



ZEDCOR INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020
AND 2019

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 and nine months ended September 30, 2020.

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

(Stated in thousands of Canadian dollars)	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash	\$ 192	\$ 170
Accounts receivable	2,628	2,696
Current portion of finance lease receivable	441	150
Income taxes recoverable	65	74
Prepaid expenses and deposits	407	316
	<u>3,733</u>	<u>3,406</u>
Non-current assets:		
Finance lease receivable	3,393	1,180
Property and equipment (note 3)	25,356	29,305
Right-of-use assets (note 4)	5,097	8,334
	<u>33,846</u>	<u>38,819</u>
Total assets	\$ 37,579	\$ 42,225
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,552	\$ 911
Current portion of finance lease liability	1,433	1,242
Current debt (note 5)	15,762	2,736
Note payable (note 6)	3,187	—
	<u>21,934</u>	<u>4,889</u>
Non-current liabilities:		
Finance lease liabilities	8,816	9,453
Long term debt (note 5)	917	16,709
Note payable (note 6)	—	2,979
	<u>9,733</u>	<u>29,141</u>
Total liabilities	\$ 31,667	\$ 34,030
Shareholders' equity		
Share capital (note 7)	\$ 107,405	\$ 107,320
Preferred equity (note 7)	2,864	2,864
Warrants (note 8)	500	468
Contributed surplus	1,533	1,505
Deficit	(106,390)	(103,962)
	<u>5,912</u>	<u>8,195</u>
Total liabilities and shareholders' equity	\$ 37,579	\$ 42,225

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

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

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
<i>(Stated in thousands of Canadian dollars, except per share amounts)</i>				
Revenues	\$ 2,668	\$ 3,865	\$ 9,795	\$ 13,578
Direct expenses				
Direct operating costs	850	1,553	3,537	5,498
Depreciation of equipment (note 3)	833	1,308	3,173	4,096
	1,683	2,861	6,710	9,594
Gross margin	985	1,004	3,085	3,984
Operating expenses				
General and administrative	695	830	2,245	2,627
Depreciation of other property and equipment (note 3)	30	37	91	96
Depreciation of right-of-use assets (note 4)	301	339	968	1,019
Loss (gain) on sale of equipment (note 3)	208	334	(101)	867
Gain on disposal of right-of-use assets (note 4)	(105)	—	(116)	—
Amortization of intangible assets	—	110	—	440
	1,129	1,650	3,087	5,049
Other expenses				
Finance costs (note 10)	887	989	2,488	3,096
(Gain) loss on foreign exchange	(3)	—	3	—
	2,013	2,639	5,578	8,145
Loss before income taxes	(1,028)	(1,635)	(2,493)	(4,161)
Income taxes recovery				
Current recovery	(22)	(18)	(65)	(56)
Net loss and comprehensive loss for the period	\$ (1,006)	\$ (1,617)	\$ (2,428)	\$ (4,105)
Basic and diluted loss per share	\$ (0.02)	\$ (0.03)	\$ (0.04)	\$ (0.08)
Weighted average number of shares outstanding				
Basic	55,243,280	53,664,577	54,906,680	53,398,101
Diluted	55,243,280	53,664,577	54,906,680	53,398,101

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

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
Balance – December 31, 2018	\$ 107,195	\$ 2,864	\$ 412	\$ 1,418	\$ (95,720)	\$ 16,169
Stock based compensation	—	—	—	64	—	64
Amendment of warrant exercise price	—	—	56	—	—	56
Shares issued as consideration for loan guarantee	94	—	—	—	—	94
Adjustment on initial application of IFRS 16	—	—	—	—	(207)	(207)
Comprehensive loss	—	—	—	—	(4,105)	(4,105)
Balance – September 30, 2019	\$ 107,289	\$ 2,864	\$ 468	\$ 1,482	\$ (100,032)	\$ 12,071
Stock based compensation (note 9)	—	—	—	23	—	23
Shares issued as consideration for loan guarantee	31	—	—	—	—	31
Comprehensive loss	—	—	—	—	(3,930)	(3,930)
Balance – December 31, 2019	\$ 107,320	\$ 2,864	\$ 468	\$ 1,505	\$ (103,962)	\$ 8,195
Stock based compensation (note 9)	—	—	—	28	—	28
Issuance of warrants (note 8)	—	—	6	—	—	6
Amendment of warrant expiry date (note 8)	—	—	26	—	—	26
Shares issued as consideration for loan guarantee	85	—	—	—	—	85
Comprehensive loss	—	—	—	—	(2,428)	(2,428)
Balance – September 30, 2020	\$ 107,405	\$ 2,864	\$ 500	\$ 1,533	\$ (106,390)	\$ 5,912

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

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

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
(Stated in thousands of Canadian dollars)				
Cash provided by (used in):				
Operating				
Net loss from continuing operations	\$ (1,006)	\$ (1,617)	\$ (2,428)	\$ (4,105)
Depreciation of property and equipment (note 3)	863	1,345	3,264	4,192
Depreciation of right-of-use assets	301	339	968	1,019
Loss (gain) on disposal of property and equipment (note 3)	208	334	(101)	867
Gain on disposal of right-of-use assets (note 4)	(105)	—	(116)	—
Amortization of intangible assets	—	110	—	440
Stock based compensation (note 9)	11	17	28	64
Non-cash interest expense and other financing costs	85	98	366	341
Receipt of finance lease receivable	13	28	87	91
Income taxes recovered	—	—	74	70
	370	654	2,142	2,979
Changes in non-cash working capital	(655)	(906)	750	43
Cash flow from (used in) operating activities	(285)	(252)	2,892	3,022
Investing				
Change in non-cash working capital related to investing activities	75	165	(197)	(440)
Purchase of property and equipment (note 3)	(273)	(299)	(1,170)	(1,197)
Proceeds from sale of property and equipment (note 3)	905	761	1,956	1,624
Cash flow from (used by) investing activities	707	627	589	(13)
Financing				
Proceeds from debt	—	—	—	841
Repayment of debt	(711)	(302)	(2,807)	(2,922)
Payment of finance lease liability	(259)	(333)	(652)	(1,038)
Cash flow used by financing activities	(970)	(635)	(3,459)	(3,119)
Net change in cash in the period	(548)	(260)	22	(110)
Cash, beginning of period	740	311	170	161
Cash, end of period	\$ 192	\$ 51	\$ 192	\$ 51

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

ZEDCOR INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Unaudited)
IN THOUSANDS OF CANADIAN DOLLARS

1. CORPORATE INFORMATION:

Zedcor Inc. (the “Company”) was formed under the laws of Alberta as a corporation on August 10, 2011. 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 service lines 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 (formerly energy services) 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.

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, 2019, except as noted below. 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, 2019.

These consolidated financial statements were approved by the Board of Directors on November 17, 2020 and are presented in Canadian dollars, which is the Company’s functional currency.

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.

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Due to the current volatility in the oil and gas sector, from which a significant portion of the Company's revenue is derived, and the given the economic uncertainty due to the ongoing COVID-19 pandemic there is uncertainty as to whether the Company will remain in compliance with its debt covenants for the next 12 months. In addition, current liabilities exceed current assets as at September 30, 2020 by \$18.2 million.

These circumstances cause material uncertainties that may cast significant doubt regarding the Company's ability to continue as a going concern. If the going concern basis was not appropriate for these consolidated financial statements, adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses and the statement of financial position classification, and such adjustments could be material.

Subsequent to the end of the period, the Company extended its Operating Loan, Term Loan and Equipment Term Loan Facilities for an additional year. As part of the extension, the Company must maintain a current ratio of 1.50:1.00 and a debt service coverage ratio of 1.00:1.00 until December 31, 2021. The other terms and conditions of the loan remain largely unchanged.

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, 2019, except as noted below.

During the nine month period ending September 30, 2020, the Company adopted the following accounting policy as a result of qualifying for the Canada Emergency Wage Subsidy ("CEWS") program as enacted on April 11, 2020, by the federal Government of Canada. This standard was in effect for the year ended December 31, 2019 but was not applicable to the Company at that time.

Government Subsidies

Government subsidies are recognized when there is reasonable assurance that the subsidy will be received and that the Company will comply with all relevant conditions. Government subsidies related to current expenses are recorded as a reduction of the related expenses. During the nine month period ended September 30, 2020, the Company qualified for the CEWS program and recognized \$469 as a reduction to direct operating costs (nine months ended September 30, 2019 - \$nil) and \$228 as a reduction to general and administrative expenses (nine months ended September 30, 2019 - \$nil).

In addition, in response to the COVID-19 pandemic, the International Accounting Standards Board has issued amendments to International Financial Reporting Standard ("IFRS") 16 - Leases. This amendment introduces a practical expedient which allows lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain other conditions. The Company has applied this guidance to rent concessions received during the period ended September 30, 2020.

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3. PROPERTY AND EQUIPMENT:

Cost	Rental equipment	Automotive & other equipment	Office furniture & equipment	Leasehold improvements	Total
At December 31, 2018	61,433	367	1,000	130	62,930
Additions	1,346	6	105	40	1,497
Disposals	(6,017)	(135)	(4)	—	(6,156)
At December 31, 2019	56,762	238	1,101	170	58,271
Additions	1,123	8	32	7	1,170
Disposals	(4,480)	(5)	—	—	(4,845)
At September 30, 2020	53,045	241	1,133	177	54,596

Accumulated depreciation	Rental equipment	Automotive & other equipment	Office furniture & equipment	Leasehold improvements	Total
At December 31, 2018	22,882	260	611	102	23,855
Depreciation	5,284	42	130	22	5,478
Elimination on disposal	(2,523)	(94)	(2)	—	(2,619)
Impairment	2,252	—	—	—	2,252
At December 31, 2019	27,895	208	739	124	28,966
Depreciation	3,159	14	80	11	3,264
Elimination on disposal	(2,990)	—	—	—	(2,990)
At September 30, 2020	28,064	222	819	135	29,240

Net Book Value	Rental equipment	Automotive & other equipment	Office furniture & equipment	Leasehold improvements	Total
At December 31, 2019	28,867	30	362	46	29,305
At September 30, 2020	24,981	19	314	42	25,356

During the nine months ended September 30, 2020, the Company sold assets with a net book value of \$1,855 for proceeds of \$1,956, resulting in a gain of \$101 (nine months ended September 2019 – loss of \$867).

The Company reviews the carrying value of its long-lived assets and cash generating units (“CGU”) at each reporting date to determine whether there is any indication of impairment. The Company performed an impairment test for property and equipment on the Rentals CGU during the first quarter of the year which did not result in an impairment. For the three months ended September 30, 2020 no triggers for impairment were identified for the Rentals CGU, nor the Security & Surveillance CGU.

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4. RIGHT-OF-USE ASSETS

Cost	Properties	Automotive	Total
At January 1, 2019	9,243	468	9,711
Disposals	—	(31)	(31)
At December 31, 2019	9,243	437	9,680
Additions	—	253	253
Disposals	(3,092)	(193)	(3,285)
At September 30, 2020	6,151	497	6,648

Accumulated depreciation	Properties	Automotive	Total
At January 1, 2019	—	—	—
Depreciation	1,124	230	1,354
Elimination on disposal	—	(8)	(8)
At December 31, 2019	1,124	222	1,346
Depreciation	812	156	968
Elimination on disposal	(606)	(157)	(763)
At September 30, 2020	1,330	221	1,551

Net Book Value	Properties	Automotive	Total
At December 31, 2019	8,119	215	8,334
At September 30, 2020	4,821	276	5,097

During the nine months ended September 30, 2020, the Company disposed of right-of-use automotive assets with a net book value of \$36. This reduced finance lease liabilities by \$48 and resulted in a gain on disposal of \$12 (nine months ended September 2019 – \$nil). In addition, the Company extended its sublease on one of its right-of-use properties. This extension resulted in the sublessor leasing the property for a major part of the economic life of the underlying right-of-use asset. Accordingly, the asset is no longer being recognized as a right-of-use asset and the resulting elimination resulted in an increase to finance lease receivable of \$2,591 and a gain on elimination of \$104 (nine months ended September 2019 – \$nil).

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5. CREDIT FACILITIES:

	Interest rate	Final maturity	Facility maximum	Outstanding as at September 30, 2020	Outstanding as at December 31, 2019
Loan and Security Facility	12.75%	2021	14,300	11,059	12,094
Operating Loan Facility	Prime + 5.00%	revolving	3,000	118	878
Term Loan Facility	Prime + 5.00%	2021	2,550	2,541	2,500
Equipment Term Loan Facility	6.10% to 6.35%	2020 to 2023	8,000	2,961	3,973
				16,679	19,445
Current portion				(15,762)	(2,736)
Long term debt				917	16,709

Loan and Security Facility:

The Loan and Security Facility, which was renewed in December 2019, bears interest at a rate of 12.75% and has a term of 15 months from the renewal date with an option to renew for an additional 12 months at the satisfaction of the lender. The Loan and Security Facility does not require quantitative financial covenants, but imposed restrictions on the Loan's collateral, being the property and equipment of the Company.

On January 10, 2020, as part of the renewal, the Company issued the lender an additional 112,565 share purchase warrants. Each warrant entitles the lender to acquire one common share in the Company at an exercise price of \$0.145 per warrant. The warrants expire on January 25, 2023. The Company also entered into a Warrant Amendment Agreement which extended the expiry dated of the previously issued warrants to January 25, 2023.

Operating Loan, Term Loan and Equipment Term Loan Facilities:

The Operating Loan Facility, the Term Loan Facility and the Equipment Term Loan Facility are comprised of a:

- \$3.0 million Operating Loan Facility which is payable on demand by the lender, bears interest at a rate of Prime plus 5.0% and is secured by the Company's accounts receivable.
- \$2.5 million term loan which matures on August 16, 2021, bears interest at a rate of Prime plus 5.0%, is secured by a shareholder guarantee and a pledge of shares owned by a shareholder.
- \$8.0 million equipment finance term loan which is amortized over 36 to 60 months, bears interest at a rates of 6.10% to 6.35% and is repayable in equal monthly installments of principal and interest over the term with maturity dates between 2020 and 2023, and is secured by certain assets of the Company.

These loans require the Company's current ratio does not fall below 1.50:1.00 and the debt service coverage ratio does not fall below 1.00:1.00 until December 31, 2020 and 1.25:1.00 thereafter. In addition, the shares pledged under the shareholder guarantee must maintain a minimum trading value.

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As at September 30, 2020, the Company's current ratio, as defined to exclude the current portion of debt, was 2.24:1.00; the debt service coverage ratio, calculated in accordance with IAS 17 per agreement with the lender, was 1.12:1.00. The value of the shares pledged under the shareholder guarantee were above the minimum trade value requirements and the Company was in compliance with all of its covenants with its lenders.

Due to the volatility in the markets as a result of the COVID-19 pandemic, the Company is reliant on the continued support of its lenders. In addition, given the given the unprecedented nature and the uncertainty of the duration of the COVID-19 pandemic there is uncertainty as to whether the Company will remain in compliance with its debt covenants during the next 12 months (see Note 2(b)).

Subsequent to the end of the period, the Company extended its Operating Loan, Term Loan and Equipment Term Loan Facilities for an additional year. As part of the extension, the Company must maintain a current ratio of 1.50:1.00 and a debt service coverage ratio of 1.00:1.00 until December 31, 2021. The other terms and conditions of the loan remain largely unchanged.

6. NOTE PAYABLE

Balance, December 31, 2018	\$ 2,716
Interest payable	125
Accretion of note payable discount	138
Balance, December 31, 2019	\$ 2,979
Interest payable	94
Accretion of note payable discount	114
Balance, September 30, 2020	\$ 3,187

The Note Payable is due to a corporation controlled by a director of the Company, matures on February 2, 2021 at its nominal value of \$2.5 million and bears interest at 5% 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.

Subsequent to the end of the period, and in conjunction with the extension of the Operating Loan, Term Loan and Equipment Loan Facilities, the Company has agreed with the note holder to change certain terms and conditions of the Note Payable. In particular the interest rate will be changed from 5% to 7% and the maturity date thereunder will be changed from February 2, 2021 to January 1, 2023.

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7. SHARE CAPITAL

Common shares issued and fully paid:	Number of shares	\$
Balance, December 31, 2018	52,881,469	107,195
Issued as consideration for loan guarantee	1,363,306	125
Balance, December 31, 2019	54,244,775	107,320
Issued as consideration for loan guarantee	1,035,720	85
Balance, September 30, 2020	55,280,495	107,405

Preferred shares issued:	Number of shares	\$
Balance, December 31, 2019 and September 30, 2020	4,400,000	2,864

On February 2, 2016, the Company issued 4,400,000 preferred shares at a stated value of \$0.70 per share as part of an acquisition. The fair value of the preferred shares at the acquisition date was estimated to be \$2,864. The preferred shares valuation was determined using a Monte Carlo simulation and Longstaff-Schwartz algorithm. The assumptions used in the valuation include the historical stock price of the Company, the historical volatility of the Company stock price and a Company credit rating of 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, 2019 and a 10% cumulative dividend from January 31, 2019 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.

Zedcor Energy Inc. 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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8. WARRANTS:

Changes in the outstanding number, weighted average exercise price and movements in warrants are as follows:

Warrants issued:	Number of warrants	\$
Balance, December 31, 2018	3,899,710	412
Amendment of exercise price – March 25, 2019	—	56
Additional warrants issued per financing agreement – March 25, 2019	2,068	—
Balance, December 31, 2019	3,901,778	468
Amendment of expiry date – January 10, 2020	—	26
Additional warrants issued per financing agreement – January 10, 2020	112,565	6
Balance, September 30, 2020	4,014,343	500

On January 10, 2020, the Company entered into a Warrant Amendment Agreement which extended the expiry date of outstanding warrants to January 25, 2023.

On January 10, 2020, the Company issued the lender an additional 112,565 shares purchase warrants. Each warrant entitles the lender to acquire one common share in the Company at an exercise price of \$0.145 per warrant. The warrants expire on January 25, 2023. The Black-Scholes estimate of fair value used the following assumptions:

Issue date	January 10, 2020
Expected annual dividend	\$0.00
Expected volatility	126.8%
Risk-free interest rate	1.66%
Expected life of warrants	3.1 years

9. STOCK OPTIONS:

Changes in the outstanding and exercisable options are as follows:

	Number of options	Exercisable	Exercise price	Remaining contractual life in years	Weighted average exercise price
Options as at December 31, 2019	3,500,000	1,666,660	—	2.91	0.28
Options vested	—	516,671	0.16	—	—
Options forfeited	(1,625,000)	(416,660)	0.24	—	—
Options granted – May 28, 2020	2,890,000	—	0.15	4.72	0.15
Options cancelled – June 22, 2020	(1,525,000)	(1,408,333)	—	1.78	0.34
Options as at September 30, 2020	3,240,000	358,338	—	4.22	0.16

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During the three months ended September 30, 2020, \$11 of stock based compensation expense related to these stock options was recorded in general and administrative expenses (three months ended September 30, 2019 - \$17); during the nine months ended September 30, 2020, \$28 of stock based compensation related to these stock options was recorded in general and administrative expenses which includes \$4 related to the options cancelled on June 22, 2020 (nine months ended September 30, 2019 - \$64).

10. FINANCE COSTS:

Finance costs are comprised of the following:

	For the three months ended		For the nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Bank charges and interest	6	6	14	19
Interest on debt	628	745	1,758	2,413
Interest on note payable	71	67	208	196
Interest on finance leases	182	171	508	468
	887	989	2,488	3,096

11. OPERATING SEGMENTS:

The Company structures its operations in two operating and reportable segments: (i) Security & Surveillance and (ii) Rentals (formerly Energy Services), 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 and nine months ended September 30, 2020 and 2019:

SECURITY & SURVEILLANCE SEGMENT				
	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Total segment revenue	1,673	1,288	4,543	4,269
Segment earnings	970	469	2,487	1,552
Depreciation of property and equipment	320	200	902	566
Depreciation of right-of-use assets	139	—	198	—
Loss on sale of equipment	—	—	—	12
Additions to property and equipment	208	—	980	568

ZEDCOR INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Unaudited)
IN THOUSANDS OF CANADIAN DOLLARS

RENTALS SEGMENT				
	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2020	2019	2020	2019
Total segment revenue	995	2,577	5,252	9,309
Segment earnings	332	1,247	2,147	4,691
Depreciation of property and equipment	532	1,132	2,327	3,587
Depreciation of right-of-use assets	61	207	406	625
(Loss) gain on sale of equipment	(208)	(334)	101	855
Amortization of intangibles	—	110	—	440
Additions to property and equipment	65	299	190	629

CORPORATE SEGMENT				
	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2020	2019	2020	2019
Segment earnings	(179)	(234)	(621)	(790)
Depreciation of property and equipment	11	13	35	39
Depreciation of right-of-use assets	101	132	364	394

SEGMENT TOTAL				
	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2020	2019	2020	2019
Total segment revenue	2,668	3,865	9,795	13,578
Segment earnings	1,123	1,482	4,013	5,453
Depreciation of property and equipment	863	1,345	3,264	4,192
Depreciation of right-of-use assets	301	339	968	1,019
(Loss) gain on sale of equipment	(208)	(334)	101	(867)
Amortization of intangibles	—	110	—	440
Additions to property and equipment	273	299	1,170	1,197

As at September 30, 2020				
	Security &			
	Surveillance	Rentals	Corporate	Total
Property and equipment	6,586	18,697	73	25,356
Right-of-use assets	1,477	2,997	623	5,097

ZEDCOR INC.
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As at September 30, 2019				
	Security & Surveillance	Rentals	Corporate	Total
Property and equipment	4,378	29,092	119	33,589
Right-of-use assets	—	5,087	3,605	8,692

Reconciliation of segment earnings to loss before taxes is as follows:

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Segment earnings	1,123	1,482	4,013	5,453
Deduct:				
Finance costs	887	989	2,488	3,096
(Gain) loss on foreign exchange	(3)	—	3	—
Amortization of intangibles	—	110	—	440
Depreciation of equipment	863	1,345	3,264	4,192
Depreciation of right of use assets	301	339	968	1,019
Loss (gain) on sale of equipment	208	334	(101)	867
(Gain) on sale of right-of-use assets	(105)	—	(116)	—
Loss before taxes	1,028	1,635	2,493	4,161