

Avante Corp.

Management's Discussion and Analysis

For the Three and Nine-Month Periods Ended December 31, 2023 and 2022

(All amounts are in thousands of Canadian dollars unless otherwise indicated)

This Management's Discussion and Analysis ("MD&A") contains information about the consolidated performance and financial position of Avante Corp. (the "Company") as at and for the three and nine-month periods ended December 31, 2023 and 2022, as well as forward-looking information about future periods. The information in this MD&A is current to February 26, 2024 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and notes thereto as at and for the three and nine-month periods ended December 31, 2023 and 2022. This Management's Discussion and Analysis is authorized for issue by the Board of Directors on February 26, 2024.

The accompanying unaudited condensed interim consolidated financial statements of the Company were prepared by and are the responsibility of the Company's management. The Company's unaudited condensed interim consolidated financial statements as at and for the three and nine-month periods ended December 31, 2023 and 2022 were prepared in accordance with IAS 34, "*Interim Financial Reporting*" as issued by the International Accounting Standards Board ("IASB"), and *International Financial Reporting Standards* ("IFRS"). All financial amounts in this MD&A are expressed in thousands of Canadian dollars except where otherwise noted. All tables are for the three and nine-month periods ended December 31 of the year indicated, unless otherwise stated. This MD&A includes forward-looking statements and assumptions. See "Forward-Looking Information" for more details.

FORWARD LOOKING INFORMATION

The information set forth in this MD&A and the accompanying message to readers may contain statements concerning the Company's future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements or information within the meaning of securities laws. In some cases, forward-looking information can be identified by the use of terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts. Forward-looking statements are not guarantees of future performance.

These forward-looking statements are based on current expectations that involve numerous risks and uncertainties, including, but not limited to, those identified in the Risks Factors section of the Annual Information Form the Company filed with regulatory authorities on July 20, 2021 and amended on July 23, 2021. Assumptions relating to the foregoing involve judgements with respect to, among other things, future economic, competitive and market conditions and future business decisions and the successful completion and integration of proposed acquisitions, all of which are difficult or impossible to predict accurately and many of which are beyond the Company's control. Although the Company believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company's behalf.

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NON-IFRS MEASURES

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as operating expenses % of revenue, recurring monthly revenue ("RMR"), EBITDA and Adjusted EBITDA. These non-IFRS measures are not recognized under IFRS and, accordingly, users are cautioned that these measures should not be construed as alternatives to net income, revenue or operating expenses as applicable, determined in accordance with IFRS. The non-IFRS measures presented are unlikely to be comparable to similar measures presented by other issuers.

References to EBITDA are to net income before interest, taxes, depreciation and amortization. References to Adjusted EBITDA are to net income before interest, taxes, depreciation, amortization, share-based payments, acquisition, integration and / or reorganization costs, impairment loss, loss (gain) in fair value of derivative liability, and expensing of fair value adjustment per IFRS. References to recurring monthly revenue, or RMR, represent revenue during the fiscal period that benefited from contractual periodic billing to customers, typically monthly, quarterly or annually and is a revenue measure not recognized by IFRS. Neither EBITDA nor Adjusted EBITDA is an earnings measure recognized by IFRS and do not have a standardized meaning prescribed by IFRS. The Company's management believes that Adjusted EBITDA is an appropriate measure in evaluating the Company's performance. Readers are cautioned that neither EBITDA nor Adjusted EBITDA should be construed as an alternative to net income or loss, and RMR should not be construed as an alternative to revenues, (as each are determined under IFRS), as an indicator of financial performance or to cash flow from operating activities (as determined under IFRS) or as a measure of liquidity and cash flow. The Company's method of calculating RMR, EBITDA and Adjusted EBITDA may differ from methods used by other issuers and, accordingly, the Company's reported RMR, EBITDA and Adjusted EBITDA may not be comparable to similar measures used by other issuers.

A reconciliation of net income or loss (as determined under IFRS) to EBITDA and Adjusted EBITDA is provided in the Reconciliation of Non-IFRS Measures section of this MD&A. Reconciliations of RMR to revenue, and direct adjusted operating expenses to total operating expenses is provided in the applicable sections of this MD&A.

OVERVIEW OF AVANTE AND HIGHLIGHTS

Avante Corp. is an Ontario corporation listed on the Toronto Venture Exchange (TSXV: XX). The Company is a leading provider of security operatives and technology enabled security solutions to residential and commercial clients providing the following services: "Protective Services", "Rapid Alarm Response", "Monitoring & Managed Services", "Electronic Security", "Secured Transport" and "Investigation Services". Included within these services are cyber sentiment monitoring, sentiment analysis, international close protection and escort.

During the fiscal year ending March 31, 2022, and until June 1, 2022, the Company was organized into two operating segments consisting of Logixx Security Inc. ("Logixx Security") and Avante Security Inc. ("Avante Security"), based on the type of customer serviced and as described in further detail in the Business Segment Operating Results section of this MD&A. The Company sold its entire ownership interest in Logixx Security Inc. on June 1, 2022. *With respect to the sale of Logixx Security, refer to Note 25 to the Audited Consolidated Financial Statements for the years ended March 31, 2023 and 2022.* In summary, Logixx Security focuses on providing enterprise customers with Protective Services, Electronic Security and Monitoring & Managed Services across Canada. In addition to providing similar services to residential and commercial customers in central Toronto and Muskoka, Ontario, Avante Security also provides Secured Transportation and Investigation Services.

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On August 25, 2021, the Company's Board of Directors announced a strategic review to consider and evaluate various strategic alternatives available to the Company. On March 30, 2022, the then existing Board of Directors resigned, and a new set of Board of Directors was established. Subsequently, a new leadership team was put in place, as well as an updated corporate strategy which included the sale of Logixx Security that was completed on June 1, 2022.

Prior to March 30, 2022, the Company's strategy was focused on acquiring, managing, and building a diversified portfolio of industry leading security businesses providing specialized, mission-critical solutions that address the security risks of our customers. Over a period of four years prior to March 31, 2022, the Company acquired several businesses to form the Logixx Security business and extended the geographical coverage of the Avante Security business, with Avante Logixx (since renamed Avante Corp.) Inc operating as a holding company providing centralized services such as information technology, marketing, human resources, finance, and general management for the two operating entities.

As at December 31, 2023, the Company's full-time and part-time headcount was 157 compared to 118 as at March 31, 2023.

The Company has successfully acquired and integrated NSSG in the quarter ending December 31, 2023. The services provided by NSSG are similar in nature with the services provided by the Company's Avante Black division. This area of the Company has seen significant growth throughout the year. With increased tensions around the world, the Company believes that it is well positioned to provide needed services to its' clients and continue to see significant growth in revenues and profit. Through NSSG, the Company has bid on several high-profile assignments that it expects will have a positive impact to the Company's profile and results. The Company has already realized new Fortune 100 accounts since the acquisition and expects to start servicing these international clients in the fourth quarter. The Company has also introduced new services for its' domestic market. The Company successfully launched Toyboxx in December providing secure auto storage for its' clients in mid-town Toronto. The climate-controlled facility is equipped with 24-hour surveillance, a non-passable crash gate and provides the Company's clients with short-term and long-term solutions for their vehicles. The new service has been well-received as vehicle thefts in metro Toronto have been on the rise. The Company also introduced Homeworxx, providing luxury home management for its' clients in January 2024. The Company provides trusted, vetted and security background checks for vendors providing services to its' clients. The Company will oversee quality control, scheduling and management and coordination of contractor teams for its' clients' home maintenance and improvements. This service also provides seasonal maintenance, landscaping, home fortification and personal concierge services. The introduction of the service has garnered positive feed back from the Company's clients and is currently managing a few large projects for its' clients. The Company continues its' research and development projects that it expects to launch within the next few months.

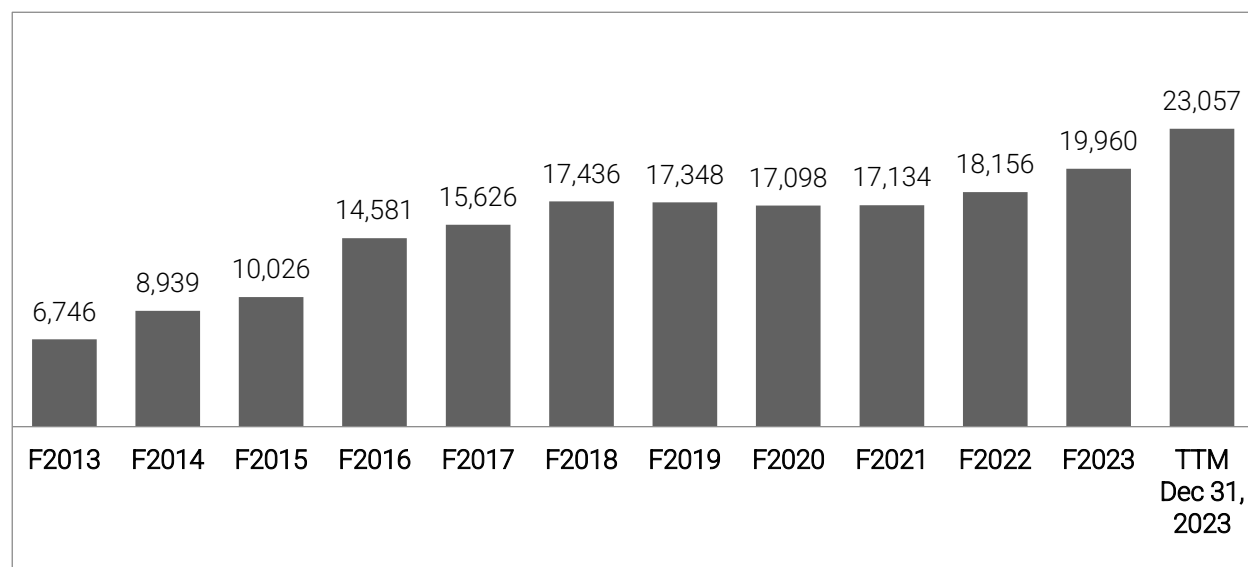
Historical consolidated annual revenues from continuing operations of the Company, excluding Logixx Security and prior divestitures, are summarized below:

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Note: The Company's fiscal year end is March 31. Logixx Security revenues are excluded from the above chart as the ownership of Logixx Security is treated as discontinued operation since the date the Company sold its interest in Logixx Security on June 1, 2022 and treated as "held for sale" as of March 31, 2022.

STRATEGY

Since the Company's new Board of Directors was established on March 30, 2022, the Company's revised strategy is to focus on providing security services to commercial and residential customers with security service excellence that exceeds customers' expectations.

The Company's long-term strategy includes the following attributes:

1. Seek organic growth from onboarding new customers within Avante Security's existing geographical areas of strength in the Toronto and Muskoka regions of Ontario;
2. Expand the Company's core services by acquiring similar enterprises, or books of business, in highly selective target markets, with follow on support of acquired leadership teams by leveraging Avante's "Service Excellence" vision and expertise;
3. Invest in new technologies, and leverage third party technologies, to enhance offerings in cyber security, health and machine vision to detect or predict future threats to personal health, safety and security and to mitigate catastrophic events through predictive analysis of data;
4. Enhance service offerings to new and existing clients, by leveraging trusted relationships to manage the home, with highly trained internal staff and trusted third parties;
5. Leverage Avante Security's state of the art Avante Control Centre ("ACC"); and
6. Increase international security coverage for clients using services such as international secured transport, medical services and emergency SOS services on a global scale.

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CONSOLIDATED FINANCIAL OBJECTIVES AND OUTLOOK

The Company's long-term financial objectives serve as a guide in developing our strategy. While these financial objectives serve as a guide to developing and executing long-term corporate strategy, the Company's management does not anticipate achieving these financial objectives annually and these should not be considered as guidance. The Company's long-term financial objectives are:

- Invest in tuck-in acquisitions to build its Avante Security business;
- Build recurring revenues;
- Achieve consolidated Adjusted EBITDA margins consistent with its industry;
- Achieve growth in adjusted net income per share;
- Reinvest cashflow in future business growth.

SELECTED FINANCIAL INFORMATION

The following selected financial information for the three-month period ended December 31, 2023 and 2022 have been derived from the unaudited condensed interim consolidated financial statements and should be read in conjunction with those financial statements and related notes. The results of discontinued operations, or assets held for sale, are excluded from this summary. Non-IFRS measures are defined and reconciled in the Reconciliation of Non-IFRS Measures section of this MD&A or in the applicable section of this MD&A in respect of direct or adjusted operating expenses and recurring monthly revenues.

\$ in thousands, unless otherwise noted	FY 2022		FY 2023				FY2024		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Revenues	4,938	4,568	4,934	5,092	5,366	5,410	5,339	6,941	
Cost of goods sold	2,851	2,573	3,013	2,915	3,337	3,371	3,221	3,993	
Gross profit	2,087	1,995	1,921	2,177	2,029	2,039	2,118	2,948	
Gross profit margin	42.3%	43.7%	38.9%	42.8%	37.8%	37.7%	39.7%	42.5%	
Direct operating expenses	1,911	1,580	1,732	1,582	2,244	1,731	1,884	2,512	
Direct operating expense as a percent of revenue	38.7%	34.6%	35.1%	31.1%	41.8%	32.0%	35.3%	36.2%	
Adjusted EBITDA from continuing operations ⁽¹⁾	672	562	143	600	(259)	407	227	442	
Adjusted EBITDA from discontinued operations ⁽¹⁾	(1,074)	526	—	(5)	—	—	144	—	
Total adjusted EBITDA ⁽¹⁾	(403)	1,088	143	595	(259)	407	371	442	
Total comprehensive income (loss) attributable to Avante shareholders on continuing operations	(2,972)	(230)	(427)	(269)	(2,930)	80	(396)	3	

(1) Adjusted EBITDA, EBITDA, Gross Profit and Gross Profit Margin are non-IFRS measures. See Description of Non-IFRS Measures

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Results for the Three and Nine-Month Periods Ended December 31, 2023 and 2022

Revenues

Revenues for the three-month period ended December 31, 2023 were \$6,941, compared with \$5,092 for the prior fiscal year's third quarter, an increase of \$1,849, or 36.3%. Revenues for the nine months ended December 31, 2023 were \$17.7 million, compared with \$14.6 million for the prior year's first nine months, an increase of \$3.1 million, or 21.2%. The increase was mainly due to the acquisition of NSSG and an increased demand for the Company's products and services as crime rates have increased in its' domestic market. The Company also experienced growth in video analytics following the Company's reconfiguration of its' software and personnel.

Within total revenues, the Company generates recurring monthly revenues as summarized in the table below for each of the most recent eight fiscal quarters:

	FY 2022		FY2023			FY2024		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Recurring	2,488	2,463	2,584	2,600	2,691	2,648	2,834	2,889
Other revenue	2,450	2,105	2,350	2,492	2,675	2,762	2,505	4,053
Total revenue	4,938	4,568	4,934	5,092	5,366	5,410	5,339	6,941
Recurring as a % of total revenue	50.4%	53.9%	52.4%	51.1%	50.1%	48.9%	53.1%	41.6%

Recurring Monthly revenue was \$2,889 for the three-month period ended December 31, 2023, compared to \$2,600 during the prior fiscal year's third quarter, an increase of \$289, or approximately 11.1% reflecting increased pricing and net growth in monitoring customers. Total recurring and other revenues increased by \$3.1 million, an approximate increase of 21.2% in the nine month period ending December 31, 2023 over prior year's nine-month period ending December 31, 2022.

Gross Profit and Gross Profit Margin

Gross profit was \$2,949 for the three-month period ended December 31, 2023, an increase of \$772 or 35.5% over the prior fiscal year's third quarter, primarily to increased demand for its' services and the acquisition of NSSG. Gross profit was \$7.1 million for the nine months ended December 31, 2023, an increase of \$1.0 million or 1.6% over the prior year's first nine months. Gross Margin percentages in respect of the Avante Security division were as follows during the most recent eight fiscal quarters ending December 31, 2023:

	FY 2022		FY 2023			FY2024		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Gross Profit	2,087	1,995	1,921	2,177	2,029	2,039	2,118	2,949
Gross Margin	42.3%	43.7%	38.9%	42.8%	37.8%	37.7%	39.7%	42.5%

Gross Margin percentage during three-month period ending December 31, 2023 to 42.5% as compared to prior fiscal year's third quarter margin of 42.8% remained consistent with the small discrepancy attributed to the change in sales mix. Gross profit margin was 40.2% for the nine-months ended December 31, 2023 compared to 41.8% for the prior years first nine months.

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Operating Expenses

Operating expenses excluding depreciation, amortization, interest and share based payments, for the three-month period ended December 31, 2023 were \$2,892, as compared to \$1,924 during the prior fiscal year's third quarter. The increase in operating expenses related directly to the addition of NSSG.

	FY2022		FY2023			FY2024		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Operating expenses	2,241	1,263	1,929	1,924	3,827	1,925	2,300	2,892
Less								
Depreciation	206	157	185	170	194	202	199	211
Amortization	89	89	89	98	117	117	117	125
Commission amortization	3	3	3	2	1	3	-	-
Share based payments	32	(566)	(80)	72	1,271	(128)	100	44
Adjusted operating expenses	1,911	1,580	1,732	1,582	2,244	1,731	1,884	2,512
Revenue	4,938	4,568	4,934	5,092	5,366	5,410	5,339	6,941
Operating expense as a % of revenue	38.7%	34.6%	35.1%	31.1%	41.8%	32.0%	35.3%	36.2%

Interest income and expense

Net interest costs for the three-month period ending December 31, 2023 were \$4 compared with \$(64) during the prior fiscal year's third quarter. Net interest costs for the nine months ending December 31, 2023 were \$(59) compared with \$4 during the prior year's first nine months. During late June 2022, the Company began investing surplus cash balances into guaranteed investment certificates.

EBITDA and Adjusted EBITDA From Continuing Operations

EBITDA and Adjusted EBITDA for the three-month period ended December 31, 2023, was \$335 and \$442 as compared to the prior fiscal year's third quarter EBITDA and Adjusted EBITDA of \$423 and \$670 respectively. The quarterly composition of EBITDA and Adjusted EBITDA over the Company's most recent eight quarterly fiscal quarterly periods ending December 31, 2023, are summarized below:

	FY2022		FY2023			FY2024		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
\$ in thousands, unless otherwise noted								
Revenues	4,938	4,568	4,934	5,092	5,366	5,410	5,339	6,941
Gross profit ⁽¹⁾	2,087	1,995	1,921	2,177	2,029	2,039	2,118	2,948
Gross profit margin ⁽¹⁾	42.3%	43.7%	38.9%	42.8%	37.8%	37.7%	39.7%	42.5%
Net Income (loss)	(2,972)	(230)	(427)	(269)	(2,930)	80	(396)	3
Net income (loss) from discontinued operations	(382)	3,734	-	(5)	159	-	144	-
Total net income (loss)	(3,354)	3,504	(427)	(274)	(2,771)	80	(252)	3
Interest income & expense	177	70	(2)	(64)	(99)	(46)	(17)	4
Income taxes	(208)	28	19	394	152	32	(26)	(8)
Amortization on capitalized commission	3	3	3	2	1	3	-	-
Depreciation on capital assets	206	157	185	170	194	202	199	211
Amortization	89	89	89	98	117	117	117	125
EBITDA ⁽¹⁾	(2,705)	117	(133)	331	(2,565)	388	(123)	335
EBITDA from discontinued operations	(109)	503	-	(5)	-	-	144	-
Total EBITDA	(2,814)	620	(133)	326	(2,565)	388	21	335
Share based compensation (excluding PSU)	32	(566)	(80)	72	1,271	(128)	100	44
Reorganization and acquisition costs	3,305	972	355	197	1,036	147	250	63
Loss (gain) in fair value of derivative liability	-	-	-	-	-	-	-	-
Deferred finance fees	39	39	-	-	-	-	-	-
Adjusted EBITDA from continuing operations	672	562	143	600	(259)	407	227	442
Adjusted EBITDA from discontinued operations	(1,074)	526	-	(5)	-	-	144	-
Total adjusted EBITDA ⁽¹⁾	(403)	1,088	143	595	(259)	407	371	442
Total comprehensive income (loss)	(3,354)	3,505	(427)	(274)	(2,771)	80	(252)	3
Comprehensive income (loss) attributable to equity holders	(3,354)	3,505	(427)	(274)	(2,771)	80	(252)	3
Basic and fully diluted earnings per share	\$ (0.158)	\$ 0.132	\$ (0.016)	\$ (0.010)	\$ (0.105)	\$ 0.003	\$ (0.010)	\$ 0.003
Total assets	42,943	25,726	24,965	25,480	25,583	24,980	23,059	24,554
Senior funded debt	8,865	-	-	-	500	-	-	-
Total debt and lease obligations, IFRS	9,706	724	772	766	2,134	1,375	1,226	1,300

1. For Non-IFRS Measures see Reconciliation of Non-IFRS Measures Section of this MD&A

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A reconciliation of earnings to Adjusted EBITDA is provided in the Reconciliation of Non-IFRS Measures section.

Restructuring and Acquisition Charges

The Company incurred reorganization and acquisition costs in the amount in continuing operations of \$63 and \$nil in discontinued operations for the three months ended December 31, 2023 (three months ended December 31, 2022: \$174 continuing operations, \$nil discontinued operations), and in the amount in continuing operations of \$459 and \$nil in discontinued operations for the nine months ended December 31, 2023 (nine months ended December 31, 2022: \$1,502 continuing operations, \$23 discontinued operations). These costs incurred during the nine months ended December 31, 2023 included \$443 software development and consulting fees, \$149 legal and consulting fees related to NSSG acquisition and \$133 reversal of legal fees accrual for previous periods. During the nine months ended December 31, 2022 reorganization and acquisition costs included \$419 of bank and legal fees related to the terminated prior credit agreement dated June 30, 2022, \$(211) transactions costs related to prior year moved to gain on sale of subsidiary, and \$1,254 of professional fees paid to consultants, financial and legal advisors, fees related to business amalgamations, rebranding and reorganization expenses including severance expense.

Balance Sheet

Total assets decreased by \$1,029, or 4.0%, during the nine-month period ended December 31, 2023 compared to the prior year end as at March 31, 2023. Total liabilities declined by \$1,117, or 12.7%, during the nine-month period ended December 31, 2023 compared to the prior year end as at March 31, 2023.

Within continuing operations, cash and cash equivalent balances decreased by \$4,385 primarily due to the acquisition of a new business, changes in working capital. Accounts receivable increased by \$2,376, largely due to increases in trade receivables, unbilled trade receivables and NSSG receivables. Accounts payable and accrued liabilities declined by \$538 during the nine-month period ended December 31, 2023 as the Company cleared up old unpaid invoices but also added in liabilities from NSSG.

Total shareholders' equity decreased by \$87 during the nine-month period ended December 31, 2023 due to the loss for the period.

BUSINESS SEGMENT OPERATING RESULTS

With the sale of Logixx Security on June 1, 2022 (after the fiscal year ended March 31, 2022) and the acquisition of NSSG on 1 October, the Company now has two reportable segments consisting of Avante Security and Avante International Transportation. Avante Security focuses on providing residential and commercial customers with Protective Services, Electronic Security, Monitoring & Managed Services within central Toronto and Muskoka, Ontario while Avante Black offers international secured transportation to executive customers internationally.

Protective Services

The Company's Protective Services are focused on offering physical protection to residential clients. Services include guarding, patrol and rapid response, intelligent perimeter protection, secure transport, and international

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security travel advisory and transport. These services are predominately contractual and recur on a monthly basis. These services also include recurring monthly revenues in respect of rapid response services.

Electronic Security

The Company's Electronic Security services provides a complete suite of home security services including system design, keyless access, and video and systems installation and service. These sophisticated security systems are comprised of computer software and hardware and third-party wireless and locating technologies. The Company conducts a security assessment of each customer site and provides various recommendations that range from security industry standards to the Company's recommended highly secure system design. The installation of the security system is performed by the Company's qualified technical staff and, as required, by approved third party sub-contractors. Revenues for this service type are largely project driven, thus revenues from quarter to quarter, and year to year, will vary depending on the timing of project milestones being achieved. There is some seasonality to the Electronic Security activities as residential clients typically schedule project work outside the summer months and year end holiday season.

Monitoring & Managed Services

The Company's Monitoring & Managed Services provides monitoring services to residential clients. These services include alarm and video monitoring, analytics, verification, and electronic building management. The Company utilizes its Avante Control Centre ("ACC") in Toronto as the central hub for monitoring, dispatch and response. The ACC operates 24 hours a day, 365 days a year.

Our monitoring services are provided through multiple channels using various technologies and equipment. Architects and builders use the services to view project progress from remote locations and homeowners station operators can view sites when alarm signals are received.

Alarm signals are communicated simultaneously through traditional landline facilities to primary response centres and wirelessly to the ACC. The primary response centres are operated by ULC (Underwriters Laboratories of Canada) approved third parties. The ULC is an independent, non-profit standards development organization for product safety testing, certification and inspection.

Avante Security's Dual Monitoring service provides both traditional ULC Digital Monitoring and real-time wireless Smartboxx monitoring. Both signals are received at our ACC, which has the superior benefit of wireless "anytime anyplace" communication, allowing immediate response to an alarm signal. Avante Security's response vehicles for Toronto-customer locations physically arrive at the clients' premises, typically, within six minutes on average.

The monitoring function is provided by physical on-site inspections and can also be monitored remotely via CCTV and web-cameras. CCTV systems are installed to monitor multiple locations concurrently and to provide a visual record in the event of an incident. Some clients also choose to pay for advanced analytics services utilizing artificial intelligence to detect unusual activity based on the CCTV live feeds sent to the ACC.

Avante Black

Avante Black provides International Secured Transport, Investigation Services, Medical Services and high-end cyber sentiment and sensitive investigations. The Company has seen significant growth in the Avante Black offering since its' inception (January 2023). With the acquisition of NSSG, the Company expects Avante Black to be a significant area of business in the near future.

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Segment Reporting:

The Company's management has determined that the Company's operations are organized into two segments consisting of Avante Security and corporate expenses.

A summary of segment operating performance during the three-month period ended December 31, 2023 is provided below:

	For the three-month period ended December 31, 2023			
	Avante Security	Corporate	Intersegment eliminations	Total
Revenues	\$ 6,941	\$ -	\$ -	\$ 6,941
Cost of sales	3,993	-	-	3,993
Gross profit	2,948	-	-	2,948
Direct operating expenses	2,126	387	-	2,512
Other operating expenses	228	150	-	380
Total operating expenses	2,354	538	-	2,892
Other (income) expenses	50	(52)	-	(2)
Reorganization and acquisition costs	53	10	-	63
Provision for income taxes	(7)	(1)	-	(8)
Net income (loss)	498	(495)	-	3
Deferred income tax expense (recover)	(8)	-	-	(8)
Interest income & expense	55	(51)	-	4
Depreciation and amortization	228	108	-	336
EBITDA	773	(438)	-	335
Share based compensation	-	44	-	44
Reorganizaton and acquisition	53	10	-	63
Adjusted EBITDA from continuing operations	827	(385)	-	442

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A summary of segment operating performance during the comparative three-month period ended December 31, 2022 is provided below:

	For the three-months ended December 31, 2022			
	Avante Security	Corporate	Intersegment eliminations	Total
Revenues	\$ 5,092	\$ -	\$ -	\$ 5,092
Cost of sales	2,915	-	-	2,915
Gross profit	2,177	-	-	2,177
Direct operating expenses	1,345	192	-	1,538
Other operating expenses	168	217	-	385
Total operating expenses	1,513	409	-	1,923
Other (income) expenses	22	(90)	-	(68)
Reorganization and acquisition costs	49	148	-	197
Provision for income taxes	45	350	-	395
Net income (loss)	548	(817)	-	(269)
Current income tax expense (recovery)	-	-	-	-
Deferred income tax expense (recovery)	45	350	-	395
Interest expense	27	0	-	27
Depreciation and amortization	168	102	-	271
EBITDA	788	(365)	-	423
Share based compensation	-	72	-	72
Reorganization and acquisition	49	148	-	197
Deferred financing fees	-	-	-	-
Adjusted EBITDA from continuing operations	837	(145)	-	691

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A summary of segment operating performance during the nine-month period ended December 31, 2023 and the prior year comparative is provided below:

For the nine-month period ended December 31, 2023					
	Avante Security	Corporate	Intersegment eliminations		Total
Revenues	\$ 17,691	\$ -	\$ -	\$ -	17,691
Cost of sales	10,586	-	-	-	10,586
Gross profit	7,105	-	-		7,105
Direct operating expenses	5,178	952	-	-	6,130
Other operating expenses	600	387	-	-	987
Total operating expenses	5,778	1,339	-		7,117
Other (income) expenses	42	(200)	-	-	(157)
Reorganization and acquisition costs	273	186	-	-	459
Provision for income taxes	(2)	-	-	-	(2)
Net income (loss)	1,012	(1,325)	-		(313)
Deferred income tax expense (recover)	(2)	-	-	-	(2)
Interest income & expense	140	(200)	-	-	(59)
Depreciation and amortization	604	372	-	-	974
EBITDA	1,754	(1,154)	-		600
Share based compensation	-	16	-	-	16
Reorganization and acquisition	273	186	-	-	459
Adjusted EBITDA from continuing operations	2,027	(952)	-		1,075

For the nine-month ended December 31, 2022					
	Avante Security	Corporate	Intersegment eliminations		Total
Revenues	\$ 14,595	\$ -	\$ (1)	\$ -	14,594
Cost of sales	8,576	-	(75)	-	8,501
Gross profit	6,019	-	74		6,093
Direct operating expenses	3,737	1,156	-	-	4,892
Other operating expenses	478	(256)	-	-	222
Total operating expenses	4,214	899	-		5,115
Other (income) expenses	34	(95)	-	-	(62)
Reorganization and acquisition costs	104	1,420	-	-	1,524
Provision for income taxes	177	266	-	-	442
Net income (loss)	1,489	(2,489)	75		(926)
Current income tax expense (recovery)	-	-	-	-	-
Deferred income tax expense (recovery)	177	265	-	-	442
Interest expense	77	102	-	-	179
Depreciation and amortization	478	318	-	-	796
EBITDA	2,220	(1,804)	75		491
Share based compensation	-	(574)	-	-	(574)
Reorganization and acquisition	105	1,418	-	-	1,524
Deferred financing fees	-	39	-	-	39
Adjusted EBITDA from continuing operations	2,325	(918)	75		1,481

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A summary of segment operating performance for the last eight fiscal quarters is below:

	FY 2022		FY 2023				FY2024	
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue								
Avante Security	4,938	4,568	4,934	5,092	5,366	5,410	5,339	6,941
Total Revenue	4,938	4,568	4,934	5,092	5,366	5,410	5,339	6,941
COGS								
Avante Security	2,851	2,573	3,013	2,915	3,337	3,371	3,221	3,993
Total COGS	2,851	2,573	3,013	2,915	3,337	3,371	3,221	3,993
Gross Profit								
Avante Security	2,087	1,995	1,921	2,177	2,029	2,039	2,118	2,949
Total Gross Profit	2,087	1,995	1,921	2,177	2,029	2,039	2,118	2,949
Gross Margin								
Avante Security	42.3%	43.7%	38.9%	42.8%	37.8%	37.7%	39.7%	42.5%
Total Gross Margin	42.3%	43.7%	38.9%	42.8%	37.8%	37.7%	39.7%	42.5%
Avante Security	1,799	1,379	1,322	1,514	1,512	1,668	1,754	2,353
Corporate	441	(116)	607	410	2,315	257	545	538
Total Opex	2,240	1,263	1,929	1,924	3,827	1,925	2,299	2,891
Avante Security	288	616	600	663	517	371	364	596
Corporate	(442)	116	(607)	(410)	(2,315)	(257)	(545)	(538)
Income (loss) before other income and expenses	(154)	732	(7)	253	(1,798)	114	(181)	58
Miscellaneous income (expense)	81	110	(46)	7	(41)	104	(0)	(3)
Foreign exchange gain (loss)	9	(2)	(1)	(1)	(3)	(5)	(7)	8
Depreciation	206	157	185	170	194	202	199	211
Amortization	89	89	89	98	117	117	117	125
Amortization on capitalized commission	3	3	3	2	1	3	-	-
Share based payments	32	(566)	(80)	72	1,271	(128)	100	44
Deferred financing fees	39	39	-	-	-	-	-	-
Adjusted EBITDA from continuing operations	306	562	143	601	(259)	408	228	443
Adjusted EBITDA from Avante Security	(91)	840	723	836	681	691	509	827
Adjusted EBITDA from Corporate	397	(278)	(580)	(235)	(940)	(183)	(200)	(569)
Adjusted EBITDA from continuing operations	306	562	143	600	(259)	508	309	258

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LOGIXX SECURITY

The Logixx Security (sold on June 1, 2022) financial results for the year ended March 31, 2023 and March 31, 2022, net of eliminations, have been presented as discontinued operations on the consolidated statement of income (loss) and comprehensive income (loss).

AVANTE SECURITY

Avante Security focuses on providing residential and commercial customers with Protective Services, Electronic Security, Monitoring & Managed services within central Toronto and Muskoka, Ontario. The segment reflects the activities of prior acquisitions that are now operating under one leadership team and one legal entity.

INTO-Electronics Inc. was acquired on August 22, 2014 and legally amalgamated into Avante Security on April 1, 2018. LVS Inc. was acquired on April 1, 2015 and legally amalgamated into Avante Security on April 1, 2016. 51% of the outstanding common shares of Architronics Limited ("Architronics") was acquired on March 1, 2017, the remaining 49% of the outstanding common shares was acquired on July 16, 2018 and Architronics was legally amalgamated into Avante Security on October 1, 2018. Watermark Security Inc. ("Watermark") was acquired on August 1, 2018 and was legally amalgamated into Avante Security on October 1, 2018. The customers of C & B Alarms Ltd. were purchased on December 15, 2022 and were integrated within Avante Security.

Revenues during the three months ended December 31, 2023 at Avante Security of \$6.9 million represents a \$1.85 million increase over three months ended December 31, 2022. This increase is related to increases in organic sales, the acquisition of the C & B Alarms Ltd. clients and the addition of new products and services. Gross profit at Avante Security for three months ended December 31, 2023 was \$2.9 million, compared to \$2.2 million during the three months ended December 31, 2022, with gross profit margins of 41.6% compared to 42.8%.

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LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of liquidity are cash provided from operations and credit available under its \$2 million, senior secured, revolving credit facility that is currently undrawn as of December 31, 2023. In addition, on July 7, 2022, the Company entered into definitive agreements for a \$10 million, unsecured term loan facility with affiliates of Fairfax. The Company expects that continued cash flow from operations, together with cash and cash equivalents on hand, and available credit facilities, will be more than sufficient to fund its requirements for investments in working capital and capital assets over the next twelve months in the ordinary course of business.

In the near term, the Company intends to finance its growth strategy through deployment of excess cash balances received upon the sale of Logixx Security on June 1, 2022 and, if required, through one or more issuances of equity and equity-related instruments, the utilization of the \$2 million revolving credit facility with its bank, the \$10 million unsecured term loan facility provided by Fairfax as of July 7, 2022 and/or the expansion of its senior credit facilities.

Cash Flows

Cash flows during the nine-month periods ended December 31, 2023 and 2022 from continuing operations are summarized as follows:

\$ in thousands	Dec 31, 2023	Dec 31, 2022
Cash Inflows (Outflows) by Activity		
Cash flow from operations	881	153
Non-cash working capital	(2,317)	(3,569)
Net operating activities	(1,436)	(3,417)
Financing activities	(1,204)	(9,707)
Investing activities	(1,745)	23,136
Net cash inflows (outflows) from continuing operations	(4,385)	10,013
Net cash inflows (outflows) from discontinued operations	-	715
Net cash inflows (outflows)	(4,385)	10,727

Operating Activities

Cash flow used in operations in respect of continuing operations before working capital was \$881 during the nine-month period ended December 31, 2023 as compared to \$153 of cash flow from operations in respect of continuing operations before working capital during the prior fiscal year's first nine-month period. Cash flow used in working capital items in respect of continuing operations during the nine-month period ended December 31, 2023 was \$(2,317) as compared to \$(3,569) during the prior fiscal year's first nine-month period. The Company has been cleaning up older Accounts Payable and also older Accounts Receivable with the expectation positively impacting working capital. Total cash flow used in operating activities in respect of continuing operations during the nine-month period ended December 31, 2023 was \$(1,436) as compared to cash flow from operating activities of \$(3,417) during the prior fiscal year's first nine-month period.

In respect of discontinued operations, there was no net cash flow used in operating activities during the nine-month period ended December 31, 2023 as compared to \$(6,979) during the prior fiscal year's first nine-month period.

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Financing Activities

Cash used in financing activities in respect of continuing operations was \$(1,204) during the nine-month period ended December 31, 2023, compared to cash provided by financing activities from continuing operations of \$(9,707) during the prior fiscal year's first nine-month period. With the sale of Logixx Security on June 1, the Company repaid in full all amounts owing under the senior credit facility with its bank. The Company also repaid its' line of credit from the previous year of \$500.

In respect of discontinued operations, net cash flow provided from financing activities was \$nil during the nine-month period ended December 31, 2023 as compared to \$7,731 during the nine-month period ended December 31, 2022.

Investing Activities

Cash provided by investing activities in respect of continuing operations was \$(1,745) during the nine-month period ended December 31, 2023 compared to provided cash of \$23,136 from investing activities in respect of continuing operations during the prior fiscal year's first nine-month period. Investing activities during the nine-month period ended December 31, 2023 primarily relate to the acquisition of NSSG and the corresponding loan associated with the purchase. Investing activities during the nine-month period ended December 31, 2022 reflected sale proceeds of \$23,733 on the Company's sale of Logixx Security.

In respect of discontinued operations, there were no investing activities during the nine-month period ended December 31, 2023, as compared to \$(37) during the nine-month period ended December 31, 2022.

During the nine-month period ended December 31, 2023, total cash inflows aggregated to \$(4,385). The Company's ending cash balance, including guaranteed investment certificates, as of December 31, 2023 was \$5,729.

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Senior Secured Funded Debt

With the sale of Logixx Security on June 1, 2022, the Company no longer had any funded debt whereas senior funded debt as of December 31, 2023 as compared to March 31, 2023 summarized as follows:

\$ in thousands	Dec 31, 2023	Mar 31, 2023
Revolving credit facility	\$ -	\$ 500
Senior funded debt	\$ -	\$ 500
Cash and cash equivalents	5,729	10,114
Net senior funded debt	\$ (5,729)	\$ (9,614)

The Company's total available sources of senior secured credit facilities as of December 31, 2023 as compared to March 31, 2023 were as detailed below:

\$ in thousands	As at Dec 31, 2023		
	Total Amount	Borrowing	Amount Available
Revolving credit facility	\$ 2,000	\$ -	\$ 2,000
Term credit facilities	10,000	-	10,000
	\$ 12,000	\$ -	\$ 12,000

\$ in thousands	As at Mar 31, 2023		
	Total Amount	Borrowing	Amount Available
Revolving credit facility	\$ 2,000	\$ 500	\$ 1,500
Term credit facilities	10,000	-	10,000
	\$ 12,000	\$ 500	\$ 11,500

On June 1, 2022, the Company sold Logixx Security and fully repaid all drawings related to the June 2021 credit agreement. That credit facility agreement was amended effective June 1, 2022 to a revised \$2 million revolving credit facility, together with credit card facilities for each of Avante Corp. and Avante Security, benefiting from cross guarantees supported by first security interests in favour of the bank over all assets of Avante Corp. and Avante Security. Such credit arrangements are provided by the bank on a demand basis, and the revolver is subject to a borrowing base consisting of eligible accounts receivable and inventory minus priority payables. The provision of the credit facilities is subject to the Company maintaining a minimum consolidated current ratio of 1.20 times as of June 30, 2022 and thereafter. As of December 31, 2023, the Company is in compliance with this requirement. Drawings under the revolving credit facility are permitted by way of letters of credit (at 2.00% per annum), prime rate advances (at the bank's prime rate plus 0.50%) and bankers' acceptances (stamping fee of 2.00%). During the nine-month period ending December 31, 2023, the Company drew a financing of \$500, which was subsequently fully repaid by December 31, 2023.

Capital Stock

The authorized capital of the Company consists of an unlimited number of common shares. As at December 31, 2023, there were 26,643,739 common shares issued and outstanding, compared to March 31, 2023's outstanding shares of 26,489,438. The increase in the number of common shares relates to the acquisition of NSSG, as 154,301 common shares were issued as a portion of the acquisition price.

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Issuance of Stock Options

As at December 31, 2023, there were a total of 1,465,000 options outstanding to purchase an equivalent of common shares, with a weighted average exercise price of \$0.93, expiring at various dates between April 2027 and June 2028. During the nine-month period ended December 31, 2023, 115,000 options were granted to members of the Company's board of directors and an employee of the Company and the strike prices were \$0.96 for 100,000 options, \$0.92 for 15,000 options, 133,333 share options were expired and the strike price was \$2.25, no options were forfeited. During the year ended March 31, 2023, 1,550,000 share options were issued to members of the board of directors and other key management personnel, including the Chief Executive Officer, the Chief Financial Officer and the strike prices were \$0.77 for 200,000 options, \$0.88 for 500,000 options, \$0.97 for 200,000 options, \$1.07 for 200,000 options, \$1.18 for 200,000 options and \$0.80 for 250,000 options. In addition, during the year ended March 31, 2023, 1,330,000 share options were forfeited and 30,000 share options expired. Should the outstanding options that were exercisable at December 31, 2023 be exercised, the Company would receive proceeds of approximately \$1,363.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on its results of operations or financial condition.

Related Party Transactions

The Company's related parties include the following persons and entities: (i) associates, or entities which are controlled or significantly influenced by the Company; (ii) key management personnel, which comprise directors and officers of the Company; and (iii) entities controlled by or associated with key management personnel or directors of the Company.

The Company entered into a contract effective May 1, 2018 with a private company controlled by a significant shareholder (and subsequent to March 30, 2022 an officer) to provide consulting services for the Company. The Company incurred \$nil of expense in the three-month period ended December 31, 2023 (December 31, 2022: \$9) and \$nil of expense in the nine months ended December 31, 2023 (nine months ended December 31, 2022: \$68). The balance outstanding payable by the Company at December 31, 2023 is \$nil (March 31, 2023: \$nil).

The Company entered into a contract with a private company controlled by a significant shareholder and, prior to April 9, 2022, an officer of the Company to provide services for the Company. For the three months ended December 31, 2023 the Company incurred \$nil (December 31, 2022: \$0) for these services. For the nine months December 31, 2023 the Company incurred \$nil (nine months ended December 31, 2022: \$2). The balance outstanding payable by the Company at December 31, 2023 is \$nil (March 31, 2023: \$nil).

The Company provides service to and receives service from a private company controlled by a significant shareholder and, prior to April 9, 2022, an officer of the Company. In the three months ended December 31, 2023 the Company billed \$nil and incurred \$12 of expense for services (three months ended December 31, 2022: \$0 billed and \$15 expensed). In the nine months ended December 31, 2023 the Company billed \$13 and incurred \$38 of expense for services (nine months ended December 31, 2022: \$17 billed and \$44 expensed). The outstanding accounts receivable balance at December 31, 2023 is \$0.5 (March 31, 2023: \$8) and outstanding accounts payable balance at December 31, 2023 is \$5 (March 31, 2023: \$nil).

The Company provides service to and receives service from a private company controlled by a significant shareholder and, prior to April 9, 2022, an officer of the Company. In the three and nine months ended December 31, 2023, no services were provided or received. The outstanding accounts receivable balance at December 31, 2023 is \$nil (March 31, 2023: \$2) and outstanding accounts payable balance at December 31, 2023 is \$nil (March 31, 2023: \$nil).

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The Company entered into a contract with a private company controlled by a director of the Company. In the three months ended December 31, 2023 the Company billed \$256 (three months ended December 31, 2022: \$nil). The outstanding accounts receivable balance at December 31, 2023 is \$20.

The Company entered into a contract with a private company controlled by a director of the Company. In the three months ended December 31, 2023 the Company incurred \$38 (three months ended December 31, 2022: \$nil). The outstanding accounts payable balance at December 31, 2023 is \$nil.

On July 7, 2022, the Company executed an unsecured Loan Agreement with affiliates of Fairfax Financial Holdings Limited that also collectively own 19.99% of the Company's common shares. Pursuant to the Loan Agreement, the Company is permitted to draw, on a non-revolving basis, up to \$10 million of loans until July 7, 2027 for terms to maturity ending on July 7, 2027, at an interest rate of 5.0% that can be paid by the Company in cash or in kind. A standby fee of 0.5% per annum is charged by Fairfax on the unused portion of the term loan facility, and the fee is recorded within the interest expense on the interim consolidated statement of income (loss) and comprehensive income (loss) in the amount of \$25 (nine months ended December 31, 2022: \$nil).

Loan Agreement rank junior to the senior secured credit facilities provided by the Company's bank, but are guaranteed on an unsecured basis by all subsidiaries of the Company.

Pursuant to the Loan Agreement, the Company's consolidated senior indebtedness (excluding drawings under the Term Loan and net of permitted cash balances) shall not exceed 3.5 times Adjusted EBITDA (as defined in the Loan Agreement) on a rolling four quarter basis. In addition, further drawings under the Loan Agreement are conditional on the Company's existing Chief Executive Officer being involved in the day-to-day operations of the Company. To date, there have not been any drawings advanced under the Loan Agreement.

RECONCILIATION OF NON-IFRS MEASURES

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as EBITDA, Adjusted EBITDA, Operating expenses as a percentage of revenue, and recurring monthly revenue, or RMR. These non-IFRS measures are not recognized under IFRS and, accordingly, users are cautioned that these measures should not be construed as alternatives to net income, revenue or operating expenses (as applicable) determined in accordance with IFRS. The non-IFRS measures presented are unlikely to be comparable to similar measures presented by other issuers. Reconciliation to the most directly comparable IFRS measure in respect of both RMR and direct or adjusted operating expenses as a percent of revenue is provided earlier in this MD&A and provided below in respect of EBITDA and Adjusted EBITDA.

EBITDA and Adjusted EBITDA

The Company defines EBITDA as earnings before depreciation and amortization, interest expense, and income tax expense (recovery). Adjusted EBITDA is defined as EBITDA before acquisition and restructuring costs, write-offs and impairments, stock based compensation expense and changes in fair value adjustments including the fair value adjustment of the Convertible Debenture. These items are excluded in calculating Adjusted EBITDA as they are not considered indicative of the underlying business performance for the periods being reviewed and the Company's management believes that excluding these adjustments is more reflective of ongoing operating results.

The Company believes that Adjusted EBITDA is a meaningful financial metric, as it measures cash generated from operations which the Company can use to fund working capital requirements, service interest, maintenance capital expenditures and principal debt repayments and to fund future growth initiatives. The calculation of EBITDA and Adjusted EBITDA over each of the last eight fiscal quarters is provided below:

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\$ in thousands

	FY2022		FY2023				FY2024	
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net Income (loss)	(2,972)	(230)	(427)	(269)	(2,930)	80	(396)	3
Interest expense	177	70	(2)	(64)	(99)	(46)	(17)	4
Accretion interest expense	–	–	–	–	–	–	–	–
Income taxes	(208)	28	19	394	152	32	(26)	(8)
Amortization on capitalized commission	3	3	3	2	1	3	–	–
Depreciation on capital assets	206	157	185	170	194	202	199	211
Amortization	89	89	89	98	117	117	117	125
EBITDA	(2,706)	117	(133)	331	(2,565)	388	(123)	335
Share based compensation	32	(566)	(80)	72	1,271	(128)	100	44
Reorganization and acquisition costs	3,305	972	355	197	1,036	147	250	63
Loss (gain) in fair value of derivative liability	–	–	–	–	–	–	–	–
Deferred finance fees	39	39	–	–	–	–	–	–
Adjusted EBITDA	671	562	143	600	(259)	407	227	442
Adjusted EBITDA from discontinued operations	(1,074)	526	–	(5)	–	–	144	–
Total adjusted EBITDA	(404)	1,088	143	595	(259)	407	371	442

A description of the adjusting items included in the above table is as follows;

- *Share based payments* – Share based incentive compensation expense can vary based on the timing of when awards are issued and forfeitures. All option grants are approved by the Board of Directors of the Company from the option pool approved by the shareholders at the most recent annual general meeting of the Company's shareholders. The above adjustment excludes cash settled compensation plans.
- *Reorganization and acquisition costs* – The Company incurred reorganization and acquisition costs in the amount in continuing operations of \$63 and \$nil in discontinued operations for the three months ended December 31, 2023 (three months ended December 31, 2022: \$197 continuing operations, \$nil discontinued operations), and in the amount in continuing operations of \$459 and \$nil in discontinued operations for the nine months ended December 31, 2023 (nine months ended December 31, 2022: \$1,524 continuing operations, \$23 discontinued operations). These costs incurred during the nine months ended December 31, 2023 included \$443 software development and consulting fees. \$149 legal and consulting fees related to NSSG acquisition and \$133 reversal of legal fees accrual for previous periods. During the nine months ended December 31, 2022 reorganization and acquisition costs included \$441 of bank and legal fees related to the terminated prior credit agreement dated June 30, 2021, \$(211) transactions costs related to prior year moved to gain on sale of subsidiary, and \$1,255 of professional fees paid to consultants, financial and legal advisors, fees related to business amalgamations, rebranding and reorganization expenses including severance expense.

RISK AND UNCERTAINTIES

The Company operates in a dynamic, rapidly changing environment that involves risks and uncertainties. An investment in the Company's common shares is speculative and involves a high degree of risk and uncertainty. Such risks relate to and include, without limitation: its ability to predict whether it will meet internal or external expectations, its ability to offer competitive pricing for its products, its ability to maintain its current relationships and develop new strategic relationships, its ability to attract and retain qualified employees, its internal controls, its ability to develop and deploy new technology, its limited operating history, its evolving business model and its ability to achieve and maintain profitable operations.

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations and these additional risks are summarized below. If any of the risks as described in our filings occur, our business, financial condition, liquidity or results of operations could be materially harmed.

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Significant Shareholders

There are significant shareholders of the Company that may be long-term holders of the common shares in the Company. This has the effect of reducing the actively-traded public float for the common shares, which may, in turn, impact the liquidity for the shares. In addition, relatively low liquidity may adversely affect the price at which the common shares of the Company trade on the listed market. Significant shareholders may also be able to exercise significant influence over any matter requiring shareholder approval in the future.

Risk of Dilution from Possible Future Offerings

The Company may issue additional securities or debt financing from time-to-time in the future to raise funding for its growth initiatives and such issuances may be dilutive to shareholders.

Financing and Refinancing Risks

Additional funding might be required to execute future investment and growth opportunities and to refinance existing borrowings that may exist in the future and working capital requirements. There is no assurance that such funds will be available to the Company, on acceptable terms or in required amounts. Any limitations on the Company's ability to access the financial markets for additional funds could have a material adverse effect on the Company's ability to execute its growth strategy and to refinance existing indebtedness.

Ability to Achieve and Manage Growth

The Company has made or entered into, and will likely continue to pursue, various acquisitions, business combinations, investments and joint ventures intended to complement or expand its business. The Company believes the acquisitions of, and investments in, other businesses may enhance its strategy of building its security services business. The successful implementation of such acquisition and investment strategy depends on the Company's ability to identify suitable acquisition and investment candidates, acquire such companies on acceptable terms, integrate the acquired companies' operations and technologies successfully with its own and maintain the goodwill of the acquired businesses. The Company is unable to predict whether or when it will be able to identify suitable additional acquisition or investment candidates that are available for a suitable price, or the likelihood that any potential acquisition or investment will be completed.

Growth and expansion resulting from future acquisitions may place significant demands on the Company's management resources. In addition, while the Company's management believes it has the experience and know-how to integrate acquisitions, such efforts entail significant risks including, but not limited to: (a) failure to integrate successfully the personnel, information systems, technology, operations and acquired business; (b) the potential loss of key employees or customers from either the Company's current business or the business acquired; (c) failure to maximize the potential financial and strategic benefits of the transaction; (d) the failure to realize the expected synergies from the acquired businesses; (e) impairment of goodwill; (f) the assumption of significant and or unknown liabilities of the acquired companies; and (g) the diversion of the Company's management time and resources.

There can be no assurances that the Company will be able to successfully identify, consummate or integrate any potential acquisitions or investments into its operations. In addition, future acquisitions or investments may result in potentially dilutive issuance of equity securities, have a negative effect on the Company's share price, and/or may result in the incurrence of debt, all of which could have a material adverse effect on the Company's business, financial condition and results of operation.

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Market Competition and Technology Innovation

The Company operates in a highly competitive sector and in a sector witnessing significant technological innovation. To address these risks, the Company's management has implemented a plan to concentrate on providing service excellence to its existing clientele, while focusing on implementing new technologies to provide enhanced levels security and related solutions for the Company's clients.

Key Personnel

The Company's success depends largely on the continued services of its senior management team, and the Company's ability to attract and retain skilled employees. The Company must continue to retain highly efficient and high performing individuals as well as continue to enhance its operational and management systems. Most importantly, the Company must continue to attract, train, motivate and manage its employees. If the Company is not successful in these aspects, it may have material adverse effects on the Company's business, results of operations, cash flow and financial condition.

Government Regulations and Licensing

The Company's operations are regulated by the Province of Ontario and applicable Municipal governments. These regulations affect Taxes, Labour, Workplace Safety, the environment, and all other aspects that can impact the Company's operations and performance. The Company is required to obtain and maintain a security license within the Province of Ontario. Any failure to obtain, maintain or renew required licenses could result in the cancelation of certain contracts and or disqualify us from bidding or re-bidding on certain contracts. To date, no government regulations or licensing requirements have materially and negatively affected the Company.

Information Technology Systems

The Company is dependent on its information technology ("IT") infrastructure. Significant problems with the Company's infrastructure, such as telephone or IT systems failures, cyber security breaches, or failure to develop new technology platforms could have a material adverse effect on the business, financial condition, results of operation and cash flow of the Company.

Attrition of Accounts

Customer attrition of residential customers results from a variety of different factors, including relocation of subscribers, competition, and other socio-economic factors. Demographic factors will also have an impact on overall attrition levels. Any significant increase in the Company's attrition rates, or loss of customer contracts, could have a materially adverse effect on the Company's business, financial condition, or results of operations.

Credit Risk

The Company sells the majority of its services within Ontario, Canada and a significant portion of its revenues are generated on a contractual basis pursuant to agreed payment terms. Due to the large number of residential clients that the Company deals with, and their economic distribution, the credit risk concentration to which the Company is exposed remains limited. However, inaccurate invoicing by the Company or failure to pay by customers could have a material adverse effect on the Company's cash flow and financial condition.

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Reputational Risk

The Company depends on its reputation for high quality security services to be successful. Damage to the Company's reputation caused by a widely publicised security incident affecting the Company's clients and their installations could affect our reputation. The Company's management team constantly monitors security risk surrounding the Company's operations and the Company has instituted communication protocols to prevent or reduce negative publicity.

Inflationary Risk

Strong economic conditions and competition for available personnel and materials may result in significant increases in the cost of obtaining such resources. More recently, the Ontario economy has been exposed to inflationary pressures including, for example, with respect to labour costs and fuel prices. To the greatest extent possible, the Company passes such cost increases on to its customers and it attempts to reduce these pressures through proactive procurement and human resource practices. Should these efforts not be successful, the gross margin and profitability of the Company could be adversely affected.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial instruments of the Company consist of cash, investments in guaranteed investment certificates, accounts receivable, amounts due from the purchaser of Logixx Security, accounts payable and accrued liabilities and obligations under finance leases. There are no significant differences between the carrying amounts of the items reported on the balance sheet and their estimated fair values other than as set out in Note 20(c) "Liquidity Risk" of the Company's unaudited condensed interim consolidated financial statements and notes thereto as at and for the three and nine-month periods ended December 31, 2023 and 2022.

The Company may undertake purchase transactions in foreign currencies, and therefore it is subject to foreign exchange risk of gains or losses due to fluctuations in foreign currencies. Historically, these transactions have not been material, so the Company does not use hedging instruments to minimize its exposure to foreign currency risks.

For additional details on the Company's financial instruments, including the amount and classification of gains and losses recorded in the Company's unaudited condensed interim consolidated financial statements, summary of fair values, notional balances, effective rates and terms, and significant assumptions used in each calculation of the fair value of the Company's financial instruments, refer to Liquidity and Capital Resources in this MD&A and see Notes 8, 14, 15, 20, and 21 to the Company's unaudited condensed interim consolidated financial statements for the three and nine-month periods ended December 31, 2023 and 2022.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. These estimates involve considerable judgement and are, or could be, affected by significant factors that are out of the Company's control or the control of the Company's management. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences.

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Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods.

Critical accounting estimates used in the preparation of the unaudited condensed interim consolidated financial statements include the Company's estimate of the value of the Company's share-based compensation, determining whether the Company exercises control over entities in order to consolidate, provision for obsolescence of inventory, estimates of work in progress, depreciation of property, plant and equipment, amortization of intangible assets, allowance for doubtful accounts, amounts recoverable from vendors of companies acquired, amounts recoverable from purchasers of businesses sold by the Company and recoverability of tax credits. These estimates are based on the Company's management's best judgement and could be affected by significant factors that are out of the Company's control. Actual results could differ from these estimates. Future events and risk factors could result in changes in these estimates and assumptions.

The Company uses the Black-Scholes model to determine the fair value of options and, prior to February 16, 2022, the equity component of the convertible debentures converted into common shares on February 16, 2022. The main factor affecting such estimates is the stock price volatility used. The Company uses historical price data and comparable entities in the estimate of future volatilities. Additional factors affecting share-based compensation include estimates of when stock options might be exercised. The timing of the exercise of options is out of the Company's control and will depend upon a variety of factors, including the market value of the Company's shares and the financial objectives of the share-based instrument holders.

With respect to intangible assets, the Company determines fair values using such estimates as discount rates, capitalization rates and terminal capitalization rates. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by the Company's management. Estimates are reviewed periodically by the Company's management. Goodwill is not amortized but is tested for impairment on an annual basis or more frequently if there are indicators that goodwill may be impaired as described in the Impairment of Non-Financial Assets policy.

CHANGES IN ACCOUNTING POLICIES

The Company's accounting policies are as disclosed in Note 3 of the Company's audited annual consolidated financial statements for the years ended March 31, 2023 and 2022. There were no material changes to the Company's accounting policies during fiscal 2024 or during fiscal 2023.

New Standards and Interpretations

The IASB has issued the following standards, amendments and interpretations which have not been early adopted in these consolidated financial statements (and the Company is assessing the impact on its consolidated financial statements as a result of adopting these new standards):

IAS 1: Presentation of Financial Statements – Classification of current and non-current liabilities

In January 2020, IASB issued Classification of Liabilities as Current or Non-current, which amends IAS 1 - Presentation of Financial Statements. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

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Effective for interim reporting periods beginning on or after April 1, 2023, the Company has adopted these amendments.

IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued narrow-scope amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"). The amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The implementation of these amendments is not expected to have a significant impact to the Company.

IAS 12: Income Taxes

In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes to specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. Effective for interim reporting periods beginning on or after April 1, 2023, the Company has adopted these amendments.

CONTINGENCIES

From time to time, the Company may become liable for legal, contractual and other claims by various parties, including customers, suppliers, former employees and vendors of businesses acquired by the Company. Depending on the nature or duration of any potential proceedings or claims, the Company may incur substantial costs and expenses, be required to devote significant management time and resources to the matters and suffer adverse judgements or outcomes in respect of these claims, although it is difficult to predict final outcomes with any degree of certainty. Except as disclosed from time to time in the Company's annual or interim consolidated financial statements, the Company does not believe that any of the claims to which the Company is currently a party will have a material adverse effect on the Company's profitability or financial condition; however, the Company cannot provide any assurance to that effect.

SUBSEQUENT EVENTS

As of the date of issuance of this MD&A, there are no subsequent events known that would materially impact the financial statements.

ADDITIONAL INFORMATION

Additional information relating to the Company, including its most recent Annual Information Form, may be found under the Company's profile on SEDAR+ at www.sedarplus.ca.