

**ZEDCOR INC.**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**



**FOR THE THREE MONTHS ENDED MARCH 31,  
2023 AND 2022**

**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 consolidated interim financial statements for the three months ended March 31, 2023.

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

(Stated in thousands of Canadian dollars)	March 31, 2023	December 31, 2022
<b>Assets</b>		
Current assets:		
Cash	\$ 248	\$ 571
Accounts receivable	5,265	4,699
Current portion of finance lease receivable	540	527
Inventory	1,835	1,315
Prepaid expenses and deposits	478	430
	<u>8,366</u>	<u>7,542</u>
Non-current assets:		
Finance lease receivable	2,223	2,362
Deposits	177	167
Property and equipment (note 3)	18,675	17,563
Right-of-use assets	2,783	2,939
Deferred tax	2,005	2,005
	<u>25,863</u>	<u>25,036</u>
<b>Total assets</b>	<u>\$ 34,229</u>	<u>\$ 32,578</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,936	\$ 3,409
Current portion of lease liability	1,841	1,772
Current debt (note 4)	3,169	2,198
	<u>8,946</u>	<u>7,379</u>
Non-current liabilities:		
Note payable (note 5)	3,199	3,182
Lease liability	4,760	5,179
Long term debt (note 4)	7,784	8,349
	<u>15,743</u>	<u>16,710</u>
Total liabilities	<u>24,689</u>	<u>24,089</u>
Shareholders' equity:		
Share capital (note 6)	113,678	113,183
Warrants (note 7)	1,122	1,368
Contributed surplus	1,859	1,809
Deficit	(107,119)	(107,871)
	<u>9,540</u>	<u>8,489</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 34,229</u>	<u>\$ 32,578</u>

*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)

	Three months ended March 31,	
	2023	2022
(Stated in thousands of Canadian dollars, except per share amounts)		
<b>Revenues (note 8)</b>	\$ 6,443	\$ 4,631
<b>Direct expenses</b>		
Direct operating costs	2,573	2,163
Depreciation of equipment (note 3)	658	467
	<u>3,231</u>	<u>2,630</u>
<b>Gross margin</b>	<u><b>3,212</b></u>	<u><b>2,001</b></u>
<b>Operating expenses</b>		
General and administrative	1,789	1,111
Depreciation of other property and equipment (note 3)	80	53
Depreciation of right-of-use assets	254	196
(Gain) on sale of equipment (note 3)	—	(26)
	<u>2,123</u>	<u>1,334</u>
<b>Other expenses</b>		
Finance costs (note 9)	336	223
Foreign exchange loss	1	16
	<u>337</u>	<u>239</u>
<b>Income before income taxes</b>	<b>752</b>	<b>428</b>
<b>Income tax recovery</b>		
Current recovery	—	—
<b>Net income and comprehensive income</b>	<u><b>\$ 752</b></u>	<u><b>\$ 428</b></u>
<b>Net income per share</b>		
Basic	\$ 0.01	\$ 0.01
Diluted	\$ 0.01	\$ 0.01
<b>Weighted average number of shares outstanding (note 6)</b>		
Basic	71,163,138	58,349,766
Diluted	75,671,747	63,937,119

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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, 2021</b>	\$ 107,807	\$ 2,864	\$ 587	\$ 1,681	(112,541)	\$ 398
Stock based compensation	—	—	—	16	—	16
Units issued, net of Unit issue costs (note 6)	1,026	—	—	—	—	1,026
Warrants issued	—	—	667	—	—	667
Comprehensive income	—	—	—	—	428	428
<b>Balance - March 31, 2022</b>	108,833	2,864	1,254	1,697	(112,113)	2,535
Stock based compensation	—	—	—	113	—	113
Exercise of stock options	20	—	—	(1)	—	19
Units issued, net of Unit issue costs (note 6)	177	—	—	—	—	177
Warrants issued	—	—	114	—	—	114
Conversion of preferred shares, net of share issue costs	2,825	(2,864)	—	—	—	(39)
Shares issued for dividend on conversion of preferred shares	1,328	—	—	—	—	1,328
Dividend on conversion of preferred shares	—	—	—	—	(1,328)	(1,328)
Comprehensive income	—	—	—	—	5,570	5,998
<b>Balance - December 31, 2022</b>	113,183	—	1,368	1,809	(107,871)	8,489
Stock based compensation	—	—	—	54	—	54
Exercise of stock options	9	—	—	(4)	—	5
Exercise of warrants	486	—	(246)	—	—	240
Comprehensive income	—	—	—	—	752	752
<b>Balance - March 31, 2023</b>	\$ 113,678	—	\$ 1,122	\$ 1,859	(107,119)	\$ 9,540

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

	<b>Three months ended March 31,</b>	
(Stated in thousands of Canadian dollars)	<b>2023</b>	<b>2022</b>
<b>Cash flow from (used in):</b>		
<b>Operating activities</b>		
Net income from continuing operations	\$ 752	\$ 428
Depreciation of property and equipment (note 3)	738	520
Depreciation of right-of-use assets	254	196
(Gain) on disposal of property and equipment (note 3)	—	(26)
Stock based compensation	54	16
Non-cash interest expense and other financing costs	24	36
Receipt of finance lease receivable	126	108
Income taxes recovered	—	88
Cash flow from operating activities before changes in non-cash working capital	1,948	1,366
Changes in non-cash working capital	(844)	20
<b>Cash flow from operating activities</b>	<b>1,104</b>	<b>1,386</b>
<b>Investing activities</b>		
Change in non-cash working capital related to investing activities	227	84
Purchase of property and equipment (note 3)	(1,849)	(1,710)
Proceeds from sale of property and equipment (note 3)	—	76
<b>Cash flow (used in) investing activities</b>	<b>(1,622)</b>	<b>(1,550)</b>
<b>Financing activities</b>		
Proceeds from debt	937	1,718
Repayment of debt	(535)	(1,290)
Payment of finance lease liability	(452)	(437)
Proceeds from exercise of stock options	5	—
Proceeds from exercise of warrants	240	—
Proceeds from Unit issuance, net of costs (note 6)	—	1,693
<b>Cash flow from financing activities</b>	<b>195</b>	<b>1,684</b>
Net change in cash in the period	(323)	1,520
Cash, beginning of period	571	108
<b>Cash, end of period</b>	<b>\$ 248</b>	<b>\$ 1,628</b>

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**ZEDCOR INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022**  
(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. 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, 2022. 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, 2022.

These condensed consolidated interim financial statements were approved by the Board of Directors on May 24, 2023.

**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 functional currency and presentation currency. All currency amounts have been rounded to the nearest thousand dollars, unless otherwise indicated.

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, 2022.

**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, 2021</b>	15,234	116	1,120	151	16,621
Additions	8,235	125	519	109	8,988
Disposals	(86)	(4)	(7)	(12)	(109)
<b>At December 31, 2022</b>	23,383	237	1,632	248	25,500
Additions	1,737	—	87	25	1,849
Disposals	—	—	—	—	—
<b>At March 31, 2023</b>	25,120	237	1,719	273	27,349

<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, 2021</b>	4,809	116	575	48	5,548
Depreciation	2,116	19	231	46	2,412
Elimination on disposal	(14)	—	—	(9)	(23)
<b>At December 31, 2022</b>	6,911	135	806	85	7,937
Depreciation	641	9	80	8	738
Elimination on disposal	—	—	—	—	—
<b>At March 31, 2023</b>	7,552	144	886	93	8,675

<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, 2022</b>	16,472	102	826	163	17,563
<b>At March 31, 2023</b>	17,569	93	833	180	18,675

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.

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**4. CREDIT FACILITIES**

	Interest rate	Final maturity	Facility maximum	Outstanding as at March 31, 2023	Outstanding as at December 31, 2022
Term Loan	5.15%	Oct 2026	6,100	4,465	4,748
Revolving Equipment Financing	Prime + 2.00%	Revolving	3,000	5,551	5,799
Authorized Overdraft	Prime + 1.50%	Revolving	3,000	937	—
				10,953	10,547
Current portion				(3,169)	(2,198)
Long term debt				7,784	8,349

On October 18, 2021, the Company repaid its existing credit facilities and 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. \$4.4 million of the proceeds of the term loan was used to repay the Company’s outstanding Loan and Security Facility.
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. As at December 31, 2022 the Prime Interest Rate was 6.70% and the interest rate on the Revolving Equipment Financing was 8.70%. As the Company pays down the debt, it can borrow back up to the facility maximum of \$3.0 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 December 31, 2022 the Prime Interest Rate was 6.70% and the interest rate on the Revolving Equipment Financing was 8.20%.

On April 27, 2022, the Company entered into an amended financing agreement with its lender (the “Amended Financing Agreement”) which expanded the Revolving Equipment Financing from \$3.0 million to \$6.0 million.

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 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 March 31, 2023, the Company did not have quarterly financial covenant requirements that it had to comply with.

**5. NOTE PAYABLE**

<b>Balance, December 31, 2021</b>	<b>3,115</b>
Accretion of note payable discount	67
<b>Balance, December 31, 2022</b>	<b>3,182</b>
Accretion of note payable discount	17
<b>Balance, March 31, 2023</b>	<b>3,199</b>

The Note Payable is due to a corporation controlled by a director of the Company. It is due to mature on December 1, 2026 at its nominal value of \$2.5 million. The Note Payable bears interest at 7% per annum, accruing daily from the issue date. The Company made monthly interest payments of \$14 in 2023. The Note Payable is unsecured and subordinated to the Credit Facilities.

**6. SHARE CAPITAL**

**(a) Common share capital**

Common shares issued and fully paid:	Number of shares	\$
<b>Balance, December 31, 2021</b>	<b>58,299,943</b>	<b>107,807</b>
Unit issuance, net of issuance costs	5,233,930	1,203
Issued on conversion of preferred shares, net of issuance costs	4,400,000	2,825
Issued for stock dividend on conversion of preferred shares	2,883,386	1,328
Issued on exercise of stock options	75,000	20
<b>Balance, December 31, 2022</b>	<b>70,892,259</b>	<b>113,183</b>
Issued on exercise of stock options	16,666	9
Issued on exercise of warrants	2,000,000	486
<b>Balance, March 31, 2023</b>	<b>72,908,925</b>	<b>113,678</b>

One million warrants were exercised for common shares on February 21, 2023. A further one million warrants were exercised for common shares on March 8, 2023 (note 7)

On March 30, 2022, the Company issued 4,533,930 units ("Units") for \$0.50 per Unit and total gross proceeds of \$2,267. Each Unit consisted of one common share of the Company and one-half of one common share purchase warrant of the Company. Each whole common share purchase warrant entitles the holder thereof to acquire one common share at a price of \$0.70 for a period of two years from the date of issue.

On April 6, 2022, the Company completed a private placement of 700,000 additional Units for \$0.50 per Unit, and total gross proceeds of \$350. As part of the private placement, the Company issued an additional 350,000 warrants which entitle the holders thereof to acquire one common share at a price of \$0.70 for a period of two years from the date of issue.

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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:

	Three months ended March 31,	
	2023	2022
Net income for the period attributable to shareholders	752	428
Weighted average number of shares outstanding – basic	71,163,138	58,349,766
Earnings per share – basic	\$0.01	\$0.01
Weighted average number of shares outstanding – basic	71,163,138	58,349,766
Share option dilution	2,280,296	2,029,472
Warrant dilution	2,228,313	3,557,881
Weighted average number of shares outstanding – diluted	75,671,747	63,937,119
Earnings per share - diluted	\$0.01	\$0.01

**7. WARRANTS**

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

Warrants issued	Number of warrants	\$
<b>Balance, December 31, 2021</b>	<b>4,744,905</b>	<b>587</b>
Warrant issuance – March 30, 2022	2,266,965	667
Warrant issuance – April 6, 2022	350,000	114
<b>Balance, December 31, 2022</b>	<b>7,361,870</b>	<b>1,368</b>
Warrant exercises	(2,000,000)	(246)
<b>Balance, March 31, 2023</b>	<b>5,361,870</b>	<b>1,122</b>

One million warrants were exercised for common shares on February 21, 2023. A further one million warrants were exercised for common shares on March 8, 2023. Total proceeds from the warrant exercises for the three months ended March 31, 2023 was \$240 (three months ended March 31, 2022 - \$nil).

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**8. REVENUE**

Revenue is generated from the following sales and services:

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Security tower rental and service	5,997	4,268
Fixed site monitoring and service	285	256
Security personnel	161	107
	<u>6,443</u>	<u>4,631</u>

**9. FINANCE COSTS**

Finance costs are comprised of the following:

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Bank charges and interest	22	11
Interest on debt	183	107
Interest on note payable	60	60
Interest on finance leases	71	45
	<u>336</u>	<u>223</u>