



**ZEDCOR INC.
CONSOLIDATED FINANCIAL STATEMENTS**



**FOR THE THREE & NINE MONTHS ENDED
SEPTEMBER 30, 2024 AND 2023**

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 and nine months ended September 30, 2024.

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

(Stated in thousands of Canadian dollars)	September 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash	\$ 5,425	\$ 1,474
Accounts receivable	6,947	4,117
Current portion of finance leases receivable	655	570
Inventory	448	475
Prepaid expenses and deposits	942	650
	14,417	7,286
Non-current assets:		
Finance leases receivable	1,283	1,792
Deposits	157	179
Property and equipment (note 3)	36,817	27,240
Right-of-use assets	4,609	4,469
Deferred tax	2,005	2,005
	44,871	35,685
Total Assets	\$ 59,288	\$ 42,971
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,619	\$ 3,242
Current portion of finance lease liabilities	2,633	2,421
Current debt (note 4)	4,441	3,788
	12,693	9,451
Non-current liabilities:		
Note payable (note 5)	—	3,249
Finance lease liabilities	4,529	5,310
Long term debt (note 4)	12,072	12,846
	16,601	21,405
Total liabilities	29,294	30,856
Shareholders' equity		
Share capital (note 6)	131,301	114,024
Warrants	—	1,122
Contributed surplus	2,874	2,216
Accumulated other comprehensive loss	(211)	(28)
Deficit	(103,970)	(105,219)
	29,994	12,115
Total Liabilities and Shareholders' Equity	\$ 59,288	\$ 42,971

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		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
(Stated in thousands of Canadian dollars, except per share amounts)				
Revenues (note 8)	\$ 9,152	\$ 6,431	\$ 22,658	\$ 19,090
Direct expenses				
Direct operating costs	2,457	2,084	6,573	7,206
Depreciation of equipment (note 3)	1,280	892	3,544	2,299
	3,737	2,976	10,117	9,505
Gross margin	5,415	3,455	12,541	9,585
Operating expenses				
General and administrative	3,824	2,300	9,118	6,022
Depreciation of other property and equipment (note 3)	125	108	343	267
Depreciation of right-of-use assets	375	308	1,172	860
Loss (gain) on sale of equipment (note 3)	350	(3)	350	(73)
Loss on disposal of right-of-use assets	13	11	29	12
	4,687	2,724	11,012	7,088
Other (income) expenses				
Finance costs (note 9)	398	440	1,445	1,152
Loss (gain) on foreign exchange	20	3	35	(8)
Loss on repayment of note payable (note 5)	—	—	173	—
Other income (note 10)	—	—	(1,373)	(2,159)
	418	443	280	(1,015)
Income before income taxes	310	288	1,249	3,512
Income taxes				
Current income taxes	—	—	—	—
Net income	310	288	1,249	3,512
Other comprehensive income				
Unrealized foreign currency translation (loss) gain	(277)	1	(183)	1
Comprehensive income	\$ 33	\$ 289	\$ 1,066	\$ 3,513
Net income per share				
Basic	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.05
Diluted	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.04
Weighted average number of shares outstanding (note 6)				
Basic	95,784,530	73,908,925	84,330,561	72,846,471
Diluted	100,865,894	79,897,877	88,863,602	78,803,704

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

(Stated in thousands of Canadian dollars)	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
Balance – December 31, 2022	\$ 113,183	\$ 1,368	\$ 1,809	\$ —	\$ (107,871)	\$ 8,489
Stock based compensation	—	—	382	—	—	382
Exercise of stock options (note 6)	274	—	(120)	—	—	154
Exercise of warrants (note 6)	486	(246)	—	—	—	240
Net income	—	—	—	—	3,512	3,512
Foreign currency translation gain	—	—	—	1	—	1
Balance – September 30, 2023	113,943	1,122	2,071	1	(104,359)	12,778
Stock based compensation	—	—	180	—	—	180
Exercise of stock options (note 6)	81	—	(35)	—	—	46
Net income	—	—	—	—	(860)	(860)
Foreign currency translation loss	—	—	—	(29)	—	(29)
Balance – December 31, 2023	114,024	1,122	2,216	(28)	(105,219)	12,115
Stock based compensation	—	—	1,035	—	—	1,035
Exercise of stock options and RSUs (note 6)	592	—	(377)	—	—	215
Exercise of warrants (note 6)	3,276	(1,122)	—	—	—	2,154
Shares issued, net of share issue costs (note 6)	13,409	—	—	—	—	13,409
Net income	—	—	—	—	1,249	1,249
Foreign currency translation	—	—	—	(183)	—	(183)
Balance – September 30, 2024	\$ 131,301	\$ —	\$ 2,874	\$ (211)	\$ (103,970)	\$ 29,994

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

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<i>(Stated in thousands of Canadian dollars)</i>				
Cash provided by (used in):				
Operating Activities				
Net income	\$ 310	\$ 288	\$ 1,249	\$ 3,512
Depreciation of property and equipment (note 3)	1,405	1,000	3,887	2,566
Depreciation of right-of-use assets	375	308	1,172	860
Loss (gain) on disposal of property and equipment	350	(3)	350	(73)
Loss on disposal of right-of-use asset	13	11	29	12
Foreign currency translation	(78)	—	(112)	—
Loss on repayment of note payable (note 5)	—	—	173	—
Stock based compensation	538	238	1,035	382
Non-cash interest expense and other financing costs	6	16	58	35
Receipt of finance lease receivable	144	135	424	388
Income taxes recovered	—	—	—	—
	3,063	1,993	8,265	7,682
Changes in non-cash working capital	708	2,814	(1,384)	1,414
Cash flow from operating activities	3,771	4,807	6,881	9,096
Investing Activities				
Change in non-cash working capital related to investing activities	(159)	(783)	688	(440)
Purchase of property and equipment (note 3)	(5,424)	(3,066)	(13,895)	(10,858)
Proceeds from sale of property and equipment (note 3)	—	23	—	113
Cash flow (used in) investing activities	(5,583)	(3,826)	(13,207)	(11,185)
Financing Activities				
Proceeds from debt	—	—	2,776	5,340
Repayment of debt	(1,061)	(731)	(2,898)	(1,791)
Payment of finance lease liability	(708)	(534)	(1,930)	(1,464)
Proceeds from share issuance, net of costs	(176)	—	13,409	—
Repayment of note payable	—	—	(3,450)	—
Proceeds from exercise of stock options	66	—	215	154
Proceeds from exercise of warrants	—	—	2,155	240
Cash flow (used in) from financing activities	(1,879)	(1,265)	10,277	2,479
Net change in cash in the period	(3,691)	(284)	3,951	390
Cash, beginning of period	9,116	1,245	1,474	571
Cash, end of period	\$ 5,425	\$ 961	\$ 5,425	\$ 961

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

ZEDCOR INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(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. The Company is a technology enabled business that is changing how physical security services are provided to businesses. Zedcor operates throughout Canada and the southern and central United States with service centers in British Columbia, Alberta, Manitoba, Ontario, Houston, Texas, and Denver, Colorado. 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, 2023. 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, 2023.

These condensed consolidated interim financial statements were approved by the Board of Directors on November 13, 2024.

b) Presentation currency and basis of presentation

These condensed consolidated interim financial statements are presented in Canadian dollars which is the Company’s presentation currency. Each of the Company’s subsidiaries determines its functional currency, and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Canadian operations is the Canadian Dollar and the functional currency of the United States operations is the United States Dollar. All financial information is presented in Canadian Dollars and has been rounded to the nearest thousand except for share and per share amounts.

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 consolidated financial statements for the year ended December 31, 2023.

ZEDCOR INC.
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FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
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3. PROPERTY AND EQUIPMENT:

Cost	Security towers & technology equipment	Automotive & other equipment	Office furniture & equipment	Leasehold improvements	Total
At December 31, 2022	23,383	237	1,632	248	25,500
Additions	12,771	—	583	111	13,465
Disposals	(670)	(116)	(1)	—	(787)
At December 31, 2023	35,484	121	2,214	359	38,178
Additions	13,302	25	526	42	13,895
Disposals	(1,161)	—	—	—	(1,161)
Reclassification	(157)	—	—	—	(157)
Effects of changes in foreign exchange rates	30	—	2	—	32
At September 30, 2024	47,498	146	2,742	401	50,787

Accumulated depreciation	Security towers & technology equipment	Automotive & other equipment	Office furniture & equipment	Leasehold improvements	Total
At December 31, 2022	6,911	135	806	85	7,937
Depreciation	3,168	30	374	42	3,614
Elimination on disposal	(497)	(115)	(1)	—	(613)
At December 31, 2023	9,582	50	1,179	127	10,938
Depreciation	3,490	18	343	36	3,887
Reclassification	(44)	—	—	—	(44)
Elimination on disposal	(811)	—	—	—	(811)
At September 30, 2024	12,217	68	1,522	163	13,970

Net Book Value	Security towers & technology equipment	Automotive & other equipment	Office furniture & equipment	Leasehold improvements	Total
At December 31, 2023	25,902	71	1,035	232	27,240
At September 30, 2024	35,281	78	1,220	238	36,817

During the nine months ended September 30, 2024, the Company disposed of assets with a net book value of \$350 for proceeds of \$nil, resulting in a loss on sale of \$350 (nine months ended September 30, 2023 – gain of \$73).

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. For the three months and nine ended September 30, 2024, no triggers for impairment were identified for the Security & Surveillance CGU.

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4. CREDIT FACILITIES:

	Interest rate	Final maturity	Facility maximum	Outstanding as at September 30, 2024	Outstanding as at December 31, 2023
Term Loan	5.15%	Oct 2026	6,100	2,730	3,538
Revolving Equipment Financing	Prime + 2.00%	Revolving	15,000	13,529	13,096
Authorized Overdraft	Prime + 1.50%	Revolving	3,000	—	—
Equipment Financing	Various	Various	N/A	254	—
				16,514	16,634
Current portion				(4,441)	(3,788)
Long term debt				12,072	12,846

On June 6, 2023, the Company entered into a second amending agreement (“Second Amended Financing Agreement”) which increased the Company’s equipment financing from \$6.0 million to \$15.0 million. As at September 30, 2024, the Second Amended Financing Agreement provides the Company with the following:

1. A \$6.1 million term loan that is fully committed for five years (“Term Loan”). The Term Loan bears interest at 5.15% and will have monthly blended principal and interest payments of \$116.
2. A \$15.0 million revolving equipment financing facility (“Revolving Equipment Financing”). The Company is able to draw on this facility at any time for up to 100% of new equipment purchases. The draws bear interest at Prime + 2.0% and each draw will be amortized over 5 years with blended principal and interest payments. As at September 30, 2024 the Prime Interest Rate was 6.45% and the interest rate on the Revolving Equipment Financing was 8.45%. As the Company pays down the Revolving Equipment Financing, it can borrow back up to the facility maximum of \$15.0 million.
3. An authorized overdraft facility (“Authorized Overdraft”) up to \$3.0 million, secured by the Company’s accounts receivable, up to 75%, less priority payables which are GST payable, income taxes payable, employee remittances payable and WCB payables. The Authorized Overdraft is due on demand and any outstanding overdraft bears interest at Prime + 1.5%. As at September 30, 2024 the Prime Interest Rate was 6.45% and the interest rate on the Revolving Equipment Financing was 7.95%.

The Second Amended Financing Agreement is secured with a first charge over the Company’s current and after acquired equipment, a general security agreement, a subordination and postponement agreement with a director of the Company with respect to a note payable, and other standard non-financial security.

The agreement has the following quarterly financial covenant requirements, calculated on a trailing twelve month basis:

- a debt servicing covenant of no less than 1.25 to 1.00; and
- a funded debt to EBITDA covenant of no more than 3.00 to 1.00.

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As at September 30, 2024, the Company is in compliance with its financial covenant requirements. The debt servicing ratio as calculated based on the Second Amended Financing Agreement was 1.71 to 1.00 and the funded debt to EBITDA was 1.78 to 1.00.

The Company may also enter into specific financing agreements with certain vendors for specific pieces of equipment. These financing agreements are entered into at the time of purchase and granted by various third parties based on the Company's financial condition at the time. They are secured with the specific equipment being financed and terms and interest rates are decided at the time of application. As at September 30, 2024 the Company had \$254 outstanding with respect to these specific financing agreements (As at December 31, 2023 - \$nil).

5. NOTE PAYABLE

Balance, December 31, 2022	\$ 3,182
Accretion of note payable discount	67
Balance, December 31, 2023	\$ 3,249
Accretion of note payable discount	28
Repayment of note payable	(3,450)
Loss on repayment of note payable	173
Balance, September 30, 2024	\$ —

The unsecured, subordinated Note Payable, was due to a corporation controlled by a director of the company, matures on December 31, 2026 at its notional value of \$2.5 million and bears interest at 7% per annum, accruing daily from the issue date.

On May 27, 2024 the Company agreed to repay the entire note payable for its notional value of \$2,500 and accrued interest of \$950 for a total of \$3,450. This resulted in a loss on repayment of \$173.

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6. SHARE CAPITAL

(a) Common share capital

Common shares issued and fully paid:	Number of shares	\$
Balance, December 31, 2022	70,892,259	113,183
Issued on exercise of stock options	1,316,666	355
Issued on exercise of warrants	2,000,000	486
Balance, December 31, 2023	74,208,925	114,024
Issued on exercise of stock options	1,108,332	381
Issued on exercise of warrants	5,361,870	3,276
Issued on vesting of restricted share units ("RSU")	399,997	211
Share issuance, net of share issue costs	15,000,000	13,409
Balance, September 30, 2024	96,079,124	131,301

For the nine months ended September 30, 2024, 5,361,870 warrants were exercised for common shares. For the nine months ended September 30, 2023, 2,000,000 warrants were exercised for common shares (note 7).

On May 16, 2024, the Company completed an issuance of 5,000,000 common shares, at \$1.00 per common share, pursuant to Part 5A of National Instrument 45-106, and a concurrent private placement of 10,000,000 common shares, at \$1.00 per common share, for total gross proceeds of \$15,000.

Net proceeds of the share issuances were allocated as follows:

	Total
Gross proceeds	15,000
Less: share issue costs	(1,591)
Net proceeds	13,409

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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:

	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net income for the period	310	288	1,249	3,512
Weighted average number of shares outstanding – basic	95,784,530	73,908,925	84,330,561	72,846,471
Earnings per share – basic	0.00	0.00	0.01	0.05
Weighted average number of shares outstanding – basic	95,784,530	73,908,925	84,330,561	72,846,471
Share based compensation dilution	5,081,363	3,761,717	4,533,041	3,739,485
Warrant dilution	—	2,227,235	—	2,217,749
Weighted average number of shares outstanding – diluted	100,865,894	79,897,877	88,863,602	78,803,704
Earnings per share – diluted	0.00	0.01	0.01	0.04

7. WARRANTS

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

	Number of warrants	\$
Warrants issued		
Balance, December 31, 2022	7,361,870	1,368
Warrants exercised	(2,000,000)	(246)
Balance, December 31, 2023	5,361,870	1,122
Warrants exercised	5,361,870	(1,122)
Balance, September 30, 2024	—	—

During the period ended September 30, 2024 2,744,905 warrants with an exercise price of \$0.12 and 2,616,965 warrants with an exercise price of \$0.70 were exercised for gross proceeds of \$2,161. During the year ended December 31, 2023 2,000,000 warrants with an exercise price of \$0.12 were exercised for gross proceeds of \$240.

As at September 30, 2024, the Company does not have any warrants issued and outstanding.

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8. REVENUE

Revenue is generated from the following sales and services:

	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Security tower rental and service	8,653	6,075	21,499	17,717
Fixed site monitoring service	161	286	581	979
Security personnel	338	70	578	394
	9,152	6,431	22,658	19,090

9. FINANCE COSTS:

Finance costs are comprised of the following:

	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Bank charges and interest	7	15	31	70
Interest on debt	300	290	1,028	680
Interest on note payable	—	60	101	181
Interest on finance leases	91	75	285	221
	398	440	1,445	1,152

10. OTHER INCOME:

On June 30, 2021, the Company sold the assets of its Rentals Segment to a company controlled by a director of the Company for gross proceeds of \$11.3 million. In addition to the gross proceeds, the Company will receive a monthly management fee for up to 36 months after the closing date. The Company received \$114 in management fees which were netted against general and administrative costs for the nine months ended September 30, 2024 (nine months ended September 30, 2023 - \$275). The Company may also receive an annual bonus payment of 35% of EBITDA in excess of certain annual targets (the "Annual Bonus"). The Company recorded \$1,373 in other income for the three and nine months ended September 30, 2024 for the Annual Bonus (three and nine months ended September 30, 2023 - \$2,159).

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11. GEOGRAPHICAL INFORMATION

The following table summarizes the Company's revenue and non-current assets as at and for the three and nine months ended September 30, 2024 based on the Company's country of domicile and foreign country in which the Company operates:

	Canada	USA	Total
Revenue – For the nine months ended September 30, 2024	20,332	2,326	22,658
Revenue – For the three months ended September 30, 2024	7,908	1,244	9,152
Non-current assets – As at September 30, 2024	32,061	12,810	44,871

As at, and for the nine months ended September 30, 2023, the Company did not have any foreign non-current assets or revenues.

12. DEPENDENCE ON MAJOR CUSTOMERS:

The Company generates 9% and 12% of its revenues for the three and nine months ended September 30, 2024 from its top customer (33% and 48% for the three and nine months ended September 30, 2023 from top 3 customers). No other customer accounts for more than 10% of revenues. There can be no assurance that the current customers will continue their relationships with the Company. The loss of the Company's major customers, or any significant decrease in services provided to a customer, prices paid or any other changes to the terms of service with customers, could have a material adverse effect on the financial results, cash flows, and the overall financial condition of the Company.