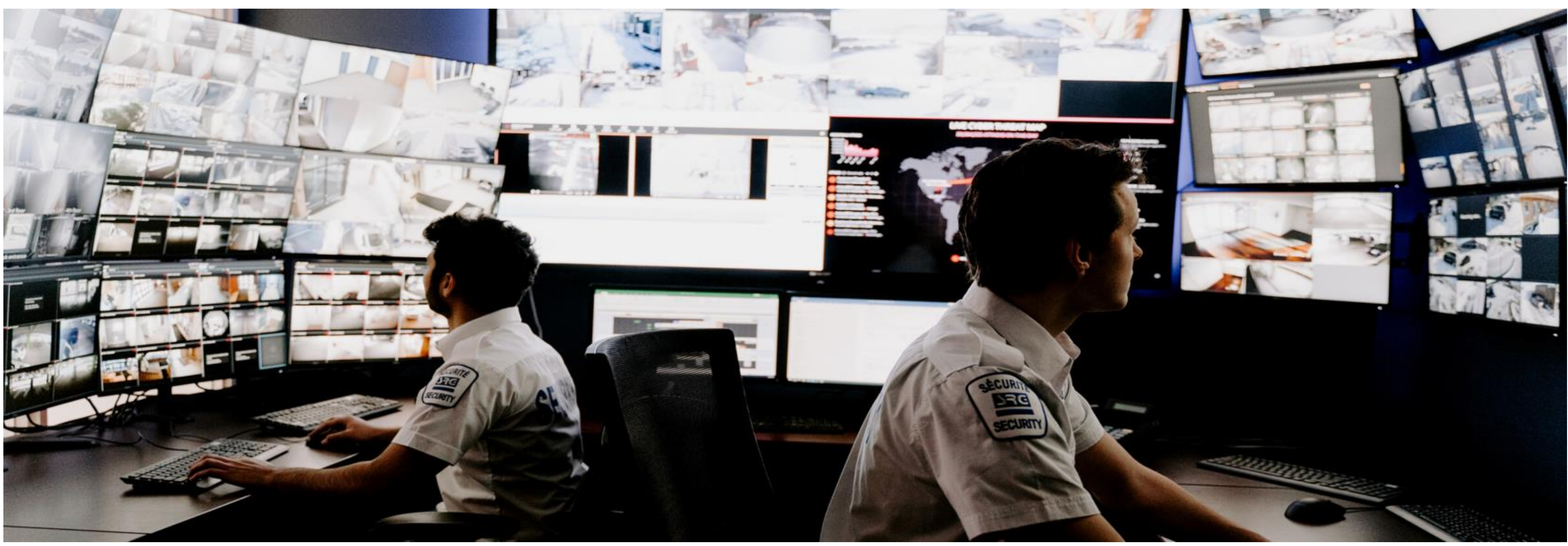
SSC Security Services Corp.



FY2022 SECOND QUARTER ENDED MARCH 31, 2022
MANAGEMENT'S DISCUSSION AND ANALYSIS

SSC Security Services Corp.
Management's Discussion and Analysis
For the Second Quarter Ended March 31, 2022
(All amounts are in thousands of Canadian dollars unless otherwise indicated)

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of SSC Security Services Corp. and its subsidiaries ("the Company", "we", "our", "SSC") provides information to assist readers of, and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the quarter ended March 31, 2022, including the notes thereto, the Annual Information Form ("AIF") for the fiscal year September 30, 2021, as well as the audited financial statements for the year ended September 30, 2021, including the notes thereto, and the associated MD&A. In the opinion of management, such financial statements contain all adjustments necessary for a fair presentation of the results for such periods. All dollar references in our financial statements and in this report are in Canadian dollars unless otherwise stated.

Additional information related to SSC Security Services Corp. may be obtained from SEDAR at www.sedar.com or on our website at www.securityservicescorp.ca.

Unless otherwise stated, the discussion and analysis contained in this MD&A are as of May 16, 2022.

Overview & Highlights

The predecessor corporation of SSC Security Services Corp. was incorporated under *The Business Corporations Act (Saskatchewan)* (the "Act") on October 25, 2011. The existing Company was formed by an amalgamation under the Act on August 8, 2013, and, prior to October 1, 2021, was known as Input Capital Corp., a Canadian Grain Commission licensed and bonded grain dealer. That legacy business is being wound down. The Company's common shares are publicly traded on the TSX Venture Exchange under the symbol "SECU" (OTCQX: SECUF).

The head office of the Company is located at 300 – 1914 Hamilton Street, Regina, Saskatchewan, S4P 3N6. The Company's registered and records office is located at 800 – 1801 Hamilton Street, Regina, Saskatchewan, S4P 4B4.

On February 1, 2021, the Company began a pivot into the security business by acquiring SRG Security Resource Group Inc. ("SRG"), which provides cyber and physical security services to commercial, industrial and public sector clients across Canada. Growth of the security business is now the focus of the Company.

In July 2021, SRG acquired certain regional operations of Impact Security Group Inc.

On October 1, 2021, the Company changed its name from Input Capital Corp. to SSC Security Services Corp. and changed its ticker symbol on the TSX Venture Exchange from INP to SECU in conjunction with a 1-for-3 share consolidation.

On November 15, 2021, the Company's shares began trading on the OTCQX in the United States, under the symbol "SECUF".

SSC is now well positioned for growth in the cyber and physical security space. Using its substantial balance sheet, internally generated cash flow, the revolving credit facilities of its subsidiaries and other specific debt financing, SSC is more than sufficiently capitalized to deliver on its business plan for the foreseeable future, while continuing to pay its quarterly dividend.

On March 30, 2022, the Company announced that it had entered into an agreement to acquire Logixx Security Inc. in an all-cash deal. Under the terms of the transaction, SSC will pay Avante Logixx Inc. $23.95 million in cash for the Logixx Shares, subject to standard working capital, debt and other closing adjustments standard for transactions of this nature. On closing, SSC will take ownership of Logixx on a debt-free basis and with $7.5 million of net working capital.

On closing of the Transaction, SSC will be the largest publicly-traded security company in Canada, be debt-free, and have approximately 2,100 employees from coast to coast. As a result of the transaction, SSC will approximately quadruple its pro forma annual revenue and Adjusted EBITDA.

Due to the timing of the acquisition of SRG on February 1, 2021, historical figures for previous periods are not comparable as they do not include the historical results of SRG prior to February 1, 2021.

STRATEGY

Management's strategy is to deploy its balance sheet into growth via acquisition and organic growth opportunities in the physical and cyber security industry, along with adjacent verticals. This strategy targets growing the Company into a $200 to $300 million annual revenue company over the next 3-5 years, producing $15 to $25 million in Adjusted EBITDA per year.

In accomplishing this strategy, we may launch or acquire new products and or companies whose products and services are a fit with our current service offerings, or where current service offerings offer an excellent add-on to the clients of the business being acquired. We see many cross-selling opportunities between cyber and physical security which can be significantly additive to the strength of the security platform we are building.

Some of the initiatives that will contribute to the success of the strategy are:

- Profitable top-line growth which improves consolidated Adjusted EBITDA per Share;
- Maintaining low levels of debt compared to industry averages;
- Growing free cash flow available for reinvestment in growth initiatives;
- Investments in platform and tuck-in acquisitions.

Our senior management team has over 70 years of experience building and operating profitable security companies.

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

Selected Financial Information

The following selected financial information for the quarter ended March 31, 2022 and 2021 have been derived from the unaudited condensed interim consolidated financial statements and should be read in conjunction with those financial statements and related notes. Non-IFRS measures are defined and reconciled in the Non-IFRS Measures section of this MD&A:

Statements of Comprehensive Income	Quarter ended March 31		Six months ended March 31	
	2022	2021	**2022**	2021
Revenue	**5,499**	4,609	**11,384**	8,885
Comprehensive income (loss)	**(285)**	117	**(762)**	856
Weighted average number of common shares outstanding				
Basic	**19,807**	18,363	**19,999**	18,075
Fully diluted	**20,702**	19,546	**20,919**	19,236
Comprehensive income (loss) per share (basic)	***$(0.01)***	$0.01	***$(0.04)***	$0.05
Comprehensive income (loss) per share (FD)	***$(0.01)***	$0.01	***$(0.04)***	$0.05
Adjusted EBITDA	**195**	(82)	**342**	1,334
Adjusted EBITDA per share (basic)	**$0.01**	$0.00	**$0.02**	$0.07
Adjusted EBITDA per share (fully diluted)	**$0.01**	$0.00	**$0.02**	$0.07
Statements of Cash Flows				
Cash generated from (applied to) operating activities	**183**	(1,026)	**(10)**	2,620

Statements of Financial Position	As at Mar 31, 2022	As at Mar 31, 2021
Cash	**31,838**	20,416
Legacy contract assets	**10,230**	12,257
Assets held for sale	**1,299**	5,466
Mortgages and loans receivable	**7,029**	23,593
Total assets	**77,835**	87,966
Total liabilities	**5,420**	11,968
Total shareholders' equity	**72,415**	75,999
Common shares outstanding	**19,781**	20,288
Book value per share	***$3.66***	*$3.75*
Working capital	**35,132**	27,223
Long-term debt	**-**	6,024

RESULTS FOR THE QUARTER ENDED MARCH 31, 2022 AND 2021

Revenues

Revenues for the quarter ended March 31, 2022 were $5.5 million compared with $4.6 million during the comparable quarter ended March 31, 2021, an increase of $0.9 million. The increase in revenues was due in part to the fact that only two months of security revenue were recorded in the prior period because the SRG acquisition closed on February 1, 2021. Revenue growth in security more than made up for the $2 million decline in legacy business revenue compared to the same quarter during the previous year. See the segment comparisons in Note 4 of the financial statements for a presentation of the year-to-year changes.

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

Key Performance Indicators	Quarter ended March 31		Six months ended March 31	
	2022	2021	**2022**	2021
Revenue	**5,499**	4,609	**11,384**	8,885
Cost of Sales	**4,498**	5,173	**9,460**	9,398
Gross Profit	**1,001**	(564)	**1,924**	(512)
Gross Margin (%)	**18.2%**	(12.2%)	**16.9%**	(5.8%)
Comprehensive net income (loss) *Comprehensive net income (loss) per share (basic)*	**(285)** ***$(0.01)***	117 *$0.01*	**(762)** ***$(0.04)***	856 *$0.05*
Adjusted EBITDA *Adjusted EBITDA per share (basic)*	**195** **$0.01**	(62) $0.00	**342** **$0.02**	1,334 $0.07

Gross Profit & Gross Margin

Gross profit and gross margin increased materially to $1.0 million compared to a deficit of $0.6 million during the same reporting period last year. This is a result of the shift out of our legacy business and into security.

Comprehensive Net Income

During the quarter, we recorded a comprehensive net loss of $0.3 million (loss of $0.01 per share), compared to comprehensive net income in the previous year's comparable period of $0.1 million (gain of $0.01 per share).

Adjusted EBITDA

Adjusted EBITDA for the quarter ended March 31, 2022, was $0.2 million, as compared to loss of $0.1 million during the comparable quarter ended March 31, 2021. The increase is a function of the company's shift to the security business and the continued fall-off of our legacy business. The decline in the six-month period ended March 31 compared to last year is a result of an outsized one-time gain during the comparable period related to our legacy business.

Net Income and Adjusted EBITDA	Quarter ended March 31		Six months ended March 31	
	2022	2021	**2022**	2021
Net income (Loss)	**(285)**	117	**(762)**	856
Adjusted EBITDA	**195**	(82)	**342**	1,334
Adjusted EBITDA per share	**$0.01**	$0.00	**$0.02**	$0.07

A reconciliation of earnings to EBITDA and Adjusted EBITDA is provided in the Non-IFRS section of this MD&A.

Balance Sheet

SSC has a very strong balance sheet. Total assets as at March 31, 2022 decreased by $7.1 million, or 8.3%, compared to total assets as of September 30, 2021. Our cash position at the end of the quarter ended March 31, 2022 was $31.8 million, up from $20.4 million at the end of the comparable quarter ended March 31, 2021. This increase in cash has occurred during the same period in which we used $13.7 million in cash ($11.2 million net of cash acquired) on acquisitions, completely repaid our bank debt, plus continued payment of dividends and bought back shares via our Normal Course Issuer Bid ("NCIB") program. This is because continued buyout activity and contract maturities in our legacy business portfolio have been much stronger than originally anticipated.

Many areas of our balance sheet have remained consistent since the last fiscal year end. The main change in our balance sheet resulted from land sales of over $2.4 million, which was dedicated to debt repayment. Cash increased by $3 million on mortgage buyouts of $5.5 million, share buybacks of $1.7 million and dividends paid of $1.2 million. As we repatriate our capital from our legacy business, we are strengthening our capability to fund and execute our plan to build out our security business.

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

Summary of Quarterly Results

The following is a summary of selected highlights of the eight most recent quarterly results of the Company:

Summary of Quarterly Results	**FY22-Q2**	FY22-Q1	FY21-Q4	FY21-Q3	FY21-Q2	FY21-Q1	FY20-Q4	FY20-Q3
	Mar 31, 2022	Dec 31, 2021	Sept 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sept 30, 2020	June 30, 2020
Comprehensive Income (Loss)								
Security revenue	**5,452**	5,768	5,437	3,909	2,493	-	-	-
Legacy operations revenue	**47**	117	62	15	2,116	4,276	932	52
Total revenue	**5,499**	5,885	5,499	3,924	4,609	4,276	932	52
Comprehensive net income (loss)	**(285)**	(478)	(260)	1,270	117	739	(992)	1,067
Weighted avg. number common shares outstanding								
Basic	**19,807**	20,186	20,288	20,288	18,363	17,793	17,849	18,447
Fully diluted	**20,702**	21,131	21,263	21,476	19,546	18,932	18,989	19,761
Net Income (loss) per share (basic)	**$(0.01)**	$0.00	$(0.01)	$0.06	$0.01	$0.04	$(0.06)	$0.06
Net Income (loss) per share (fully diluted)	**$(0.01)**	$0.00	$(0.01)	$0.06	$0.01	$0.04	$(0.05)	$0.05
Operating Cash Flow								
Cash generated from (applied to) operating activities	**183**	(186)	(1,379)	(246)	(1,026)	3,646	2,336	1,494

Financial Position								
Cash	**31,838**	31,218	28,796	25,006	20,416	29,466	27,234	25,177
Legacy contract assets	**10,230**	10,383	10,470	11,284	12,258	13,330	14,396	15,021
Assets held for sale	**1,299**	1,306	3,670	4,561	5,466	6,518	5,890	5,889
Mortgages and loans receivable	**7,029**	8,341	12,501	17,984	23,593	26,516	29,682	30,499
Total assets	**77,835**	80,422	84,888	85,715	87,966	80,272	81,901	81,774
Total liabilities	**5,420**	6,935	9,021	9,007	11,968	10,686	10,873	9,753
Total shareholders' equity	**72,415**	73,487	75,867	76,649	75,999	69,587	71,028	72,021
Common shares outstanding	**19,781**	19,855	20,288	20,288	20,288	17,400	17,843	17,857
Book value per share	***$3.66***	$3.70	$3.74	$3.78	$3.75	$4.00	$3.98	$4.03
Working capital	**35,123**	34,913	33,217	31,558	27,222	35,891	34,432	33,830
Long-term debt	**-**	475	2,540	3,058	6,024	7,734	7,748	7,748

Non-IFRS Measures & KPIs								
Adjusted EBITDA	**195**	147	398	1,557	(82)	1,417	527	907
Adjusted EBITDA per share	**$0.01**	$0.00	$0.02	$0.08	$0.00	$0.08	$0.03	$0.05
Dividends Paid per Share	**$0.03**	$0.03	$0.03	$0.03	$0.03	$0.03	$0.03	$0.03

Due to changes in business operations, certain prior period figures have been reclassified.

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

BUSINESS SEGMENT OPERATING RESULTS

We currently have two operating segments: Security Services and Legacy Operations. The accounting policies of the two segments are consistent with those of the consolidated entity.

In the security services segment, management evaluates performance based on revenue growth, gross profits and gross profit margin, and growth in Adjusted EBITDA on a nominal and per share basis. As illustrated in the tables below, security services now dominates our business in its contribution to revenue, gross profit, operating income, and net income.

This is because the legacy business is declining rapidly in size as client contracts mature or are bought out. We expect most of the activity in our legacy business to occur in investing activities rather than operating activity, as we recover capital as a result of mortgage buyouts, asset recoveries, and asset sales. This trend is reflected in the table below. Management evaluates performance of the legacy operations primarily based on the pace at which these assets can be converted to cash on a cost-efficient basis.

A summary of segment operating performance during the second quarter ended March 31, 2022 and 2021 is provided below:

Segment operating performance	Quarter ended Mar 31, 2022			Six months ended Mar 31, 2022		
	Security Services	Legacy Operations	Total	Security Services	Legacy Operations	Total
Revenue	5,452	46	5,499	11,220	164	11,384
Cost of sales	4,471	26	4,498	9,361	99	9,460
Gross Profit	**981**	**20**	**1,001**	**1,859**	**65**	**1,924**
Gross Profit %	*18.0%*	*43.5%*	*18.2%*	*16.6%*	*39.6%*	*16.9%*
Corporate administration	898	945	1,843	1,627	2,022	3,649
Income (loss) from operations	**83**	**(924)**	**(842)**	**232**	**(1,957)**	**(1,725)**
Other income (expense)	(4)	461	458	(8)	689	681
Net income (loss) before income tax	**79**	**(463)**	**(384)**	**224**	**(1,268)**	**(1,044)**

Segment operating performance	Quarter ended Mar 31, 2021			Six months ended Mar 31, 2021		
	Security Services	Legacy Operations	Total	Security Services	Legacy Operations	Total
Revenue	2,493	2,116	4,609	2,493	6,393	8,885
Cost of sales	1,946	3,227	5,173	1,946	7,452	9,398
Gross Profit	**547**	**(1,111)**	**(564)**	**547**	**(1,059)**	**(513)**
Gross Profit %	*21.9%*	*(52.5)%*	*(12.2)%*	*21.9%*	*(16.6)%*	*(5.8)%*
Corporate administration	381	1,089	1,469	381	1,014	1,394
Income (loss) from operations	**166**	**(2,200)**	**(2,033)**	**166**	**(2,073)**	**(1,907)**
Other income (expense)	(3)	2,220	2,217	(3)	3,116	3,113
Net income (loss) before income tax	**163**	**21**	**184**	**163**	**1,043**	**1,206**

NORMAL COURSE ISSUER BID

During the quarter ended March 31, 2022, we bought back 73,600 shares at an average price of $2.96 per share. During the fiscal year to date, we have purchased 586,700 shares at an average price of $2.97 per share.

We continue to believe that our shares have been trading in a price range which does not adequately reflect their value and that the purchase of shares under the NCIB will enhance shareholder value in general.

STRONG CASH POSITION

As of March 31, 2022, we had $31.8 million in cash, or $1.61 per share, which is 54.0% of our market capitalization based on the closing share price of our shares of $2.98 on the TSX Venture Exchange on that date.

DEFERRED SHARE UNIT PLAN

We have a Deferred Share Unit plan (the "DSU Plan") that provides for the payment of independent director compensation with deferred share units. Each director may elect to receive all or a portion of their board retainer in the form of DSUs rather than cash, and each has elected to receive all compensation in the form of DSUs since the formation of the Company. Each deferred share unit is a right granted by SSC to an eligible independent director to receive a cash payment equivalent to the value of one common share when a participant ceases to be a director. The number of deferred share units to be granted under the DSU Plan is determined by dividing the elected amount of such eligible directors' annual board retainer by the volume weighted average price of our common shares traded on the TSX Venture Exchange immediately preceding the date on which the deferred share units are awarded to such eligible director. Director annual board retainers are awarded on the first day of the fiscal year and vest over the fiscal year. Vested deferred share units are paid out in cash when a participant ceases to be a director. The DSU plan is considered an unfunded plan, under which no securities can be issued. To the extent that any individual holds any rights under the DSU Plan such rights shall be no greater than the rights of an unsecured general creditor. Given that we do not have the right to issue any shares to settle this plan, the promise to issue the DSU units has been recorded as a current liability.

At March 31, 2022, the deferred share units were valued at $2.98 per unit. The total number of vested deferred share units outstanding at March 31, 2022 was 522,356.

Plan of Arrangement Agreement with Bridgeway National

In October 2020, the Plan of Arrangement with Bridgeway National discussed in earlier MD&As was terminated. On October 25, 2021, the United States District Court for the District of Columbia awarded the Company a default judgment against Bridgeway National Corp., in the amount of $2,811,784.18 Canadian dollars. No amount has been recovered to date.

Upon termination of the agreement, our Board of Directors approved a plan to return to the Company's strategic plan that was in place prior to August 12, 2020. This plan had a focus on managing our existing legacy book of business to build book value per share, while continuing to minimize expenses and maximize and accelerate where possible the repatriation of our capital. The Board also reinstated the quarterly dividend and determined to continue with our Normal Course Issuer Bid program. The Board also remained open to considering internal or external proposals that would enhance and grow shareholder value.

Purchase of SRG Security Resource Group Inc.

On November 30, 2020, we announced that we had entered into a non-binding term sheet with SRG Security Resource Group Inc. ("SRG"), a then privately-held, market-leading, profitable Canadian provider of cyber security and physical protective security services to acquire 100% of the shares of SRG.

On February 1, 2021, following the receipt of TSX Venture Exchange final approval, the Company acquired all the outstanding shares of SRG pursuant to the share purchase agreement between SSC Security Services Corp. and the individual and entity shareholders of SRG. The aggregate purchase price was $19.6 million, $12.3 million paid in cash and the issuance of 8,883,930 common shares in the capital of SSC to the Sellers. Such shares had a fair value of $7.1 million as at the date of acquisition.

The SSC Shares issued pursuant to the acquisition of SRG represent approximately 17.1% of the issued and outstanding SSC Shares as of January 31, 2021, which is the date immediately prior to the closing of the transaction.

The new SSC Shares issued to SRG Shareholders pursuant to the SRG acquisition were subject to a statutory hold period expiring 4 months and 1 day from the date of issuance. In addition, the SRG Shareholders agreed to lock-up terms in favour of SSC restricting their ability to transfer their SSC Shares until six months following the closing of the transaction.

SRG is now a wholly-owned subsidiary of SSC, and we intend to use SSC's very strong balance sheet to finance the growth of SRG's business via acquisition and organic growth.

INDEPENDENT COMMITTEE ROLE IN SRG TRANSACTION

Prior to the acquisition of SRG, Doug Emsley, Chairman of the Board, President and Chief Executive Officer of SSC and a holder of 21.95% of the then-issued and outstanding SSC Shares, was also the chairman of the board and chief executive officer of SRG and an SRG Shareholder then holding approximately 19.3% of the outstanding SRG Shares (on a fully diluted basis, assuming the exercise of all outstanding SRG options). Mr. Emsley was a "related party" to SSC under Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("MI 61-101") and a "Non-Arm's Length Party" under applicable TSXV policies. As a result, the SRG transaction was a "related party transaction" under MI 61-101 insofar as it relates to Mr. Emsley but was exempt from the formal valuation and minority approval requirements because the fair market value of the consideration payable to Mr. Emsley under the Purchase Agreement did not exceed 25% of SSC's market capitalization, as determined under MI 61-101.

Because Mr. Emsley was a related party, SSC formed a special committee of independent directors (the "Independent Committee") consisting of David Brown, C.M., Q.C., David Laidley, FCPA, FCA, and Dr. Lorne Hepworth, to consider and oversee the Acquisition and make a recommendation to the board of directors of SSC whether the proposed acquisition of the SRG Shares would be in the best interests of the Company and its shareholders. In the case of the proposed acquisition, the Independent Committee was charged with evaluating the proposed transaction and possible alternatives. In that connection, the Independent Committee retained Davies Ward Phillips & Vineberg LLP as its independent legal advisor and MNP LLP as its independent financial advisor.

Following its review of the proposed acquisition, which included financial analysis and advice by MNP to the Independent Committee, the Independent Committee recommended to the board of directors of SSC that the board approve the acquisition and authorize the Company to enter into the Purchase Agreement to acquire the SRG Shares on the terms and subject to the conditions therein. The SSC board unanimously approved the Company proceeding with the Acquisition and the entering into of the Purchase Agreement.

Mr. Emsley declared his interest and abstained from voting on the proposed Acquisition.

SRG IS NOW OUR PRIMARY OPERATING COMPANY

Our senior management team has over 70 years of experience building and operating profitable security companies. The combined leadership team of SSC and its SRG subsidiary now consists of:

- Doug Emsley, Chairman, President & CEO of the combined companies;
- Blair Ross, Chief Operating Officer of the combined companies;
- Brad Farquhar, CFO of the combined companies; and
- Gord Nystuen, Vice President.

SRG is a market-leading Canadian provider of world-class Cyber Security and physical Protective Security Services. Founded in 1996, most of SRG's employees are located in Western Canada, but solutions and services are provided to organizations across the country. SRG clients include federal and provincial governments, Crown corporations, and many high profile corporate and public sector clients such as hospitals, airports, utility companies and police forces. SRG now operates as a wholly-owned subsidiary of the Company and its financial results have been consolidated with SSC's in the financial statements and MD&A since the quarter ending March 31, 2021.

On a revenue basis, SRG's business has rapidly grown in prominence and is now the dominant majority of our revenue, solidifying the focus of the Company on cyber and physical security services.

Purchase of Regional Operations of Impact Security Group

On July 10, 2021, the Company completed an asset purchase agreement with Impact Security Group Inc. ("Impact") whereby SRG purchased all Impact security and guard contracts in the Province of Saskatchewan, Canada. The purchase price was $2.0 million, with $1.35 million in cash paid on closing and the balance to be paid as an earnout based on the performance of the contracts over the following twelve months.

Purchase of Logixx Security Inc.

On March 31, 2022, the Company announced that it had entered into a definitive share purchase agreement ("Share Purchase Agreement") to acquire Logixx Security Inc. ("Logixx"), a Toronto-based provider of premium security protection for leading enterprise and commercial clients across Canada, from its corporate owner, Avante Logixx Inc. ("Avante") (TSXV: XX) (OTC: ALXXF).

The arrangement agreement (the "Arrangement") between SSC and Avante previously announced on February 9, 2022 was terminated by mutual agreement (the "Termination Agreement") of both parties in order to enter into the Share Purchase Agreement. In lieu of the expense reimbursement fee payable to SSC on termination of the Arrangement, the parties agreed to apply an amount equal to $750,000 (the "Arrangement Expense Reimbursement") to payment of the purchase price under the Share Purchase Agreement.

Pursuant to the terms of the Share Purchase Agreement, SSC agreed to acquire all of the issued and outstanding common shares of Logixx ("Logixx Shares") by way of a share purchase agreement ("Transaction"). Under the terms of the Transaction, SSC will pay Avante $23.95 million in cash for the Logixx Shares, less the Arrangment Expense Reimbursement, and subject to standard working capital, debt and other closing adjustments standard for transactions of this nature. On closing, SSC will take ownership of Logixx on a debt-free basis and with $7.5 million of net working capital. Completion of the Transaction is subject to the satisfaction of certain conditions precedent, including, but not limited to, receipt of all necessary regulatory approvals, including approval of the TSX Venture Exchange. Avante and SSC have provided representations, warranties and indemnities customary for a transaction of this nature, as well as customary interim period covenants regarding the operation of the Logixx businesses in the ordinary course. The parties have also made customary non-competition and non-solicitation arrangements.

Copies of the Termination Agreement and the Share Purchase Agreement were filed with the securities regulators and available on the SEDAR profile of Avante at www.sedar.com. Avante has announced that it will hold a Special Meeting of its shareholders on May 30, 2022 to approve the Transaction. We expect to close the Transaction shortly thereafter.

On closing of the Transaction, the Company will be the largest publicly-traded security company in Canada, be debt-free, and have approximately 2,100 employees from coast to coast. As a result of the Transaction, we will approximately quadruple our pro forma annual revenue and Adjusted EBITDA. The Transaction will be funded with cash on hand and without any dilution to SSC shareholders.

We plan to maintain our quarterly dividend at the current level of $0.03 per Share (which equates to $0.12 annualized). On a pro forma basis, our dividend payout ratio as a percentage of estimated annual Adjusted EBITDA will improve from approximately 80% to under 35%.

HIGHLIGHTS & KEY BENEFITS OF THE TRANSACTION

- By approximately quadrupling our pro forma annual revenue and adjusted EBITDA, the Transaction creates the largest publicly-traded security company in Canada;
- Brings together two highly-experienced and complementary management teams with minimal geographic overlap to leverage our large, liquid balance sheet and Logixx's well-established revenue and EBITDA profile;
- On closing, the combined company will be an extremely well-capitalized and profitable, physical and cyber security company with critical mass and over 2,100 employees across Canada;
- Together, the companies will serve some of the largest corporate and public sector enterprises in Canada, and it is expected that the combination will enable significant growth and cross-selling opportunities for both our cyber security platform, which is housed in SRG, as well as for Logixx's tech-enabled monitoring and security platforms;
- On a pro forma basis, the combined company would have generated almost $100 million in annual revenue and a substantial amount of EBITDA over the trailing twelve-month period ended December 31, 2021;
- We plan to maintain our quarterly dividend at the current level of $0.03 per SSC Share (which equates to $0.12 annualized). On a pro forma basis, our dividend payout ratio as a percentage of estimated annual Adjusted EBITDA will improve from approximately 80% to under 35%;
- The Transaction will be entirely funded with cash on hand with no dilution to shareholders;
- Cost synergies are expected to be realized by eliminating duplicate overhead costs; and
- The board of directors of SSC unanimously approved the Transaction.

The Security Business

Our strategic objective is to use our balance sheet to acquire and grow a portfolio of profitable Canadian security companies.

Our wholly-owned subsidiary, SRG, provides security services to primarily commercial, industrial and public sector clients in two segments: cyber security services, and physical security services. SRG clients include federal and provincial governments, Crown corporations, and many high profile corporate and public sector clients such as hospitals, airports, utility companies and police forces.

Cyber Security Services

Cyber security services are offered across Canada and currently comprise approximately one quarter of SRG's revenue. In this segment, SRG provides Managed Security Services (MSS), vulnerability and risk analysis, cyber security consulting services, CISO consulting, and cyber security staff augmentation services to corporate and public sector clients. For a list of current and past cyber security clients, please see the About SRG segment of SRG's website at www.securityresourcegroup.com.

Physical Security Services

Physical security services are offered to clients in Ontario, Manitoba, Saskatchewan, Alberta, and British Columbia, with the majority of the employees in this segment located in Manitoba and Saskatchewan. Physical security services represented approximately three quarters of SRG's revenue as of March 31, 2022.

In this segment, SRG provides on-site security guard, remote continuous camera monitoring, mobile patrol and investigative services to commercial and public sector clients located in every province from Ontario to British Columbia, with the majority of personnel located in Manitoba and Saskatchewan. For a list of current and past physical security clients, please see the About SRG segment of SRG's website at www.securityresourcegroup.com.

OUR PLANS IN THE SECURITY BUSINESS

The security business is a highly fragmented business in Canada. According to Statistics Canada, there are over 2,700 companies providing some kind of physical security services in Canada. Many of these are small owner-operated businesses, with a tier of mid-sized and larger companies as well.

Building on the 33 years of experience in the security industry of SRG founders Doug Emsley and Blair Ross, we believe there is an opportunity to use SSC's balance sheet to build SRG into a rapidly growing security platform that grows via acquisition and consolidation of small and mid-sized companies in the security industry, as well as via organic growth. Companies in similar business-to-business services spaces with comparable economics trade at attractive multiples in the public market, and we believe that pursuing this growth strategy will yield positive outcomes for our shareholders.

Our strategy is to deploy our balance sheet into growth via acquisition and organic growth opportunities in the physical and cyber security industry, along with adjacent verticals. This strategy targets growing the Company into a $200 to $300 million annual revenue company over the next 3-5 years, producing $15 to $25 million in Adjusted EBITDA per year.

To accomplish this strategy, we may launch or acquire new products and/or companies whose products and services are a fit with our current service offerings, or where current service offerings offer an excellent add-on to the clients of the business being acquired. We see many cross-selling opportunities between cyber and physical security which can be significantly additive to the strength of the security platform we are building.

Our senior management team has over 70 years of experience building and operating profitable security companies.

Management and directors own about 35.9% of the Company's outstanding shares (37.5% on a fully-diluted basis), so we will very much participate in this success together with shareholders.

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

The Legacy Business

We no longer provide services related to our legacy business to new clients. Our focus is on closing off that part of our business as rapidly as possible and repatriating capital from it. As a result, quarterly revenue from this line of business is no longer material and is not presented separately on the income statement, although insight into this segment can be seen in the segmented reporting section of the financial statements.

MORTGAGE FINANCING FACILITIES

Over the last two years, we have completely repaid all of our credit facilities with various Canadian banks and we now operating debt-free. It is our philosophy that we will operate in the security business with little to no long-term debt.

Liquidity and Capital Resources

We previously financed our legacy business with the equity proceeds of issuing common shares through a private placement completed on November 30, 2012, subsequent public offering and private placements completed on October 4, 2013 and July 9, 2014, our internally generated cash flow, and the use of credit facilities. Now, as a security company, our internally generated cash flow from operating and investing activities is sufficient to cover our ongoing operational expenses, although the timing of cash flow and expenses may vary.

SRG is profitable and cash flow positive on its own. Profits and cash flow from SRG add to the Company's overall financial strength and working capital capacity. As a result, we expect that continued cash from operations during fiscal 2022, together with cash and cash equivalents on hand will be more than sufficient to fund our working capital and capital expenditure requirements.

At March 31, 2022, we had working capital of $35.1 million as well as substantial tangible assets related to our legacy business. We will draw on our working capital to meet our financial obligations. Capital not invested earns daily interest by being kept on deposit with a Canadian chartered bank. Our Normal Course Issuer Bid (NCIB) reduces our working capital every time we buy back shares of the Company, but also reduces the number of shares outstanding. For more details on the NCIB program, please see the discussion in the relevant section elsewhere in this MD&A.

For a further discussion of financing and risks associated with the execution and financing of our growth strategy, please refer to the Risks and Uncertainties section of this MD&A.

Cash Flows

Cash inflows (outflows) by activity	**Quarter ended March 31**		**Six months ended March 31**	
	2022	2021	**2022**	2021
Operating activities	**183**	(1,026)	**(10)**	2,620
Investing activities	**1,714**	(5,655)	**8,356**	(5,300)
Financing activities	**(1,277)**	(2,369)	**(5,304)**	(4,138)
Net cash inflows (outflows)	**620**	(9,050)	**3,042**	(6,818)

Operating Activities

Cash generated by Operating Activities was $0.2 million during the quarter ended March 31, 2022 as compared to $1 million of cash applied to Operating Activities during the same quarter last year. In the previous year, we had only just entered the security business, and our legacy business represented a much larger part of our operations.

Investing Activities

Cash inflows from investing activities were $1.7 million during the quarter ended March 31, 2022 compared to cash outflows of $5.7 million during the same quarter last year. The is due to the ongoing wind-down of our legacy business.

We expect to continue to have large inflows in this area, and our planned acquisition of Logixx Security Inc. will use a portion of that cash to grow our business.

The cash position as at March 31, 2022 was $31.8 million compared to $20.4 million as at March 31, 2021. While positive results in SRG contributed to the growth in our cash position, the increase in cash is mainly a result of winding down the legacy business, net of the impact for the investment in the SRG and Impact acquisitions, cash used for working capital purposes, share purchases under our NCIB program, and dividends paid to common shareholders.

Financing Activities

Cash used in Financing Activities was $1.3 million during the quarter ended March 31, 2022, compared to cash used in Financing Activities of $2.4 million during the same quarter last year.

These cash outflows primarily are a result of us making repayments on our long-term debt, although they were also affected by share buyback activity and the payment of our quarterly dividend.

Debt Outstanding

As of March 31, 2022, we had no outstanding long-term debt ($6.0 million at March 31, 2021).

During the last fiscal year, our five-year sub-lease with Emsley & Associates (2002) Inc. (a related party – see below) for office space ended and we signed a one-year extension on the same terms as the previous year.

As a result of the SRG acquisition, the Company acquired a five-and-a-half-year lease ending December 31, 2024. The Company's commitment remaining under the lease totals $0.4 million.

Issuance of Stock Options

As at March 31, 2022, there were a total of 832,462 options outstanding to purchase common shares, with a weighted average strike price of $4.37, expiring at various dates between December 2021 and March 2026. During the quarter ended March 31, 2022, no options were exercised, and 62,739 options expired.

Off Balance Sheet Arrangements

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

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

Dividends

We pay a quarterly dividend of $0.03 per share. Shareholders of record as of the end of each quarter receive their quarterly dividend payments on approximately the 15th day of the following month.

Transactions between Related Parties

The Company enters into certain transactions with private companies controlled by key management of SSC. These transactions are in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Related party expenses are summarized in the following table:

	Quarter ended Mar 31, 2022	Quarter ended Mar 31, 2021	Six months ended Mar 31, 2022	Six months ended Mar 31, 2021
Corporate administration expenses	**263**	262	**525**	470

On December 14, 2020, the Company announced that it had entered into a binding share purchase agreement with SRG Security Resource Group Inc. whereby the Company agreed to acquire all of the issued and outstanding common shares of SRG Security Resource Group Inc. This acquisition was completed on February 1, 2021, and as a result of common management was considered a related party transaction under the TSX Venture Exchange policy Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transaction. The Company formed a special committee of independent directors to consider and oversee the acquisition and following their review and recommendation, the SSC board approved the Company proceeding with the acquisition.

Critical Accounting Estimates

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ materially from the estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Significant areas requiring the use of management estimates are further described below:

Financial Instruments

Refer to Note 18 of the Financial Statements regarding financial instrument risk. Financial assets are initially measured at fair value. On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless SSC changes its business model for managing financial assets.

Derivatives embedded in contracts where the host is a financial asset are not separated and the hybrid financial instrument as a whole are assessed for classification and measurement. SSC has chosen not to use hedge accounting. Derivatives are recognized initially at fair value with attributable transaction costs recognized in net earnings as incurred. Subsequent to initial measurement, derivatives are measured at fair value and the changes in fair value are recognized immediately in net earnings.

Cash, accounts receivables, mortgages and loans receivable are measured at amortized cost. For the assets measured at amortized cost an expected credit allowance is estimated based on the estimated loss, the exposure and timing of cash received at a future date, and the probability of default. The expected credit loss is an estimate required under IFRS 9 and reduces the net value of the assets carried at amortized cost on the statement of financial position. Upon adopting the new standard, an adjustment has been made to opening retained earnings reflecting the opening impact of the new standard.

Legacy contract assets and other financial assets are financial assets classified as fair value through profit or loss and recorded at fair value on the statement of net loss and comprehensive loss in unrealized market value adjustments loss. Realized gains and losses that result from legacy operations are recognized in profit or loss.

Accounts payable and accrued liabilities, revolving credit, and long-term debt are classified as other liabilities, and these are measured at amortized cost using the effective interest method.

Legacy contract assets

Legacy contract assets were agreements for which settlements were called for in tonnes of crop, the amount of which was determined based on terms in the crop purchase agreements which were capitalized on a contract by contract basis and were recorded at fair value. All active marketing and capital streaming contracts have now been settled, and the remaining balance relates to legacy contract assets.

As at March 31, 2022 the value of these assets on our balance sheet was $10.2 million (March 31, 2021 - $12.3 million).

Other financial assets (liabilities)

Other financial assets includes contracts with grain companies, farmers and canola crushing facilities. These contracts are generally settled by delivery of tonnes or in cash. At each reporting date the fair value of each contract is calculated using current and future pricing provided by independent sources. Subsequent changes in fair value of these financial instruments are recognized in profit or loss.

Mortgages and loans receivable

Mortgages and loans receivable include mortgages and other loans that contain fixed and determinable payments. SSC's business model is to hold the mortgages and loans receivable to collect principal and interest payments and these assets qualify for the solely payments of principal and interest model. Upon initial recognition, these are recognized at fair value. Subsequently these assets are carried at amortized cost less expected credit losses. Interest revenue is recorded on an accrual basis.

An impairment loss for mortgages and loans receivable are measured at amortized cost and is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. Losses are recognized in net earnings or loss. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of a previous impairment loss to reverse or partially reverse, the decrease in impairment is reversed through net earnings or loss.

Deferred income taxes

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Future taxable income is estimated based on known information at the end of each reporting date and deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

A deferred tax liability has been recognized as a part of the SRG acquisition in relation to temporary differences between the carrying amounts of assets recognized on our Condensed Interim Consolidated Statements of Financial Position and their respective tax bases.

Business combinations

All business acquisitions are accounted for under IFRS 3, Business Combinations. Identifying the fair value of the assets and liabilities acquired, including intangible assets and residual goodwill requires significant judgement by management upon acquisition.

Risk Factors

The operations of the Company are speculative due to the nature of its businesses which has principally been in one line of business and is now shifting toward the security services business. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. The risks described herein are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also materially and adversely affect its business.

The following discussion is intended to outline conditions currently known to management which could have a material impact on the financial results of the Company. As such, this discussion is not all-inclusive nor is it a guarantee that other factors will or will not affect the Company in the future. The section entitled "Risk Factors" in the Company's Annual Information Form, available on SEDAR at www.sedar.com, describes other conditions that could have a material impact on the financial results of the Company, and are incorporated into this MD&A by reference.

RISKS RELATING TO THE COMPANY'S SECURITY BUSINESS

SRG Business Plan

The Company's plans to back and grow SRG's cyber and physical security business with the Company's balance sheet may not yield the results expected by management.

Growth Strategy & Management

The Company has made or entered into, and will likely continue to pursue, various acquisitions, business combinations and joint ventures intended to complement or expand its business. The Company believes the acquisitions of other businesses may enhance its strategy of building a diversified portfolio of leading security businesses. The successful implementation of such acquisition strategy depends on the Company's ability to identify suitable acquisition candidates, acquire such companies on acceptable terms, integrate the acquired companies' operations and technology 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 candidates that are available for a suitable price, or the likelihood that any potential acquisition 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 into its operations. In addition, future acquisitions 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.

Market Competition

As the Company operates in a highly competitive sector, the Company's management has implemented a plan to concentrate on developing the Company's clientele in more profitable sectors, focusing on clients who want and recognize value added services that the Company offers.

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

The Company's operations are regulated by the Federal, Provincial and 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 licenses and facility security clearances. Any failure to obtain, maintain or renew required licenses or facility security clearances 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 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. The Company also provides certain cyber security services using third-party software and is reliant on those suppliers to maintain and continue to provide these programs in order to deliver these services. Should these suppliers discontinue their products, they can be replaced with software from other suppliers, but business operations could be disrupted if changes were to occur without warning.

Credit Risk

The Company sells almost all of its services within 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 commercial and public sector clients that the Company deals with, and their economic distribution, the credit risk concentration to which the Company is exposed remains limited. However, a widespread economic downturn could affect the ability of some clients to pay their bills, thereby affecting the cash flow and potential viability of the Company.

Reputational Risk

The Company depends on its reputation for high quality physical and cyber 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. 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.

New Accounting Standard and Interpretations

Future amendments and interpretations

The International Accounting Standards Board ("IASB") issued a number of new and revised accounting standards which are effective for future periods. Standards required to be applied and that may have an impact for SSC are outlined below:

Proposed Standard	Description	Effective Date	Expected Impact
Amendments to IAS 1 - Classification of liabilities	The amendment provides clarification on the requirement on determining if a liability is current or non-current.	Fiscal years beginning on or after January 1, 2023, applied prospectively.	The Company does not expect any significant impact on the consolidated financial statements, but continues to do analysis.
Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets	The amendment provides clarification on the types of costs that can be included when fulfilling an onerous contract.	Fiscal years beginning on or after January 1, 2022 applied prospectively.	The Company does not expect any significant impact on the consolidated financial statements, but continues to do analysis.
Amendments to IFRS 3 - Business Combinations	This amendment provides clarification that an acquirer can not recognize contingent assets acquired in a business combination, and provides reference to the Conceptual Framework.	Fiscal years beginning on or after January 1, 2022 applied prospectively.	The Company did not recognize any contingent assets within business combinations during the period, but will adopt this amendment for future business combinations.
Amendments to IAS 12 – Income Taxes	This amendment narrows the scope of the recognition exemption in paragraph 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	Fiscal years beginning on or after January 1, 2023 applied prospectively.	The Company does not expect any significant impact on the consolidated financial statements, but continues to do analysis.

We plan to adopt the above standards when they become effective. We are reviewing these standards to determine the potential impact, if any, on our financial statements.

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

Outstanding Share Data

At March 31, 2022, there were 19,781,338 common voting shares outstanding (March 31, 2021 – 20,288,285).

The following table sets forth the issued and outstanding common voting shares and the common voting shares issuable on the conversion, exercise or exchange of securities into common voting shares.

Common Shares	Number
Outstanding	19,781,338
Issuable upon exercise of options[1]	832,462
Fully diluted common shares	**20,613,800**

Notes:

(1) Stock option plan - SSC has a stock option plan and, pursuant to the stock option plan, a total of 832,462 stock options are outstanding. All of the outstanding stock options issued have been issued to officers, employees and consultants of SSC.

Non-IFRS Measures

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as EBITDA, EBITDA per share, Adjusted EBITDA and Adjusted EBITDA per share. These non-IFRS measures are not recognized under IFRS and, accordingly, readers are cautioned that these measures should not be construed as alternatives to net income determined in accordance with IFRS. The non-IFRS measures presented are unlikely to be comparable to similar measures presented by other issuers.

We use these non-IFRS measures for our own internal measurement purposes. These non-IFRS measures do not have any standardized meaning prescribed by IFRS, and these measures may be calculated differently by other companies. The presentation of these non-IFRS measures enables investors and analysts to understand the underlying operating and financial performance of the Company in the same way as it is evaluated by us. We will periodically assess these non-IFRS measures and the components thereof to ensure their continued use is beneficial to the evaluation of the underlying operating and financial performance of the Company.

EBITDA, EBITDA PER SHARE, ADJUSTED EBITDA AND ADJUSTED EBITDA PER SHARE

EBITDA, and EBITDA per share are non-IFRS measures calculated by excluding the following from net income (loss) and earnings per share ("EPS"):

- Amortization of capital and intangible assets;
- Income tax expense (recovery); and
- Interest expense.

Adjusted EBITDA and Adjusted EBITDA per share are non-IFRS financial measures calculated by excluding the following from EBITDA and EBITDA per share:

- Expected credit and impairment losses;
- Unrealized market value loss (gain);
- Realized market value loss (gain);
- Realization of legacy operations upfront payments; and
- Non-recurring and other expenses.

Management's view is that EBITDA, EBITDA per share, Adjusted EBITDA, and Adjusted EBITDA per share are useful metrics for investors and analysts to evaluate the pre-tax earnings of the Company without the effects of non-cash charges (such as amortization of capital and intangible assets, realization of legacy operations upfront payments, and interest expenses). While the loss/gain on market value adjustments of the Company will be a recurring item until the legacy operations mature, this loss/gain does not reflect the underlying operating performance of the Company, nor is it necessarily indicative of future operating results.

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

Reconciliation of EBITDA, Adjusted EBITDA, and Adjusted EBITDA per Share	**Three months ended Mar 31**		**Six months ended Mar 31**	
CAD millions, unless otherwise noted	**2022**	2021	**2022**	2021
Comprehensive income (loss)	**(285)**	117	**(762)**	856
Amortization of capital and intangible assets	**302**	163	**532**	240
Income tax (recovery) expense	**(99)**	66	**(282)**	350
Interest expense	**6**	80	**17**	166
EBITDA	**(76)**	426	**(496)**	1,612
EBITDA per share	**$0.00**	$0.02	**$(0.02)**	$0.09
Expected credit and impairment losses	**7**	(31)	**14**	(30)
Unrealized market value loss (gain)	**9**	(980)	**200**	(917)
Realized market value loss (gain)	**(2)**	(16)	**29**	73
Non-recurring & other expenses (gains)[1]	**257**	405	**595**	(76)
Realization of legacy operations upfront payments	**-**	113	**-**	673
Adjusted EBITDA	**195**	(82)	**342**	1,334
Adjusted EBITDA per share	**$0.01**	$0.00	**$0.02**	$0.07
Weighted average shares outstanding (basic)	**19,807**	18,363	**19,999**	18,075

Note:
(1) Non-recurring and other expenses are those deemed by management to be non-cash, non-recurring, relating to financing and/or acquisitions, security realization expenses, severance costs, share-based payments, or other, predominantly reported within general and administrative expenses.

Outlook

Our legacy business has become an immaterial part of our income statement, although it still occupies a significant part of our balance sheet. We continue to make significant progress converting these assets into cash, and expect this trend to continue. Our objective is to make these resources available for redeployment into our security business.

All future growth will be in the security segment, in part from organic growth as SRG wins new contracts, launches new products, and via acquisition, as SSC and SRG look to acquire other companies in the Canadian cyber and physical security space(s), such as the recently announced Logixx acquisition.

We plan to continue to distribute capital to shareholders via the dividend, operate with minimal to no debt while maintaining solid liquidity, and focus on maximizing Adjusted EBITDA on a per share basis.

The ongoing effects of the COVID-19 pandemic and uncertainty within international markets could impact the Company's financial performance for the year ended September 30, 2022 and, possibly, beyond. The financial impact will be dependent on the spread and duration of the pandemic and on related restrictions and government advisories. We have not seen any material impact on our security or legacy business to date, but we have seen some shifting of client demand for security services as a result of COVID. Demand is smaller in certain market segments, such as airport security services, but higher in other segments. Given the balance of uncertainties, the long-term financial impact on the Company, if any, cannot be determined with any certainty. Taken together, COVID-19 has not had a material impact on the results of our business.

Cautionary Statement on Forward-looking Information

Certain information contained in this MD&A contains forward-looking statements concerning the future results, future performance, intentions, objectives, plans and expectations of the Company. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "estimates", "intends", "anticipates", "believes" or variations of such words and phrases (including negative and grammatical variations) or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements include known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and perception relating to historical trends, current conditions and expected future developments and other factors the Company believes are appropriate and are subject to risks and uncertainties. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect and the fact that the Company has a short operating history may result in the assumptions being less accurate. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under the section entitled "Risk Factors" in this Management Discussion & Analysis (MD&A) document and/or the Annual Information Form (AIF) available on SEDAR at www.sedar.com.

Forward-looking statements are not guarantees of future performance. These forward-looking statements should not be relied upon as representing the views of the Company as of any date subsequent to the date of this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement and by the risk factors described under the Heading "Risk Factors" in this MD&A and as otherwise disclosed in our filings with securities regulatory authorities which are available on SEDAR at www.sedar.com. The forward-looking statements included in this MD&A are made as of the date of this MD&A and the Company does not undertake any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise, except as required by applicable securities laws.

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