and 3) security personnel. The Company operates as Zedcor Security Solutions Corp. with its head office in Calgary, Alberta.

ZEDCOR INC.
Management's Discussion and Analysis
For the three and six months ended June 30, 2022
 IN THOUSANDS OF CANADIAN DOLLARS

EXECUTIVE SUMMARY:

Selected Financial Highlights

(in \$000s)	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Revenue	5,256	3,103	9,887	5,790
EBITDA from continuing operations^{1,2}	2,510	1,091	3,851	1,987
Adjusted EBITDA from continuing operations^{1,2}	1,694	1,091	3,067	2,097
Adjusted EBIT^{1,2}	876	(65)	1,527	475
Net income (loss) from continuing operations	1,529	(935)	1,957	(1,341)
Net income loss from operations	1,529	(3,619)	1,957	(3,393)
Net income (loss) per share from continuing operations				
Basic	0.02	(0.02)	0.03	(0.02)
Diluted	0.02	(0.02)	0.03	(0.02)

¹ Adjusted for severance costs

² See Financial Measures Reconciliations below

Zedcor recorded \$1,694 and \$3,067 of adjusted EBITDA from continuing operations for the three and six months ended June 30, 2022. This compares to \$1,091 and \$2,097 of adjusted EBITDA from continuing operations for the three and six months ended June 30, 2021.

The Company's security and surveillance services saw increased revenues and EBITDA for the three and six months ended June 30, 2022 compared to 2021 due largely to increased customer demand of its larger fleet of MobileyeZ security towers. Zedcor exited the period with 366 MobileyeZ security towers which was an increase of 102 when compared to December 31, 2021 and 191 units when compared to June 30, 2021. While a smaller part of the business, the Company's other two service lines also saw increased revenues when compare to prior periods. Fixed site monitoring contracts and service revenue saw increases of 168% and 187% for the three and six months ended June 30, 2022 while security personnel revenues also increased significantly as a result of a contract award for integrated security services in February 2022.

Financial and operational highlights for the three and six months ended June 30, 2022 include:

- Revenue for the three and six months ended June 30, 2022 increased by \$2,153 and \$4,097 from \$3,103 and \$5,790 to \$5,256 and \$9,887. This increase was driven by a larger fleet of MobileyeZ security towers and high utilization rates of the Company's fleet. The Company's flagship Solar Hybrid MobileyeZ saw utilization rates over 90% for the six months ended June 30, 2022.

ZEDCOR INC.

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

IN THOUSANDS OF CANADIAN DOLLARS

- Net income from continuing operations was \$1,528 for the three months ended June 30, 2022. This compares to a net loss of (\$935) for the three months ended June 30, 2021. For the six months ended June 30, 2022 net income from continuing operations was \$1,956 compared to a net loss of (\$1,341) for the six months ended June 30, 2021. The reversal of the net loss is directly attributable to: 1) a larger fleet of towers and strong customer demand which drove utilization and, in turn, revenues; 2) reduced financing costs as a result of reduced debt load and interest rates when the Company obtained a new financing agreement in Q4 2021 which provided additional capital, and significantly reduced interest rates; and 3) \$883 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 \$883.
- Continued growth in its fixed monitoring service line. Zedcor exited the quarter with 72 fixed monitoring sites which is a 80% increase when compared to June 30, 2021. In addition, the Company has additional contracts signed with customers for fixed monitoring services with camera installations expected to be completed throughout the second half of 2022.
- Adding 57 additional Electric MobileyeZ and 45 additional Solar Hybrid MobileyeZ bringing its total fleet to 111 and 235 units, respectively. Of the 235 Solar Hybrid MobileyeZ, 120 are equipped with ground disturbance sensors which further enhances the capabilities of these units. The Company will continue to manage its supply chain and logistics by constructing additional security towers based on customer demand and expansion plans into other strategic markets in Canada.
- On February 17, 2022, the Company announced that it has entered into an agreement to provide integrated security solutions to a Canadian based energy infrastructure company. This contract continued in Q2 2022 and has been expanded beyond the initial introductory term.
- The issuance of 5.9 million common shares and 3.0 million common share purchase warrants for gross proceeds of \$3.0 million. This financing was used to grow the Company's fleet of MobileyeZ security towers and expand its geographical footprint.

ZEDCOR INC.
Management's Discussion and Analysis
For the three and six months ended June 30, 2022
 IN THOUSANDS OF CANADIAN DOLLARS

SELECTED QUARTERLY FINANCIAL INFORMATION

	June 30 2022	March 31 2022	Dec 31 2021	Sept 30 2021	Jun 30 2021	Mar 31 2021	Dec 31 2020	Sept 30 2020
(Unaudited - in \$000s)								
Revenue from continuing operations	5,256	4,631	4,076	3,684	3,103	2,683	2,458	1,673
Net income (loss)	1,528	428	(535)	296	(935)	(373)	26	(443)
Adjusted EBITDA¹	1,694	1,373	961	1,353	1,492	2,163	1,789	1,157
Adjusted EBITDA per share								
- basic ¹	0.02	0.02	0.02	0.02	0.03	0.04	0.03	0.02
Net income (loss) per share from continuing operations								
Basic	0.02	0.01	(0.01)	0.01	(0.02)	(0.01)	(0.00)	(0.01)
Diluted	0.02	0.01	(0.01)	0.01	(0.02)	(0.01)	(0.00)	(0.01)
Net income (loss) per share from discontinued operations								
Basic	—	—	—	—	(0.05)	0.01	(0.04)	(0.01)
Diluted	—	—	—	—	(0.05)	0.01	(0.04)	(0.01)
Adjusted free cash flow¹	(292)	1,216	345	2,068	198	(284)	(279)	518

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, 2022
 IN THOUSANDS OF CANADIAN DOLLARS

SECURITY AND SURVEILLANCE SEGMENT RESULTS

(in \$000s)	Three months ended June 30			Six months ended June 30		
	2022	2021	% change	2022	2021	% change
Security & surveillance service revenue	4,496	2,896	55%	8,519	5,349	59%
Security personnel, camera sales and other service revenue	760	207	267%	1,368	441	210%
Total revenue	5,256	3,103	69%	9,887	5,790	71%
Security & surveillance service operating costs	1,673	1,145	46%	3,288	2,027	62%
Security personnel, camera sales and other service operating cost	653	132	395%	1,201	281	327%
Total operating costs	2,326	1,277	82%	4,489	2,308	94%
Depreciation of operating assets*	489	346	41%	956	712	34%
Gross Margin	2,441	1,480	50%	4,442	2,770	60%
Security & surveillance service margin %	52%	49%		50%	49%	
Security personnel, camera sales and other service margin	14%	36%		12%	36%	

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

Operational Review

Q2 2022 vs Q2 2021

S&S segment revenue is driven by utilization of its security tower fleet, service revenue related to on site security personnel and fixed camera installation and monitoring. Security & surveillance service revenue relates to the Company's core services of renting its proprietary MobileyeZ security towers, providing video surveillance and service for the MobileyeZ and video surveillance of fixed site locations. Security personnel revenue, camera sales and other service revenue relate to pass through costs largely for communications and trucking or fuel.

For the three months ended June 30, 2022, revenue for security & surveillance service revenue increased by 55% compared to the three months ended June 30, 2021. This was due to a larger fleet of MobileyeZ security towers as well as higher utilization and servicing revenue driven by the larger fleet.

The Company also generated \$760 security personnel revenue, camera sales and other service revenue for the three months ended June 30, 2022 compared to \$207 for the three months ended June 30, 2021. During the quarter, the Company provided integrated security services for a large customer which increased security personnel revenues in 2022 when compared to the same period in 2021.

Security & surveillance service margin percentage remained consistent for the three and six months ended June 30, 2022 when compared to the three and six months ended June 30, 2021. This was despite inflationary pressure on costs for wages and spare parts, and while the Company did see increased service technician and monitoring room headcounts and increased R&M costs as a result of a larger fleet, the Company was able to maintain margins as a result of: 1) tight cost controls; 2) realized efficiencies from a maintenance recall program launched on its MobileyeZ fleet in 2021; and 3) proactively managing its supply chain when possible.

Security personnel, camera sales and other service margin percentage will fluctuate depending on product mix. For the three and six months ended June 30, 2022, the Company did see higher security personnel revenues, which is generally higher margin, but this was offset by increased camera sales, which is a lower margin service, and increased other service revenue which is essentially a pass through cost. This resulted in margins being lower.

ZEDCOR INC.
Management's Discussion and Analysis
For the three and six months ended June 30, 2022

IN THOUSANDS OF CANADIAN DOLLARS

The S&S segment continues to expand geographically and into alternative industry segments including industrial facilities, commercial construction and diversified business security solutions. As a result of this growth, the Company intends to continue investing in its fleet of MobileyeZ.

OTHER EXPENSES

(in \$000s)	Three months ended June 30			Six months ended June 30		
	2022	2021	% change	2022	2021	% change
General and administrative	1,293	807	60%	2,404	1,495	61%
Depreciation of administrative assets	60	33	79%	113	58	93%
Depreciation of right-of-use assets	243	104	134%	439	217	102%
Finance costs	231	826	(72%)	454	1,768	(74%)

For the three months ended June 30, 2022:

- Total general and administrative expenses from continuing operations increased 60% compared to the same quarter in 2021. This increase to general and administrative costs of \$486 was due to headcount increases in sales, operations management staff, administrative staff and a \$100 bonus accrual. In addition, the Company did not receive wage and rent subsidies in Q2 2022.
- Finance costs decreased by 72% as a result of lower total debt and reduced interest rates.

OUTLOOK

Zedcor continues to execute on its long-term strategy of growing its S&S segment. While there were supply chain delays throughout the year to date which slowed down the Company's ability to build security towers, we continue to effectively use a mix of cash flow, the proceeds of our equity raise and debt to purchase additional MobileyeZ security towers to provide surveillance services to our expanding customer base. The Company was able to offset the supply chain delays with higher utilization of the tower fleet, allowing internal revenue targets to be exceeded for the first half of the year. In addition, there are inflationary pressures that the Company is actively monitoring to maintain margins and this remains a priority for management.

In March 2022, despite challenging market conditions, the Company completed an equity financing for gross proceeds of \$2.9 million and used the entire net proceeds to purchase additional capital assets. In April, the Company expanded its equipment financing facility to \$6.0 million which provides liquidity to expand our security tower fleet.

Utilization of the Company's surveillance towers fitted with high resolution cameras and supported by live verified, 24/7 remote monitoring, continues to be high and we expect the utilization rates to remain steady going forward. As Canada starts to emerge from the COVID-19 pandemic, Zedcor is seeing increased activity and demand for its services. The Company has also grown its salesforce to focus on growing on-site security personnel and remote monitoring revenues, in addition to expanding its geographical footprint throughout Canada. Subsequent to the end of the quarter, the Company has opened up branches in Toronto, Ontario and Ottawa, Ontario with plans to open a second monitoring station in Eastern Canada in Q1 2023. Currently the Company has 17 MobileyeZ located in Ontario with plans to significantly expand the fleet in Eastern Canada. With the expanded equipment financing providing additional access to capital for the Company, Zedcor is in a strong position to grow all service lines.

ZEDCOR INC.
Management's Discussion and Analysis
For the three and six months ended June 30, 2022
 IN THOUSANDS OF CANADIAN DOLLARS

Priorities that the Company intends to focus on for the remainder of 2022 include:

- 1) Expand its fleet of security towers. In addition, the Company plans to continue to invest in research & development. Zedcor launched the Battery Electric MobileyeZ in late Q1 2022. The Battery Electric MobileyeZ is an improvement to the Company's Electric MobileyeZ as it has battery backup for up to 24 hours in case of interruptions to power supply.
- 2) Growing presence in Eastern Canada. The Company has expanded to Ontario with equipment branches in Ottawa and Toronto. The Company has secured customers in Ontario and Quebec and intends to allocate a sizable portion of its remaining 2022 capital spending to expand its Eastern Canada operations and fleet size. The Company has also hired sales people and a branch manager in Ottawa.
- 3) Increase revenues from both the fixed site monitoring services and security personnel services. Zedcor anticipates exiting the year with over 100 fixed sites being monitored which provides a base of contracted monthly recurring revenues on top of its security tower revenue.
- 4) Expand its base of recurring monthly revenue through contracts for its MobileyeZ fleet. Subsequent to the end of the quarter, the Company entered into a one-year contract for 10 Electric MobileyeZ with a commercial real estate development firm.

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, 2022 and 2021:

(in \$000s)	Six months ended June 30			
	2022	2021	\$ Change	% Change
Cash flow from continuing operating activities	2,047	605	1,448	237%
Cash flow used by continuing investing activities	(4,020)	(1,297)	(2,723)	210%
Cash flow from (used by) financing activities	3,773	(13,454)	17,236	(128%)

The following table presents a summary of working capital information:

(in \$000s)	Six months ended June 30			
	2022	2021	\$ Change	% Change
Current assets	7,772	4,176	3,596	86%
Current liabilities *	6,128	5,837	291	5%
Working capital	1,644	(1,661)	3,305	(199%)

*Includes \$2.0 million of debt and \$1.5 million of lease liabilities in 2022 and \$2.4 million of debt and \$1.6 million of lease liabilities in 2021

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, 2022
 IN THOUSANDS OF CANADIAN DOLLARS

Principal Credit Facility

	Interest rate	Final maturity	Facility maximum	Outstanding as at June 30, 2022	Outstanding as at December 31, 2021
Term Loan	5.15%	Oct 2026	6,100	5,280	5,861
Revolving Equipment Financing	Prime + 2.00%	Revolving	6,000	5,269	1,182
Authorized Overdraft	Prime + 1.50%	Revolving	3,000	—	905
				10,549	7,948
Current portion				(2,028)	(2,231)
Long term debt				8,521	5,717

On October 18, 2021, the Company entered into a new financing agreement ("Financing Agreement") which consists of:

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 \$3.0 million revolving equipment financing facility ("Revolving Equipment Financing"). The Company is able to draw on this facility at any time for up to 75% 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. On April 27, 2022, the Company entered into an amended financing agreement with its lender (the "Amended Financing Agreement"). The Amended Financing Agreement increased the Revolving Equipment Financing maximum to \$6.0 million. As at June 30, 2022 the Prime Interest Rate was 3.70% and the interest rate on the Revolving Equipment Financing was 5.70%. As the Company pays down the Revolving Equipment Financing, it can borrow back up to the facility maximum of \$6.0 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, 2022 the Prime Interest Rate was 3.70% and the interest rate on the Revolving Equipment Financing was 5.20%.

The 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 annual financial covenant requirements:

- For the fiscal year ends December 31, 2022 and onwards, a debt servicing covenant of 1.25 to 1.00 and a funded debt to EBITDA covenant of 3.00 to 1.00.

As at June 30, 2022, the Company did not have quarterly financial covenant requirements to which it had to comply with.

ZEDCOR INC.
Management's Discussion and Analysis
For the three and six months ended June 30, 2022

IN THOUSANDS OF CANADIAN DOLLARS

CREDIT RISK

The Company extends credit to customers, primarily comprised of pipeline construction companies and construction companies, in the normal course of its operations. Historically, bad debt expenses have been limited to specific customer circumstances. However, the volatility in economic activity may result in higher collection risk on trade receivables. The Company has reviewed its outstanding accounts receivable as at June 30, 2022 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, 2022:

(in \$000s)	1 Year	2-3 years	4-5 years	Thereafter	Total	Carrying value
Accounts payable and accrued liabilities	2,625	—	—	—	2,625	2,625
Current debt	2,533	—	—	—	2,533	2,028
Long-term debt	—	5,264	3,844	397	9,505	8,521
Note payable	175	350	3,713	—	4,238	3,149
Finance lease liabilities	1,878	3,544	2,279	52	7,753	6,828
Total	7,211	9,158	9,836	449	26,654	23,151

OUTSTANDING SECURITIES

At August 16, 2022, the Company had the following securities outstanding:

- 70,892,259 common shares issued and outstanding.
- 4,744,905 warrants are outstanding with an exercise price of \$0.12 and 2,616,965 warrants are outstanding with an exercise price of \$0.70; and
- 3,250,000 options are outstanding with exercise prices ranging from \$0.15 per share to \$0.50 per share; 1,749,997 options are exercisable at prices ranging from \$0.15 per share to \$0.28 per share.

RELATED PARTY TRANSACTIONS

As at June 30, 2022, the Company owed \$3,149 for a Note Payable to a corporation controlled by a director of the Company (December 31, 2021 - \$3,115).

The Company had the following related party transactions for continued and discontinued operations for the six months ended June 30, 2022:

- \$41 in interest paid on the Note Payable to a corporation controlled by a director of the Company (six months ended June 30, 2021 - \$nil).
- \$57 in wages paid to a close family member of an executive officer (six months ended June 30, 2021 - \$80).
- \$25 in promotional products and uniforms purchased from a company owned by a close family member of an executive officer (three months ended March 31, 2021 - \$43).

ZEDCOR INC.

Management's Discussion and Analysis

For the three and six months ended June 30, 2022

IN THOUSANDS OF CANADIAN DOLLARS

- \$300 in management fees and rent received from a company controlled by a director as per the purchase and sale agreement for the sale of the Company's Rentals assets (six months ended June 30, 2021 - \$nil).
- \$883 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, 2021 - \$nil).

These related party transactions are in the normal course of business and have been recorded at the exchange amount. At June 30, 2022 the amounts receivable from related parties was \$942 and amounts payable to related parties was \$63 (as at June 30, 2022 - \$nil receivable and 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 9, 2022. 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 9, 2022, both of which can be found on the Company's website or at www.SEDAR.com.

ACCOUNTING POLICIES

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

FINANCIAL MEASURES RECONCILIATIONS

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

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

EBITDA and Adjusted EBITDA

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

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

ZEDCOR INC.
Management's Discussion and Analysis
For the three and six months ended June 30, 2022
 IN THOUSANDS OF CANADIAN DOLLARS

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

(in \$000s)	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Net income (loss) from continuing operations	1,528	(935)	1,956	(1,341)
Add:				
Finance costs	231	826	454	1,768
Depreciation of property & equipment	549	379	1,069	770
Depreciation of right-of-use assets	243	104	439	217
(Gain) on sale of equipment	(48)	—	(74)	—
Loss on disposal of right-of-use asset	7	645	7	573
EBITDA from continuing operations	2,510	1,019	3,851	1,987
Add (deduct):				
Stock based compensation	57	28	73	62
Severance costs	—	44	—	48
Loss on foreign exchange	10	—	26	—
Other income	(883)	—	(883)	—
Adjusted EBITDA from continuing operations	1,694	1,091	3,067	2,097
Discontinued operations	—	401	—	1,561
Adjusted EBITDA	1,694	1,492	3,067	3,658

Adjusted EBIT

Adjusted EBIT refers to earnings before interest and finance charges, taxes, and severance costs.

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

(in \$000s)	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Net income (loss)	1,528	(3,619)	1,956	(3,393)
Add (deduct):				
Finance costs	231	826	454	1,768
Severance costs	—	44	—	48
Other income	(883)	—	(883)	—
Discontinued operations	—	2,684	—	2,052
Adjusted EBIT from continuing operations	876	(65)	1,527	475

Adjusted free cash flow

Adjusted free cash flow is defined by management as net income plus non-cash expenses, plus or minus the net change in non-cash working capital, plus severance costs, less maintenance capital. Maintenance capital is also a non-IFRS term. Management defines maintenance capital as the amount of capital expenditure required to keep its operating assets functioning at the same level of efficiency. Management believes that adjusted free cash flow reflects the cash generated from the ongoing operation of the business. Adjusted free cash flow is a non-IFRS measure generally used as an indicator of funds available for re-investment and debt payment. There is no standardized method of determining free cash flow, adjusted free cash flow or maintenance capital prescribed under IFRS and therefore the Company's method of calculating these amounts is unlikely to be comparable to similar terms presented by other issuers.

ZEDCOR INC.
Management's Discussion and Analysis
For the three and six months ended June 30, 2022
 IN THOUSANDS OF CANADIAN DOLLARS

Adjusted free cash flow from continuing operations is calculated as follows:

(in \$000s)	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Net income (loss) from continuing operations	1,528	(935)	1,956	(1,341)
Add non-cash expenses:				
Depreciation of property & equipment	549	379	1,069	770
Depreciation of right-of-use assets	243	104	439	217
Stock based compensation	57	28	73	62
Finance costs (non-cash portion)	42	196	78	514
	2,419	(228)	3,615	222
Add (deduct) non-recurring income and expenses:				
Severance	—	44	—	48
Other income	(883)	—	(883)	—
	(883)	—	(883)	—
Change in non-cash working capital	(1,828)	382	(1,808)	(348)
Adjusted Free Cash Flow from continuing operations	(292)	198	924	(78)

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.

ZEDCOR INC.
Management's Discussion and Analysis
For the three and six months ended June 30, 2022
IN THOUSANDS OF CANADIAN DOLLARS

ADDITIONAL INFORMATION

Information about Zedcor Inc. may be found on the SEDAR website at www.sedar.com on the Company's website at www.zedcor.ca. The Company trades on the TSX Venture Exchange under the symbol ZDC.