

Avante Logixx Inc.
Management's Discussion and Analysis
For the Three-Month Period Ended June 30, 2021 and 2020
(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 Logixx Inc. (the "Company") as at and for the three-month period ended June 30, 2021 and 2020, as well as forward-looking information about future periods. The information in this MD&A is current to August 25, 2021 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-month period ended June 30, 2021 and 2020.

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-month period ended June 30, 2021 and 2020 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-month period ended June 30 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 judgments 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.

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, Adjusted EBITDA and Adjusted EBITDA per share. 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 determined in accordance with IFRS. The non-IFRS measures presented are unlikely to be comparable to similar measures presented by other issuers.

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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. 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 (as 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 EBITDA and Adjusted EBITDA may differ from methods used by other issuers and, accordingly, the Company's 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.

OVERVIEW OF AVANTE AND HIGHLIGHTS

Avante Logixx Inc. is an Ontario corporation listed on the Toronto Venture Exchange (TSXV: XX). The Company is a leading provider of technology enabled security solutions to both commercial and residential customers providing the following services.

- Protective Services
- Monitoring & Managed Services
- Electronic Security
- Security Devices and Hardware

The Company is 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. A third division, 70% owned City Wide Locksmiths Ltd. ("City Wide"), was sold on September 30, 2020, refer to Note 23 to the *Unaudited Condensed Interim Consolidated Financial Statements for the three-month period ended June 30, 2021 and 2020*. In summary, Logixx Security focuses on providing enterprise customers with Protective Services, Electronic Security and Monitoring & Managed Services across Canada. Avante Security focuses on providing residential customers with similar services within central Toronto and Muskoka, Ontario. City Wide focused on both residential and commercial customers by selling and installing Security Devices and Hardware mainly within the Greater Toronto Area.

The Company's strategy focuses on acquiring, managing and building a diversified portfolio of industry leading businesses providing specialized, mission-critical solutions that address the security risks of our customers. The Company's businesses continuously develop innovative solutions that enable its customers to achieve their security and risk objectives.

In fiscal 2018, the Company announced a new strategy following the appointment of Craig Campbell, a security industry veteran as Chief Executive Officer. The Board approved strategy is two-pronged:

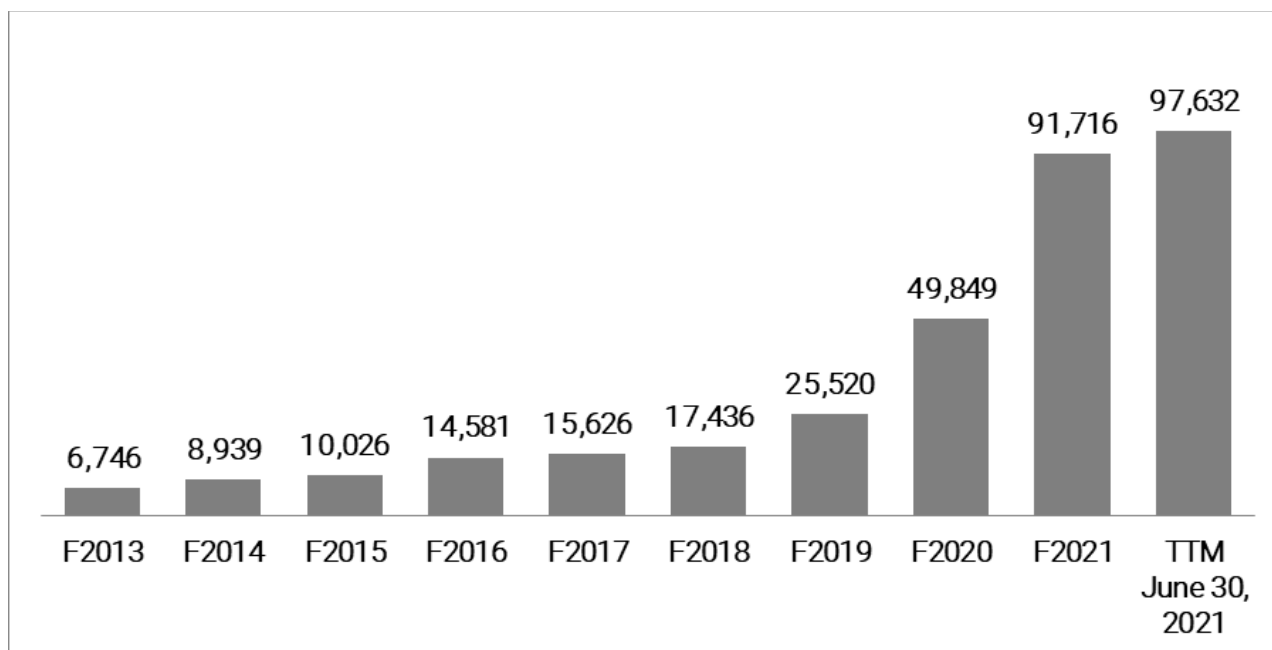
- i) invest in the parent company management structure to create the capability to grow by way of acquisition (senior leadership, and corporate development); and
- ii) look for opportunities to leverage previous acquisitions to gain synergies and create a shared services infrastructure to efficiently deliver services such as: human resources, management information services, marketing and sales.

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The Company added key talent throughout fiscal 2019 and 2020 at the operational, management and executive level, creating, enhancing and expanding the support platform of Finance & Administration, Human Resources, Sales and Marketing and IT. The Company believes that these investments in people, technology and processes are critical to achieving the scale required to realize its strategy of building a technology-enabled security solution and one stop security provider to large, national commercial clients and for high-net-worth residential customers. On December 1, 2019, the Company’s most recent acquisition was A.S.A.P. Secured Inc. (“ASAP”), which was amalgamated into Logixx Security on April 1, 2020 and more than doubled the size of that operating segment.

These investments are the foundation for the Company’s growth platform. Management of the Company expects costs, as a percentage of total revenue, to decrease as the Company grows organically, acquires additional companies and realizes further synergies. This is evidenced by the decrease over the last eight fiscal quarters in operating expenses as a percentage of revenue (excluding depreciation, amortization, interest and accretion interest, non-cash share-based payments) which decreased to 15.9% for the first quarter ended June 30, 2021 from 25.3% during the second quarter of fiscal 2020 ended September 30, 2019, further discussed in the Operating Expenses section of this MD&A.

As at June 30, 2021, the Company’s full-time and part-time headcount was 1,905 compared to 1,852 as at March 31, 2021. Historical consolidated annual revenues from continuing operations of the Company are summarized below:



Notes: The Company’s fiscal year end is March 31 and “TTM” means Trailing Twelve Months. The above reported revenue for F2020 excludes revenues of ASAP prior to its acquisition by the Company on December 1, 2020. Similarly, reported revenue for F2019 excludes revenue of Intelligarde, Veridin and Watermark prior to the respective acquisitions by the Company on November 30, 2018, September 17, 2018 and August 1, 2018. City Wide revenues are excluded from the above chart, as the ownership of City Wide is treated as a discontinued operation since the date the Company sold its interest in City Wide on September 30, 2020.

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STRATEGY

The Company's strategy is to acquire, manage and build industry-leading security businesses in dedicated subsidiaries, with an emphasis on seeking acquisition opportunities that provide a foundation for profitable, sustainable growth. Management of the Company aims to reinforce this position with technology-enabled security solutions and a one-stop shop for residential customers and for large, national, security conscious commercial clients. Management of the Company believes that providing a one-stop shop for all security needs is a unique value proposition to many large, national commercial clients that find it cumbersome to work with multiple service providers across the country.

The Company's long-term strategy is focused on operating and acquiring high performing assets, investing in top talent to drive growth and financial results, and deploying capital with an outlook to superior returns for our customers and shareholders as follows:

Make strategic acquisitions

- Pursue opportunities that will strengthen the Company's value proposition and expand its platform, achieving operational efficiencies through increased scale and consolidation of acquisitions.
- Apply strict criteria to ensure alignment, accretion and return on invested capital.

Grow organically

- Leverage the Company's value proposition with customers to win new contracts.
- Expand the scope of services to utilize the existing customer base and attract new customers.
- Maximize scale and efficiencies.

Improve business operations

- Optimize labour models and rely on innovative technology and economies of scale to drive efficiencies.
- Maintain standards of exceptional customer service.
- Manage costs at the corporate office to ensure a lean shared service model and maximize overall profitability.

Consolidated objectives and outlook

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

- Invest in platform and tuck-in acquisitions as described above;
- Achieve consolidated Adjusted EBITDA margins consistent with its industry;

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- Achieve growth in adjusted net income per share;
- Reinvest cashflow in future business growth; and
- Target a ratio of Net Senior Debt to Adjusted EBITDA consistent with its industry.

SELECTED FINANCIAL INFORMATION

The following selected financial information for the three-month period ended June 30, 2021 and 2020 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 acquisitions are added from their respective dates of completion. Non-IFRS measures are defined and reconciled in the Reconciliation of Non-IFRS Measures section of this MD&A.

\$ in thousands, unless otherwise noted	FY 2020			FY 2021			FY 2022	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Revenues	10,222	12,642	17,030	18,204	23,602	25,204	24,706	24,120
Cost of goods sold	7,135	9,823	13,935	14,081	17,828	19,620	19,353	18,226
Gross profit	3,089	2,818	3,095	4,123	5,774	5,584	5,353	5,894
Gross profit margin	30.2%	22.3%	18.2%	22.6%	24.5%	22.2%	21.7%	24.4%
Direct operating expenses	2,584	3,075	3,539	3,468	4,034	3,880	3,537	3,840
Direct operating expense as a percent of revenue	25.3%	24.3%	20.8%	19.1%	17.1%	15.4%	14.3%	15.9%
Adjusted EBITDA from continuing operations ⁽¹⁾	532	(377)	(450)	637	1,719	1,633	2,055	2,008
Adjusted EBITDA from discontinued operations ⁽¹⁾	192	50	(9)	120	502	–	–	–
Total adjusted EBITDA ⁽¹⁾	724	(327)	(459)	757	2,221	1,633	2,055	2,008
Total comprehensive income (loss) attributable to Avante shareholders on continuing operations	(248)	(1,686)	(260)	(1,256)	(368)	(1,493)	166	277

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

Results for the Three-Month Period Ended June 30, 2021 and 2020

Revenues

Revenues for the three-month period ended June 30, 2021 were \$24.1 million, compared with \$18.2 million for the prior year first quarter, an increase of \$5.9 million, or 32.0%. The increase was due to initiatives to generate organic growth and special requests by commercial customers as a result of the COVID-19 pandemic. During the first quarter of fiscal 2022, as compared to the first quarter of fiscal 2021, Logixx Security increased revenues by \$5.4 million, or by 36.9%, largely due to increased COVID-19 special Protective Services, new Protective Services contract wins over the past year as well improved revenues from installation of Electronic Services contracts. During this same period, Avante Security increased revenues by \$0.3 million, or by 8.7%, largely due to increased rapid response revenues within Protective Services.

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

	FY 2020			FY 2021			FY 2022	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Recurring	2,083	1,917	2,055	2,094	2,137	2,194	2,380	2,435
Contractual	4,787	7,824	12,586	12,102	13,263	15,019	14,643	14,171
Total recurring and contractual	6,870	9,741	14,641	14,196	15,400	17,213	17,023	16,606
Total consolidated revenue	10,222	12,642	17,030	18,204	23,602	25,204	24,706	24,120
As a percent of total revenue	67.2%	77.1%	86.0%	78.0%	65.2%	68.3%	68.9%	68.8%

Recurring Monitoring revenue was \$2.4 million for quarter ended June 30, 2021, compared to \$2.1 million for the prior year's first quarter, an increase of \$0.3 million, or approximately 14.3%. Contractual revenues were \$14.2 million in the first quarter ended June 30, 2021, compared to \$12.1 million for the prior year's first quarter, an increase of 2.1 million or 17.4%. The prior periods have been adjusted to remove revenue related to Secure Transportation and International Secure Transportation services from Contractual revenues as the revenue is recognized as the service is used and not on a subscription basis. Contractual revenues during the quarterly periods of fiscal 2022 and fiscal 2021 exclude estimated short term contract revenue specific to the COVID-19 pandemic. In fiscal 2020, a full quarter of revenues from ASAP (acquired on December 1, 2019) increased the fourth quarter contractual revenue. Total recurring and contractual revenues during the three-month period ended June 30, 2021 increased by \$2.4 million over the prior year's first quarter ended June 30, 2020 and represented approximately 68.8% of the Company's consolidated revenue during the three-month period ended June 30, 2021.

Gross Profit and Gross Profit Margin

Gross profit was \$5.9 million for the three-month period ended June 30, 2021, an increase of \$1.8 million or 43.0% over the prior year's first quarter, primarily due to increased revenues as a result of organic growth and incremental COVID-19 related special services within Logixx Security revenues. Gross Margin percentages by division were as follows during the most recent eight fiscal quarters:

	FY 2020			FY 2021			FY 2022	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Gross Profit								
Logixx Security	1,016	1,128	1,776	2,496	3,957	3,800	3,512	4,186
Avante Security	2,073	1,690	1,319	1,627	1,817	1,784	1,841	1,708
Total Gross Profit	3,089	2,818	3,095	4,123	5,774	5,584	5,353	5,894
Gross Margin								
Logixx Security	18.2%	12.8%	13.4%	17.0%	20.6%	18.1%	17.5%	20.8%
Avante Security	44.5%	43.9%	34.7%	43.9%	40.8%	41.2%	39.6%	42.4%
Total Gross Margin	30.2%	22.3%	18.2%	22.7%	24.5%	22.2%	21.7%	24.4%

The declining trend over the last eight quarters in the Gross Margin percentages is largely attributed to the change in sales mix, as the protective services industry operates at a lower margin and the acquisition of ASAP increased the concentration of protective services within total consolidated revenues since its acquisition on December 1, 2019, along with organic growth of those revenues since that acquisition. Gross Margin was 24.4% for the quarter ended June 30, 2021 compared to 22.7% for the prior year's quarter ending June 30, 2020. The increase in Gross Margin percentage during the first quarter of fiscal 2022, versus the comparable period during

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fiscal 2021, is largely due to higher concentration of COVID-19 special services and due to the finalization of an Electronic Services installation within Logixx Security during this most recent fiscal quarter at strong margins.

Operating Expenses

Operating expenses, excluding depreciation, amortization, interest and share based payments, for the first quarter ended June 30, 2021 were \$3.8 million, compared to \$3.5 million during the prior year's first quarter, an increase of \$0.4 million, or 10.7%. Adjusted operating expenses as a percentage of revenues decreased over the last eight fiscal quarters from 25.3% during the second quarter ended September 30, 2019 to 15.9% during the current year's first quarter. In fiscal 2020, interest expense was included as part of operating expenses for the first three quarters. In the fourth quarter of fiscal 2020, management decided to exclude interest from operating expenses and therefore an add back for interest expense was not required during that quarter to determine adjusted operating expenses.

	FY 2020				FY2021			FY2022
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Operating expenses	3,242	3,676	4,834	4,734	5,319	5,023	4,814	4,532
Less								
Interest expense	60	37	-	-	-	-	-	-
Accretion interest expense	-	98	-	-	-	-	-	-
Depreciation	279	251	293	291	313	313	180	417
Amortization	187	208	896	914	913	893	893	210
Commission amortization	56	(5)	71	6	-	-	182	39
Share based payments	75	12	35	55	59	(62)	21	25
Adjusted operating expenses	2,584	3,075	3,539	3,468	4,035	3,880	3,538	3,841
Revenue	10,222	12,642	17,030	18,204	23,602	25,204	24,706	24,120
Operating expense as a % of revenue	25.3%	24.3%	20.8%	19.1%	17.1%	15.4%	14.3%	15.9%

The year-over-year increase in people costs reflected within operating expenses, and other operating expenses, is the result of the acquisition of ASAP on December 1, 2019. The improvement in operating expenses as a percentage of revenues over the last eight fiscal quarters reflects the benefits of scale arising from several acquisitions completed during fiscal 2019 and 2020 as well as from organic growth in revenues during fiscal 2021. The increase in adjusted operating expenses during the first quarter of fiscal 2022, versus the comparable prior year's period, was due to several factors, including a COVID-19 related 20% salary and director fee reduction applicable during the entire prior period, increased insurance premium and audit fee expenses, accrual for management bonuses during this quarterly period as opposed to no accrual in the comparable period and targeted salary increases effective April 30, 2021.

Interest expense

Interest costs, including accretion interest expense, for the first quarter ending June 30, 2021 were \$0.42 million compared with \$0.37 million during the prior year's first quarter. The increase in interest expense for the current quarter is directly attributed payment of the promissory note during March and April 2021 from the acquisition of ASAP on December 1, 2019, which was funded by drawing under the Company's acquisition credit facility as well as incremental drawings under the Company's revolving credit facility to fund working capital in support of growth of the business.

EBITDA and Adjusted EBITDA From Continuing Operations

EBITDA and Adjusted EBITDA for the first quarter ended June 30, 2021, was \$1.8 million and \$2.0 million as compared to June 30, 2020's EBITDA and Adjusted EBITDA from continuing operations of \$0.21 million and \$0.64 million respectively. The quarterly composition of EBITDA and Adjusted EBITDA over the Company's most recent eight quarterly fiscal periods are summarized below:

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	FY2021				FY2022
\$ in thousands, unless otherwise noted	Q1	Q2	Q3	Q4	Q1
Revenues	18,204	23,602	25,204	24,706	24,120
Gross profit ⁽¹⁾	4,123	5,774	5,584	5,353	5,894
Gross profit margin ⁽¹⁾	22.6%	24.5%	22.2%	21.7%	24.4%
Net income (loss)	(1,316)	(529)	(1,493)	166	277
Net income (loss) from discontinued operations	44	326	-	-	-
Total net income (loss)	(1,272)	(203)	(1,493)	166	277
Interest expense	85	98	96	87	135
Accretion interest expense ⁽²⁾	285	292	300	296	290
Income taxes	(53)	104	(1)	(144)	431
Amortization on capitalized commission	6	-	-	182	39
Depreciation on capital assets	291	313	313	180	417
Amortization	914	912	893	893	210
EBITDA ⁽¹⁾	212	1,190	108	1,660	1,799
EBITDA from discontinued operations	120	502	-	-	-
Total EBITDA	332	1,693	108	1,660	1,799
Write-down of intangible assets	-	-	-	-	-
Share based compensation	55	59	(62)	21	25
Reorganization and acquisition costs	431	(114)	171	192	351
Loss (gain) in fair value of derivative liability	(75)	572	1,404	169	(175)
Other Adjustments	-	-	-	-	-
Deferred finance fees	13	12	12	12	8
Adjusted EBITDA ⁽¹⁾	637	1,719	1,633	2,055	2,008
Adjusted EBITDA from discontinued operations	120	502	-	-	-
Total adjusted EBITDA ⁽¹⁾	757	2,221	1,633	2,055	2,008
Total comprehensive income (loss)	(1,248)	(274)	(1,493)	166	277
Comprehensive income (loss) attributable to equity holders	(1,256)	(367)	(1,493)	165	277
Basic and fully diluted earnings per share	\$ (0.059)	\$ (0.025)	\$ (0.070)	\$ 0.010	\$ 0.013
Total assets	48,066	45,400	43,609	44,106	45,975
Senior funded debt	10,456	8,233	7,829	6,926	9,402
Total debt and lease obligations, IFRS	18,899	16,761	18,071	17,729	21,402

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

2. Accretion interest expense for debenture and promissory note

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

Restructuring and Acquisition Charge

During the first quarterly period ended June 30, 2021, the Company recorded acquisition charges of \$0.07 million and restructuring charges of \$0.28 million. Restructuring charges during the three months ended June 30, 2021 include \$0.248 million in legal and bank fees related to the terminated credit agreement as of June 30, 2021. For more details on the credit agreement see *note 13 to the Unaudited Condensed Interim Consolidated Financial Statements For the Three-Month Period Ended June 30, 2021 and June 30, 2020*.

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Balance Sheet

Total assets increased by \$2.2 million, or 5.0%, during the three-month period ended June 30, 2021 compared to the prior year end as at March 31, 2021. Cash balances increased during the first three months of fiscal 2022 by \$1.3 million. This increase was used fund Guaranteed Investment Certificates of \$0.585 million at the Company's former bank to secure letter of credit and corporate credit card obligations (refer to "Liquidity and Capital Resources" below). The Company also drew excess funds at its new bank on June 30, 2021 to ensure that it had sufficient funds to fully payout the former bank on that date.

As of June 30, 2021, trade receivables and unbilled trade receivables, net of the allowance for doubtful accounts, amounted to \$17.6 million compared to \$18.0 million as of March 31, 2021, a decrease of \$0.4 million. The decrease in trade receivables is attributed reduced receivables within both subsidiaries due to stronger collection activities [and progress towards transitioning Avante Security's invoicing from an annual cycle to a monthly cycle]. The Company is continuing to implement processes and initiatives focused on improving cash conversion cycles and optimizing working capital efficiency and the Company achieved lower trade accounts receivable balances in relation to revenue levels during fiscal 2021. Non-Trade receivables increased from \$0.08 million to \$0.09 million during the first quarter ended June 30, 2021 including interest earned on the \$0.45 million vendor take back note arising from the Company's September 30, 2020 sale of its 70% interest in City Wide.

Property, plant and equipment (including "right of use" assets) increased by \$1.4 million during the quarter ended June 30, 2021, largely due to the extension of a property lease from "month-to-month" to a new five-year term as well as the replacement of several vehicle leases. Intangible assets declined during the quarter ended June 30, 2021 by \$0.2 million due to required amortization of other intangible assets.

BUSINESS SEGMENT OPERATING RESULTS

The Company's operating segments are organized into two divisions consisting of Logixx Security and Avante Security grouped primarily with reference to the nature of the type of customer serviced. Logixx Security focuses on providing enterprise customers with Protective Services, Electronic Security and Monitoring & Managed Services across Canada. Avante Security focuses on providing residential customers with similar services within central Toronto and Muskoka, Ontario.

The accounting policies of the segments are the same as those of the consolidated entity. The Company's management evaluates overall business segment and divisional performance based on revenue growth, gross profit and gross profit margin. A description of each of the service types and the segment financial results are summarized in the pages that follow.

The services offered by the segments consist of the following:

Protective Services

The Company's Protective Services are focused on offering physical protection to residential, commercial and enterprise clients. Services include guarding, patrol and rapid response, intelligent perimeter protection, secure transport, and international security travel advisory and transport. These services are predominately contractual and recur on a monthly basis. However, within Avante Security, these services also include recurring monthly revenues in respect of rapid response services.

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Electronic Security

The Company's Electronic Security services provides a complete suite of home and corporate security services including system design, access control, 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 residential (i.e., Avante Security) portion of Electronic Security activities as such 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, commercial and enterprise 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. Applications of these services include virtual video patrols of buildings, stores, malls, parking lots, daycare centers and hotels. 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 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.

Segment Reporting:

The Company's management has determined that the Company's operations are organized into two segments consisting of Logixx Security and Avante Security, grouped primarily with reference to the type of customer serviced. A summary of segment operating performance during the first quarter ended June 30, 2021 is provided below. Segment reporting in respect of the reportable segments was not established by the Company until February 2020. Therefore, reporting of segment operating expenses for the year ending March 31, 2020 is not available:

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	For the three-months ended Jun 30, 2021				
	Logixx Security	Avante Security	Corporate	Intersegment eliminations	Total
Revenues	\$ 20,160	\$ 4,029	\$ -	\$ (69)	\$ 24,120
Cost of sales	15,973	2,321	-	(69)	18,226
Gross profit	4,187	1,708	-	-	5,894
Direct operating expenses	2,109	1,418	301	-	3,828
Other operating expenses	217	207	280	-	704
Total operating expenses	2,325	1,624	582	-	4,532
Other (income) expenses	385	12	(93)	-	304
Reorganization and acquisition costs	35	-	316	-	351
Provision for income taxes	422	62	(53)	-	431
Net income (loss)	1,020	9	(752)	-	277
Current income tax expense (recovery)	285	-	-	-	285
Deferred income tax expense (recovery)	137	62	(53)	-	146
Interest expense	326	27	72	-	425
Depreciation and amortization	217	195	255	-	667
EBITDA	1,985	293	(478)	-	1,799
Share based compensation	-	-	25	-	25
Reorganization and acquisition	35	-	316	-	351
Loss (gain) in fair value of derivative liability	-	-	(175)	-	(175)
Deferred financing fees	-	-	8	-	8
Adjusted EBITDA from continuing operations	2,020	293	(304)	-	2,008

	For the three-months ended June 30, 2020				
	Logixx Security	Avante Security	Corporate	Intersegment eliminations	Total
Revenues	\$ 14,722	\$ 3,707	\$ -	(226)	\$ 18,203
Cost of sales	12,226	2,080	-	(226)	14,080
Gross profit	2,496	1,627	-	-	4,123
Operating expenses	2,179	1,602	953	-	4,734
Other (income) expenses	319	66	(57)	-	327
Reorganization and acquisition costs	329	-	103	-	431
Provision for income taxes	(20)	(61)	28	-	(53)
Net income (loss)	(309)	20	(1,027)	-	(1,316)
Current income tax expense (recovery)	(10)	(15)	29	-	4
Deferred income tax expense (recover)	(10)	(46)	(1)	-	(57)
Interest expense	295	26	49	-	370
Depreciation and amortization	67	176	968	-	1,211
EBITDA	31	161	19	-	212
Share based compensation	-	-	55	-	55
Reorganizaton and acquisition	329	-	103	-	431
Loss (gain) in fair value of derivative liability	-	-	(75)	-	(75)
Deferred financing fees	-	-	13	-	13
Adjusted EBITDA	360	161	115	-	637

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	FY 2020			FY 2021			FY 2022	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Revenue								
Logixx Security	5,597	8,881	13,386	14,722	19,213	20,940	20,077	20,160
Avante Security	4,654	3,847	3,805	3,708	4,454	4,328	4,653	4,029
Intersegment eliminations	(29)	(86)	(161)	(226)	(65)	(64)	(24)	(69)
Total Revenue	10,222	12,642	17,030	18,204	23,602	25,204	24,706	24,120
COGS								
Logixx Security	4,582	7,789	11,571	12,226	15,256	17,140	16,565	15,973
Avante Security	2,582	2,122	2,521	2,081	2,634	2,544	2,812	2,321
Intersegment eliminations	(29)	(86)	(157)	(226)	(62)	(64)	(24)	(68)
Total COGS	7,135	9,825	13,935	14,081	17,828	19,620	19,353	18,226
Gross Profit								
Logixx Security	1,016	1,093	1,815	2,496	3,957	3,800	3,512	4,187
Avante Security	2,072	1,726	1,285	1,627	1,820	1,784	1,841	1,707
Intersegment eliminations	1	(1)	(5)	-	(3)	-	-	-
Total Gross Profit	3,089	2,818	3,095	4,123	5,774	5,584	5,353	5,894
Gross Margin								
Logixx Security	18.2%	12.3%	13.6%	17.0%	20.6%	18.1%	17.5%	20.8%
Avante Security	44.5%	44.9%	33.8%	43.9%	40.9%	41.2%	39.6%	42.4%
Total Gross Margin	30.2%	22.3%	18.2%	22.6%	24.5%	22.2%	21.7%	24.4%
Logixx Security				2,179	1,947	2,072	2,200	2,325
Avante Security				1,602	1,460	1,560	1,421	1,624
Corporate				953	1,912	1,392	1,193	582
Total Opex	3,242	3,676	4,834	4,734	5,319	5,023	4,814	4,532
Logixx Security				318	2,010	1,728	1,312	1,862
Avante Security				24	360	224	420	82
Corporate				(953)	(1,912)	(1,392)	(1,193)	(582)
Income (loss) before other income and expenses	(153)	(858)	(1,739)	(611)	455	560	538	1,362
Miscellaneous income (expense)	(19)	(118)	110	16	20	44	2	22
Foreign exchange gain (loss)	47	(22)	94	(48)	(52)	(127)	225	(76)
Depreciation	279	251	293	291	313	313	180	417
Amortization	187	208	896	914	912	893	893	210
Amortization on capitalized commission	56	(5)	71	6	-	-	182	39
Interest	60	135	(258)	-	-	-	-	-
Share based payments	75	12	35	55	59	(62)	21	25
Deferred financing fees	-	-	49	13	12	12	12	8
Other	-	21	-	-	-	-	-	-
Adjusted EBITDA from continuing operations	532	(377)	(450)	637	1,719	1,633	2,055	2,008
Adjusted EBITDA from Logixx Security				360	2,015	1,661	1,785	2,020
Adjusted EBITDA from Avante Security				161	550	425	614	292
Adjusted EBITDA from Corporate				116	(846)	(453)	(343)	(304)
Adjusted EBITDA from continuing operations	532	(377)	(450)	637	1,719	1,633	2,055	2,008

During each of the first three quarters of fiscal 2020, interest expense was included within operating expenses. During the fourth quarter of fiscal 2020, management decided to remove interest expense from the operating expenses to disclose interest expense separately on the income statement, creating a requirement for a year-to-date adjustment in the above table to remove all interest in respect of the first three quarters of the year.

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LOGIXX SECURITY

Logixx Security focuses on providing enterprise customers with Protective Services, Electronic Security and Monitoring & Managed Services across Canada. The segment reflects the activities of prior acquisitions that are now operating under one leadership team and one legal entity. Intelligarde International Inc. ("Intelligarde") was acquired on November 30, 2018, Veridin Systems Canada Inc. ("Veridin") was acquired on September 17, 2018 and A.S.A.P. Secured Inc. ("ASAP") was acquired on December 1, 2019. Intelligarde was renamed as Logixx Security effective June 21, 2019, Veridin legally amalgamated into Logixx Security on December 2, 2019 and ASAP legally amalgamated into Logixx Security on April 1, 2020.

In respect of the Veridin acquisition, an amount of \$95 is held in escrow in respect of certain representations and warranties of the vendors to be released on the first anniversary following the closing date and discussions and litigation proceedings continue with the vendors of Veridin to settle this escrow amount.

In respect of the Intelligarde acquisition, an amount of \$713 is held in escrow as a guarantee against certain representations and warranties provided by the vendors and was payable at the first anniversary following the closing date. Discussions and litigation proceedings continue with the vendors of Intelligarde to settle this escrow amount and additional claims being made by the Company against the vendors.

In the three-month period ended June 30, 2021 revenue at Logixx Security of \$20.2 million represents a \$5.4 million increase over the three-month period ended June 30, 2020. This increase was comprised of organic growth combined with incremental COVID-19 special service revenues, with gross profit at Logixx Security during the first quarter ended June 30, 2021 of \$4.2 million, compared to \$2.5 million during fiscal 2020 first quarter. Logixx Security's gross profit margins was 20.8% for the three-month period ended June 30, 2021 compared to 17.0% for the three-month period ended June 30, 2020. The increase in gross profit margin is due to sales mix in Logixx Security, with an increase in additional services (or "specials") since June 2020 along with continued efforts for cost savings and pricing improvements during contract negotiations. Gross profit and margin percentages at Logixx Security during the first quarter of fiscal 2022, versus fiscal 2021, also benefited from finalization of an Electronic Services installation during this most recent fiscal quarter at strong margins.

AVANTE SECURITY

Avante Security focuses on providing residential 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.

Revenues during the first quarter ended June 30, 2021 at Avante Security of \$4.0 million represents a \$0.321 million increase over the first quarter ended June 30, 2020. The increase in revenue during fiscal 2022 within Avante Security is directly related to systems installations as well as rapid response and monitoring recurring monthly revenues, or "RMR". Gross profit at Avante Security during the three-month period ended June 30, 2021

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is \$1.7 million, compared to \$1.6 million during the three-month period ended June 30, 2020, with gross profit margins of 42.4% compared to 43.9%.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of liquidity are cash provided from operations and a revolving credit facility from a bank. The Company expects that continued cash flow from operations during fiscal 2022, together with cash and cash equivalents on hand, and currently available senior credit facilities, will be more than sufficient to fund its requirements for investments in working capital and capital assets.

In the near term, the Company intends to finance its growth strategy through one or more of the issuances of equity and equity-related instruments or the expansion of its senior credit facilities. Refer to Risks and Uncertainties section of this MD&A for further discussion of financing and risks associated with the execution and financing of the Company's growth strategy.

Cash Flows

Cash flows during the three-month periods ended June 30, 2021 and June 30, 2020 from continuing operations are summarized as follows:

\$ in thousands	Jun 30, 2021	Jun 30, 2020
Cash Inflows (Outflows) by Activity		
Cash flow from operations	1,370	178
Non-cash working capital	(1,658)	(1,195)
Net operating activities	(288)	(1,017)
Financing activities	1,917	853
Investing activities	(334)	(79)
Net cash inflows (outflows) from continuing operations	1,296	(243)
Net cash inflows (outflows) from discontinued operations	-	17
Net cash inflows (outflows)	1,296	(226)

Operating Activities

Cash flow from operations before working capital was \$1.4 million during the first quarter of fiscal 2022 as compared to \$0.2 million of cash flow from operations before working capital during the first quarter of fiscal 2021. Cash flow used in Operating Activities during the first quarter ended June 30, 2021 was \$(0.3) million as compared to \$(1.0) million used in Operating Activities during the first quarter ended June 30, 2020. Cash used in non-cash working capital was \$(1.7) million during the three-month period ended June 30, 2021 as compared to \$(1.2) million used to fund non-cash working capital during the three-month period ended June 30, 2020. During the first quarter of fiscal 2022, cash inflows from the net reduction of accounts receivable of \$0.4 million were offset by net repayments of accounts payable and accrued liabilities by \$1.6 million and reductions of \$(0.8) million of contract liabilities. The reduction in accounts receivable and contract liabilities was due, in part, to progress made by Avante Security to transition its invoicing from annual to monthly cycles. Accounts receivable also declined due to continued efforts by the Company to improve its cash conversion cycle. The

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decline in accounts payable and accrued liabilities during the first quarter of fiscal 2021 was largely due to the timing of payroll dates, the receipt of inventory in late March 2021 that was paid for during the first quarter of fiscal 2022 and due to the payment of fiscal-year-end accruals as of March 31, 2021, such as audit fees, in accordance with required payment terms during the first quarter.

Financing Activities

Cash provided from financing activities was \$1.9 million during the three-months ended June 30, 2021, compared to cash provided from financing activities of \$0.9 million during the three-months ended June 30, 2020. Cash provided from financing activities of \$1.9 million during the first quarter included net drawings on the Company's senior credit facilities of approximately \$2.6 million, offset by loan repayments of 10.9 million as well as principal lease payments of \$0.2 million. On June 30, 2021, the Company replaced its former bank and that lender required the Company to deposit \$0.585 million in the form of secured Guaranteed Investment Certificates to secure an outstanding letter of credit and obligations under a corporate credit card program. Also, the Company over-drew on the new credit facility to ensure that it could fully payout all other obligations owing to the former bank on that date.

During the three-months ended June 30, 2020, cash provided by financing activities of \$0.9 million included \$1.2 million net drawings under the senior secured credit facilities to fund working capital requirements offset by principal lease and other financing payments.

Investing Activities

Cash used in investing activities was \$(0.3) million during the first quarter ended June 30, 2021 compared to \$(0.07) million used in investing activities during the first quarter ended June 30, 2020. Most of the capital expenditures during the first quarter were spent on new uniforms.

The cash position as at June 30, 2021 was \$2.9 million compared to \$1.6 million as at March 31, 2021. The increase in cash during the first quarter ended June 30, 2021 is mainly due to improved cash flow from operations offset by increased non-cash working capital requirements and cash used to reduce funded indebtedness during the year. In addition, as described above under "Financing Activities", on June 30, 2021 the Company drew on the new credit facility in order to fund full repayment of obligations owing to the former bank, including the requirement to lodge \$0.585 million of security for an outstanding letter of credit and obligations under a corporate credit card facility.

Senior Funded Debt

The Company's senior funded debt consists of advances under its senior secured credit facilities from a bank, and vehicles loans. As at June 30, 2021 and March 31, 2021, such balances aggregated as follows:

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\$ in thousands	June 30, 2021		Mar 31, 2021	
Revolving credit facility	\$	3,650	\$	-
Term credit facility		6,000		6,356
Mortgage		-		354
Promissory note due to ASAP vendors		-		155
Vehicle loans		55		61
Total senior funded debt	\$	9,705	\$	6,926
Cash and cash equivalents		2,920		1,624
Net senior funded debt	\$	6,785	\$	5,302

The Company's senior funded debt totaled \$9.7 million as at June 30, 2021, versus \$6.9 million as at March 31, 2021, represents a net increase of \$2.8 million during the three months of fiscal 2022 ended June 30, 2021. This was largely due to the transition to a new bank from the former bank as described above under "Financing Activities". In addition, funding was required for non-cash working capital, in excess of cash flow from operations, and the purchase of capital assets. During the three-month period ended June 30, 2021, on a net basis, the Company borrowed \$3.6 million of senior debt under the Company's revolving credit facility, borrowed \$6 million under the new term credit facilities and fully repaid the Acquisition credit facility and mortgage provided by the Company's former bank, as well as related break fees on fixed-rate bank debt, bank structuring fees and legal fees related to the transition of banking arrangements on June 30, 2021.

The Company's total available sources of senior secured credit facilities are detailed below:

\$ in thousands	As at Jun 30, 2021					
	Total Amount		Borrowing		Amount Available	
Revolving credit facility	\$	8,000	\$	3,650	\$	4,350
Term credit facilities		13,000		6,000		7,000
Mortgage		-		-		-
	\$	21,000	\$	9,650	\$	11,350

On June 30, 2021, the Company entered into a senior secured credit agreement with a bank that fully replaced the Company's senior secured banking arrangements and mortgage provided by its former bank. The new credit agreement provides an \$8,000 revolving credit facility ("Facility A"), a \$10,000 non-revolving term loan facility ("Facility B") and a \$3,000 delayed-draw non-revolving term loan credit facility ("Facility C"), each with a three-year maturity date ending May 19, 2024. The Company may draw upon Facility A, subject to a borrowing base consisting of eligible cash, accounts receivable, and inventory. The Company may draw upon Facility B in two tranches; Tranche 1 has a limit of \$6,000 and Tranche 2 had a limit of \$4,000. The ability to draw on Tranche 2 expired on July 31, 2021, reducing the available limit on that tranche to zero. Facility C is available until December 31, 2022, to fund delayed purchase price payments or other funding requirements applicable to future permitted acquisitions.

In accordance with the terms of the senior credit facilities, the Company must maintain certain covenants and ratios based on Non-IFRS financial measures on a rolling four-quarter basis, including a minimum Fixed Charge Coverage Ratio of 1.10 times and a maximum Senior Funded Bank Debt to Adjusted EBITDA ratio of 3.25 times with a permitted two-quarter step up, following a permitted acquisition, of 3.50 times. As of June 30, 2021, the Company was in compliance with such financial covenants. Interest and standby fees in respect of the credit facilities are subject to a leverage-ratio based pricing grid and, as at June 30, 2021, interest was charged at the bank's prime rate plus 0.50%, and standby fees on the unused portions of the credit facilities of 0.50% were applicable.

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The Company is focused on managing both its senior debt and its leverage ratios with a long-term goal of achieving a Net Senior Funded Bank Debt to Adjusted EBITDA ratio of less than 3.00 times, and the Company has achieved that objective as of March 31, 2021.

Convertible Debentures

On November 13, 2019, the Company entered an indenture and a subscription agreement pursuant to which Fairfax Financial Holdings Limited, through certain of its affiliates (collectively, "Fairfax"), invested \$8.264 million in the Company through a private placement of 7% unsecured convertible debentures ("Convertible Debentures"). Such debentures mature on November 27, 2024 and are guaranteed by the Company's wholly-owned subsidiaries. The debenture facility was made available by way of two tranches but availability of the second tranche expired on August 27, 2020. Total professional and legal fees of \$301 were incurred on the transaction. The issuance of 8,264 Convertible Debentures occurred on November 27, 2019 and net proceeds from that issuance was used to fund the ASAP acquisition that closed on December 1, 2019.

Fairfax has the right to convert issued Convertible Debentures into common shares of the Company at a conversion price of \$1.56 per share. So long as Fairfax owns at least 10% of the Company's common shares, Fairfax has the right to maintain the same percentage ownership of the Company's common shares subsequent to an issuance of the Company's common shares as held by Fairfax immediately prior to such issuance. If Fairfax owns more than 10% of the Company's common shares, Fairfax is entitled to nominate one member to the Company's board of directors.

Pursuant to the indenture, the Company's consolidated total indebtedness (excluding the Convertible Debentures) shall not exceed 6.5 times Adjusted EBITDA on a rolling four quarter basis and consolidated senior indebtedness shall not exceed 3.5 times Adjusted EBITDA on a rolling four quarter basis. As of June 30, 2021, the Company was in compliance with such financial covenants.

Promissory Note

Pursuant to the Company's purchase agreement in respect of ASAP, the Company entered into a Promissory Note due on March 4, 2021 or the note would become subject to interest if unpaid on that date. The amount payable to the vendors of ASAP under this note was to range from \$NIL to \$2.63 million depending on the gross profit performance of the acquired customers of the business over the first twelve months from acquisition closing on December 1, 2019 and to settle claims by the Company for breaches of representations and warranties of the vendors of ASAP. With the completion of that twelve-month period and settlement of certain claims, in March 2021 the Company paid the Promissory Note of \$2,625, net of \$37 for an agreed purchase price reduction, and \$155 for potential third-party litigation claims. The remaining \$155 was settled with interest in April 2021, net of legal fees paid by the Company on behalf of the vendor. These net payments were funded by drawing on the unused portion of the \$10,000 acquisition facility provided by Company's former senior secured lender.

Capital Stock

The authorized capital of the Company consists of an unlimited number of common shares. As at June 30, 2021, there were 21,192,004 common shares issued and outstanding, which is unchanged since March 31, 2021.

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Issuance of Stock Options

As at June 30, 2021, there were a total of 1,440,000 options outstanding to purchase an equivalent of common shares, with a weighted average exercise price of \$1.97, expiring at various dates between September 2021 and October 2025. During the three-month period ended June 30, 2021, there were no options granted, exercised, or expired. Should the outstanding options that were exercisable at June 30, 2021 be exercised, the Company would receive proceeds of approximately \$2.84 million.

Issuance of Performance Share Units

On November 25, 2020, the Company's Board of Directors established a performance share unit ("PSU") compensation program. It provides for a cash payment to eligible participants equal to the number of PSUs granted multiplied by the Company's volume weighted average share price ("VWAP") in effect during the thirty days prior to the agreed future valuation date scaled downwards for vesting criteria linked to the Company's VWAP in effect during that thirty days.

On November 25, 2020, 200,000 PSUs were granted to the Company's Chief Executive Officer, with a valuation date of March 31, 2023, and vesting at 0% if the Corporation's 30-day share price VWAP ending March 31, 2023 is less than \$3.39 per share, 50% if that VWAP is greater than or equal to \$3.39 per share, 75% if that VWAP is greater than or equal to \$3.75 per share and 100% if that VWAP is greater than or equal to \$4.00 per share. The award, if any, will be settled in cash.

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. A performance letter of credit of \$200 was issued to a customer as beneficiary on behalf of the Company by its bank during February 2020 and such letter of credit expires within one year of issue subject to an automatic renewal clause. The letter of credit is considered as utilization of the Company's revolving credit facility limit.

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 key management personnel.

The Company entered into a contract with Sissano Inc. effective May 1, 2018, a private company controlled by a significant shareholder to provide consulting services for the Company. The Company incurred \$71 of expense during the three-month period ended June 30, 2021 (June 30, 2020: \$32).

The Company entered into a contract with XpressChek Inc., a private company controlled by a significant shareholder and officer of the Company to provide services for the Company. During the three-month period ended June 30, 2021, the Company incurred \$5 (June 30, 2020: \$2) for these services.

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, Gross Profit and Gross Profit Margin, Operating expenses as a percentage of revenue, and recurring monthly revenue. 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 determined in accordance with IFRS. The non-IFRS measures presented are unlikely to be comparable to similar measures presented by other issuers.

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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 and principal debt repayments and fund future growth initiatives. The calculation of EBITDA and Adjusted EBITDA over each of the last eight fiscal quarters is provided below:

\$ in thousands	2020				2021			2021
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net income (loss)	(97)	(1,568)	(205)	(1,316)	(529)	(1,493)	166	277
Interest expense	60	37	104	85	98	96	87	135
Accretion interest expense ⁽¹⁾	–	98	253	285	292	300	296	290
Income taxes	(136)	(318)	(659)	(53)	104	(1)	(144)	431
Amortization on capitalized commission	56	(5)	71	6	–	–	182	39
Depreciation on capital assets	279	251	293	291	313	313	180	417
Amortization	187	208	896	914	912	893	893	210
EBITDA	349	(1,297)	753	212	1,190	108	1,660	1,799
Write-down of intangible assets	–	–	172	–	–	–	–	–
Share based compensation	75	12	35	55	59	(62)	21	25
Reorganization and acquisition costs	107	500	1,140	431	(114)	171	192	351
Loss (gain) in fair value of derivative liability	–	389	(2,599)	(75)	572	1,404	169	(175)
Deferred financing	–	–	49	13	12	12	12	8
Other	–	21	–	–	–	–	–	–
Adjusted EBITDA	532	(377)	(450)	637	1,719	1,633	2,055	2,008
Adjusted EBITDA from discontinued operations	192	50	(9)	120	502	–	–	–
Total Adjusted EBITDA	724	(327)	(459)	757	2,221	1,633	2,055	2,008

(1) Accretion interest expense for convertible debenture and promissory note due to the vendors of ASAP

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

- *Loss (gain) in fair value of derivative liability* – The fair value of the Company's derivative liability relates to the estimated value for accounting purposes of the common share conversion right granted to the holders of the Company's unsecured, 7% Convertible Debentures until such debentures mature on November 27, 2024. Such value will fluctuate depending on the share price of the Company's common shares, the time remaining to the debentures' maturity date and the volatility of the Company's common share price. The loss, or gain, during the reporting period represents the increase, or decrease, in such value during the reporting period. Notwithstanding the loss or gain recorded during each fiscal quarter, the contractual liability of the Convertible Debentures remains unchanged at \$8.264 million plus interest.
- *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.
- *Reorganization and acquisition costs* – During the three-month period ended June 30, 2021, the Company recorded an expense of \$0.351 million of reorganization costs and restructuring charges. Restructuring charges during the three months ended June 30, 2021 include \$0.248 million in legal and

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bank fees related to the terminated credit agreement and \$0.103 million of professional fees to settle prior acquisition escrow balances and acquisition related costs. The prior year was \$0.431 million during the three month period ended June 30, 2020 of financial and legal advisors for business acquisitions, fees related to business amalgamations, rebranding expenses and severance expense for restructuring terminations.

Gross Profit and Gross Profit Margin

Gross Profit is determined as revenues less cost of sales. Gross Profit Margin is determined as the ratio of Gross Profit to revenues.

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.

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 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 will be required to execute future investment and growth opportunities and to refinance existing borrowings 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 a

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diversified portfolio of leading security businesses. 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 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.

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 and Licensing

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 within each province that it operates in and facility security clearances where applicable. 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 or licensing requirements have materially and negatively affected the Company.

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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 or Loss of Large Customers

Customer attrition of residential and loss of large enterprise customers results from a variety of different factors, including relocation of subscribers, financial difficulties experienced by the customer, competition, corporate mergers of customers, and other socio-economic factors. Demographic factors and credit quality of customers underwritten will have an impact on overall attrition levels. Within Logixx Security, one corporate customer under contract represented 16.4% of the Company's consolidated revenues during the fiscal year ended March 31, 2021 and 15.2% during the three months ended June 30, 2021. 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 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 residential clients that the Company deals with, and their economic distribution, the credit risk concentration to which the Company is exposed remains limited. However, failure to pay by a significant commercial customer could have a material adverse effect on the Company's cash flow and financial condition.

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. 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.

COVID-19

In March 2020, the World Health Organization declared, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", a pandemic. This has resulted in governments worldwide enacting emergency measures to limit the spread of the virus, including closure of non-essential businesses. As of the date of this MD&A, the majority of the Company's operations are considered essential in all provinces in which the Company operates. As such, to date the Company has been able to continue operating with no material adverse impact to operations. In general, while certain customers have reduced their requirements for the

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Company's services, to date COVID-19 has provided incremental revenues and gross profits for the Company on a net basis.

There have been no material revisions to the nature and number of estimates and judgments made in respect of the Company's financial statements of prior periods. However, the effects of COVID-19 have required significant judgements and estimates to be made in the preparation of the Company's financial statements.

Additionally, the effects of COVID-19 may require revisions to estimates of expected credit losses attributed to accounts receivable arising from sales to customers on credit terms, including the incorporation of forward-looking information to supplement historical credit loss rates as well as other estimates and judgement used in the preparation of the Company's financial statements. To date no revisions to managements estimates and judgements used in the preparation of the Company's financial statements have been necessary.

Due to rapid developments and uncertainty surrounding COVID-19 or the possible ending of COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's operations or financial results in the future, its suppliers, and its customers. Additionally, it is possible the Company's operations and consolidated financial results will change in the near term as a result of COVID-19 or the ending of COVID-19.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial instruments of the Company consist of cash, accounts receivable, a promissory note due from the purchasers of the Company's ownership interest in City Wide, accounts payable and accrued liabilities, bank indebtedness, the Convertible Debentures and vehicle loans 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 18(c) "Liquidity Risk" of the Company's unaudited condensed interim consolidated financial statements and notes thereto as at and for the three-month period ended June 30, 2021 and 2020.

The Company may undertake sales and 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 on a net basis, 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 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 7, 13, 14, 18, and 19 to the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2021 and 2020.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 judgment 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 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, potential obligations under granted Performance Share Units, fair value adjustments on Convertible Debentures and investments, and recoverability of tax credits. These estimates are based on the Company's management's best judgment 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 the equity component of the Convertible Debentures. The main factor affecting the estimates of stock-based compensation 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. Similar factors and estimates are used to estimate the present value of the potential liability on March 31, 2023 related to the Performance Share Units based on a Monte Carlo simulation valuation model.

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, 2021 and 2020. There were no material changes to the Company's accounting policies during fiscal 2021 or during fiscal 2020 other than the adoption of IFRS 16 in fiscal 2020. The Company opted to change the accounting treatment of uniform acquisitions on April 1, 2020. Uniform expense that was previously included in the statement of loss and comprehensive loss are now capitalized and depreciated over the useful life. On April 1, 2020, the Company changed the accounting estimates of the Trade Name intangible assets related to the acquisitions of Veridin and Intelligarde. The amortization period was reassessed from the original estimate of ten years down to three years.

IFRS Issued Standards Not Yet Adopted

The IASB has issued the following standards, amendments and interpretations which have not been early adopted in these condensed interim 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

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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. 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's classification of liabilities.

IFRS 3: Business Combinations

This standard is effective for annual periods beginning on or after January 1, 2020 with early adoption available. This amendment to IFRS 3 clarifies the definition of a business and assists entities in determining whether an acquisition is a business combination of a group of assets. The amendment emphasizes that the output of a business is to provide goods and services and also provides supplementary guidance. The Company will adopt the provisions of this amendment prospectively in its 2021 fiscal year. The Company's management does not expect adoption of this amendment to have a material effect.

IAS 16: Property, Plant and Equipment

The IASB published an amendment to IAS 16 Property, Plant and Equipment on May 14, 2020 that will apply retrospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted. The amendment clarifies the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment into use. The Company is currently evaluating the impact of the standard on its consolidated financial statements and does not expect any retrospective changes at this time.

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.sedar.com.