This Management's Discussion and Analysis ("MD&A") contains information about the consolidated performance and financial position of Avante Corp. (the "Company") as at and for the three-month period ended June 30, 2023 and 2022, as well as forward-looking information about future periods. The information in this MD&A is current to August 29, 2023 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, 2023 and 2022. This Management's Discussion and Analysis is authorized for issue by the Board of Directors on August 28, 2023.

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, 2023 and 2022 were prepared in accordance with IAS 34, "*Interim Financial Reporting*" as issued by the International Accounting Standards Board ("IASB"), and *International Financial Reporting Standards* ("IFRS"). All financial amounts in this MD&A are expressed in thousands of Canadian dollars except where otherwise noted. All tables are for the three-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 judgements with respect to, among other things, future economic, competitive and market conditions and future business decisions and the successful completion and integration of proposed acquisitions, all of which are difficult or impossible to predict accurately and many of which are beyond the Company's control. Although the Company believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company's behalf.

NON-IFRS MEASURES

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

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

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

OVERVIEW OF AVANTE AND HIGHLIGHTS

Avante Corp. is an Ontario corporation listed on the Toronto Venture Exchange (TSXV: XX). The Company is a leading provider of technology enabled security solutions to residential and commercial clients providing the following services: "Protective Services", "Rapid Alarm Response", "Monitoring & Managed Services" and "Electronic Security".

During the fiscal year ending March 31, 2022, and until June 1, 2022, the Company was organized into two operating segments consisting of Logixx Security Inc. ("Logixx Security") and Avante Security Inc. ("Avante Security"), based on the type of customer serviced and as described in further detail in the Business Segment Operating Results section of this MD&A. The Company sold its entire ownership interest in Logixx Security Inc. subsequent to year end, June 1, 2022. *With respect to the sale of Logixx Security, refer to Note 24 to the Audited Consolidated Financial Statements for the years ended March 31, 2023 and 2022*. In summary, Logixx Security focuses on providing enterprise customers with Protective Services, Electronic Security and Monitoring & Managed Services across Canada. Avante Security focuses on providing residential and commercial customers with similar services within central Toronto and Muskoka, Ontario.

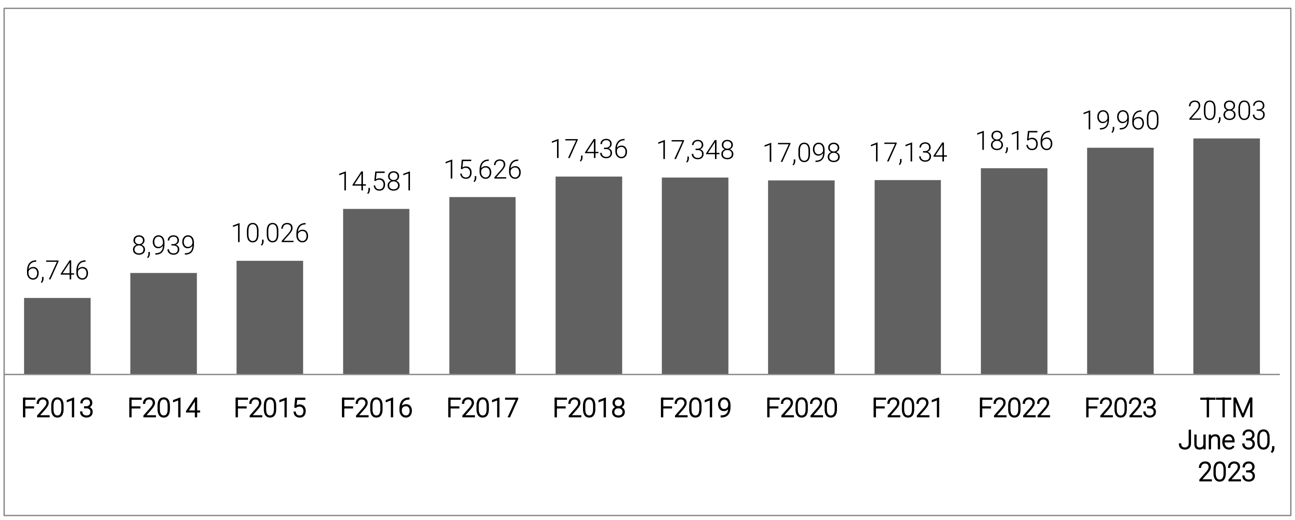
On August 25, 2021, the Company's Board of Directors announced a strategic review to consider and evaluate various strategic alternatives available to the Company. On March 30, 2022, the then existing Board of Directors resigned, and a new set of Board of Directors was established. Subsequently, a new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

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

As at June 30, 2023, the Company's full-time and part-time headcount was 126 compared to 118 as at March 31, 2023.

The Company has started to see some impacts of the changes it has made in operations over the last year. Clients' level of satisfaction has been steadily increasing quarter-over-quarter. The Company's management team has done a deep dive in all aspects of the Company to identify efficiencies and to enhance the client and employee experience. The new products launched earlier this year, Avante Black and Avante Ghost, remain very popular and have had a significant impact on revenue. The Company also reconfigured its' video analytics and signal processing, which has led to an increase in recurring monitoring revenue. The Company plans to expand these services in the coming year. The Company also has a number of research and development projects on the go to further enhance security services for our clients that expect to be launched in this fiscal year.

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



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

STRATEGY

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

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

1. Seek organic growth from onboarding new customers within Avante Security's existing geographical areas of strength of Toronto and Muskoka regions of Ontario;
2. Expand Company's core services by acquiring smaller enterprises, or books of business, in highly selective target markets, with follow on support of acquired leadership teams by leveraging Avante's "Service Excellence" vision and expertise;
3. Invest in new technologies, and leverage third party technologies, to enhance offerings in cyber security, health and machine vision to detect or predict future threats to personal health, safety and security and to mitigate catastrophic events through predictive analysis of data;
4. Enhance service offerings to new and existing clients, by leveraging trusted relationships to manage the home, with highly trained internal staff and trusted third parties; and
5. Leverage Avante Security's world class Avante Control Centre.

CONSOLIDATED FINANCIAL OBJECTIVES AND OUTLOOK

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

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

SELECTED FINANCIAL INFORMATION

The following selected financial information for the three-month period ended June 30, 2023 and 2022 have been derived from the unaudited condensed interim consolidated financial statements and should be read in conjunction with those financial statements and related notes. The results of discontinued operations, or assets held for sale, are excluded from this summary. Non-IFRS measures are defined and reconciled in the Reconciliation of Non-IFRS Measures section of this MD&A or in the applicable section of this MD&A in respect of direct or adjusted operating expenses and recurring monthly revenues.

$ in thousands, unless otherwise noted	FY 2022			FY 2023				FY2024
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Revenues	4,438	4,751	4,938	4,568	4,934	5,092	5,366	5,410
Cost of goods sold	2,596	2,608	2,851	2,573	3,013	2,915	3,337	3,371
Gross profit	1,842	2,143	2,087	1,995	1,921	2,177	2,029	2,039
Gross profit margin	41.5%	45.1%	42.3%	43.7%	38.9%	42.8%	37.8%	37.7%
Direct operating expenses	2,002	2,106	1,911	1,580	1,732	1,580	2,244	1,731
Direct operating expense as a percent of revenue	45.1%	44.3%	38.7%	34.6%	35.1%	31.0%	41.8%	32.0%
Adjusted EBITDA from continuing operations(1)	(99)	(221)	675	565	223	691	(125)	508
Adjusted EBITDA from discontinued operations(1)	727	2,184	(1,074)	526	–	(5)	–	–
Total adjusted EBITDA(1)	627	1,964	(398)	1,091	223	686	(125)	508
Total comprehensive income (loss) attributable to Avante shareholders on continuing operations	(3,404)	1,412	(2,972)	(230)	(427)	(269)	(2,930)	80

(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, 2023 and 2022

Revenues

Revenues for the three-month period ended June 30, 2023 were $5,410, compared with $4,568 for the prior fiscal year's first quarter, an increase of $842, or 18.4%. The increase was mainly due to increased revenue from new products and services introduced during the year. The Company also experienced growth in video analytics following the Company's reconfiguration of its' software and personnel.

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

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

	FY 2022			FY2023				FY2024
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Recurring	2,372	2,416	2,488	2,463	2,584	2,600	2,691	2,648
Other revenue	2,066	2,335	2,450	2,105	2,350	2,492	2,675	2,762
Total revenue	4,438	4,751	4,938	4,568	4,934	5,092	5,366	5,410
Recurring as a % of total revenue	53.4%	50.9%	50.4%	53.9%	52.4%	51.1%	50.1%	48.9%

Recurring Monthly revenue was $2,648 for the three-month period ended June 30, 2023, compared to $2,463 during the prior fiscal year's first quarter, an increase of $185, or approximately 7.5% reflecting increased pricing and net growth in monitoring customers.

Gross Profit and Gross Profit Margin

Gross profit was $2,039 for the three-month period ended June 30, 2023, an increase of $44 or 2% over the prior fiscal year's first quarter, primarily due to stronger margins within protective service contracts and pricing increases implemented during the last twelve months for monitoring and managed services. Gross Margin percentages in respect of the Avante Security division were as follows during the most recent eight fiscal quarters:

	FY 2022			FY 2023				FY2024
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Gross Profit	1,842	2,143	2,087	1,995	1,921	2,177	2,029	2,039
Gross Margin	41.5%	45.1%	42.3%	43.7%	38.9%	42.8%	37.8%	37.7%

The decrease in the Gross Margin percentage during three-month period ending June 30, 2023 to 37.7% as compared to prior fiscal year's first quarter margin of 43.7% is largely attributed to the change in sales mix and cost inflation.

Operating Expenses

Operating expenses excluding depreciation, amortization, interest and share based payments, for the three-month period ended June 30, 2023 were $1,731, as compared to $1,580 during the prior fiscal year's first quarter. In respect of the comparative period, adjusted operating expenses as a percentage of revenues were elevated as In respect of the comparative period, adjusted operating expenses as a percentage of revenues were reduced as the Company's management team has been focused on increasing efficiency

	FY2022			FY2023				FY2024
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Operating expenses	2,352	2,421	2,241	1,263	1,929	1,924	3,827	1,925
Less								
Depreciation	217	207	206	157	185	170	194	202
Amortization	89	89	89	89	89	98	117	117
Commission amortization	10	3	3	3	3	2	1	3
Share based payments	34	16	32	(566)	(80)	72	1,271	(128)
Adjusted operating expenses	2,002	2,106	1,911	1,580	1,732	1,580	2,244	1,731
Revenue	4,438	4,751	4,938	4,568	4,934	5,092	5,366	5,410
Operating expense as a % of revenue	45.1%	44.3%	38.7%	34.6%	35.1%	31.0%	41.8%	32.0%

Interest expense

Net interest costs for the three-month period ending June 30, 2023 were $56 compared with $73 during the prior fiscal year's first quarter. During late June 2022, the Company began investing surplus cash balances into guaranteed investment certificates.

EBITDA and Adjusted EBITDA From Continuing Operations

EBITDA and Adjusted EBITDA for the three-month period ended June 30, 2023, was $489 and $508 as compared to the prior fiscal year's first quarter EBITDA and Adjusted EBITDA from continuing operations of $120 and $565 respectively. The quarterly composition of EBITDA and Adjusted EBITDA over the Company's most recent eight quarterly fiscal quarterly periods ending June 30, 2023, are summarized below:

	FY2022			FY2023				FY2024
$ in thousands, unless otherwise noted	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Revenues	4,438	4,751	4,938	4,568	4,934	5,092	5,366	5,410
Gross profit (1)	1,842	2,143	2,087	1,995	1,921	2,177	2,029	2,039
Gross profit margin (1)	*41.5%*	*45.1%*	*42.3%*	*43.7%*	*38.9%*	*42.8%*	*37.8%*	*37.7%*
Net Income (loss)	**(3,404)**	**1,412**	**(2,972)**	**(230)**	**(427)**	**(269)**	**(2,930)**	**80**
Net income (loss) from discontinued operations	478	199	(382)	3,734	–	(5)	159	–
Total net income (loss)	**(2,926)**	**1,611**	**(3,354)**	**3,504**	**(427)**	**(274)**	**(2,771)**	**80**
Interest expense	87	92	180	73	78	27	34	56
Income taxes	192	67	(208)	28	19	394	152	32
Amortization on capitalized commission	–	3	3	3	3	2	1	3
Depreciation on capital assets	217	207	206	157	185	170	194	202
Amortization	89	89	89	89	89	98	117	117
EBITDA (1)	**(2,819)**	**1,870**	**(2,701)**	**120**	**(53)**	**422**	**(2,432)**	**489**
EBITDA from discontinued operations	734	1,030	(109)	503	–	(5)	–	–
Total EBITDA	**(2,085)**	**2,900**	**(2,810)**	**623**	**(53)**	**418**	**(2,432)**	**489**
Write-down of intangible assets	–	–	–	–	–	–	–	–
Share based compensation (excluding PSU)	34	26	32	(566)	(80)	72	1,271	(128)
Reorganization and acquisition costs	442	343	3,305	972	355	197	1,036	147
Loss (gain) in fair value of derivative liability	2,220	(2,516)	–	–	–	–	–	–
Other Adjustments	–	–	–	–	–	–	–	–
Deferred finance fees	23	56	39	39	–	–	–	–
Adjusted EBITDA from continuing operations	**(99)**	**(221)**	**675**	**565**	**223**	**691**	**(125)**	**508**
Adjusted EBITDA from discontinued operations	727	2,184	(1,074)	526	–	(5)	–	–
Total adjusted EBITDA (1)	**627**	**1,964**	**(398)**	**1,091**	**223**	**686**	**(125)**	**508**
Total comprehensive income (loss)	(2,926)	1,611	(3,354)	3,505	(427)	(274)	(2,771)	80
Comprehensive income (loss) attributable to equity holders	(2,926)	1,611	(3,354)	3,505	(427)	(274)	(2,771)	80
Basic and fully diluted earnings per share	$ (0.138)	$ 0.076	$ (0.158)	$ 0.132	$ (0.016)	$ (0.010)	$ (0.105)	$ 0.003
Total assets	44,527	43,735	42,943	25,726	24,965	25,480	25,583	24,980
Senior funded debt	9,251	8,865	8,865	–	–	–	500	–
Total debt and lease obligations, IFRS (2)	22,671	20,054	9,706	724	772	766	2,134	1,375

1. For Non-IFRS Measures see Reconciliation of Non-IFRS Measures Section of this MD&A
2. Total debt includes the convertible debenture as reported under IFRS. The convertible debentures were converted to common shares on February 16, 2022

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

Restructuring and Acquisition Charge

The Company incurred reorganization and acquisition costs in continuing operations of $147 for the three months ended June 30, 2023 (three months ended June 30, 2022: $972). These costs incurred during the three months ended June 30, 2023 included $54 of software development fees, $93 of consulting fees. During the three months ended June 30, 2022 reorganization and acquisition costs included professional fees related to consultants, financial and legal advisors, fees related to business amalgamations, rebranding and reorganization expenses including severance expense.

Balance Sheet

Total assets decreased by $603, or 2.4%, during the three-month period ended June 30, 2023 compared to the prior year end as at March 31, 2023. Total liabilities declined by $556, or 6.3%, during the three-month period ended June 30, 2023 compared to the prior year end as at March 31, 2023.

Within continuing operations, cash and cash equivalent balances decreased by $686 due to the repayment of the outstanding bank loan. Accounts receivable increased by $832, largely due to increases in trade receivables and unbilled trade receivables. Accounts payable and accrued liabilities increased by $490.

Total shareholders' equity decreased by $47 during the three-month period ended June 30, 2023 due to the difference between profit and option-based expenses.

BUSINESS SEGMENT OPERATING RESULTS

With the sale of Logixx Security on June 1, 2022 (after the fiscal year ended March 31, 2022), the Company now has Avante Security as its only division. Avante Security focuses on providing residential and commercial customers with Protective Services, Electronic Security and Monitoring & Managed Services within central Toronto and Muskoka, Ontario.
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 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. These services also include recurring monthly revenues in respect of rapid response services.

Electronic Security

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

Monitoring & Managed Services

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

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

Alarm signals are communicated simultaneously through traditional landline facilities to primary response centres and wirelessly to the ACC. The primary response centres are operated by ULC (Underwriters

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

Laboratories of Canada) approved third parties. The ULC is an independent, non-profit standards development organization for product safety testing, certification and inspection.

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

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

Segment Reporting:

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

A summary of segment operating performance during the three-month period ended June 30, 2023 is provided below:

	For the three-month period ended June 30, 2023		
	Avante Security	**Corporate**	**Total**
Revenues	$ 5,410	$ -	$ 5,410
Cost of sales	3,371	-	3,371
Gross profit	2,039	-	2,039
Direct operating expenses	1,447	284	1,731
Other operating expenses	221	(27)	194
Total operating expenses	1,668	257	1,925
Other (income) expenses	(53)	(92)	(145)
Reorganization and acquisition costs	127	20	147
Provision for income taxes	37	(5)	32
Net income (loss)	**260**	**(180)**	**80**
Deferred income tax expense (recover)	37	(6)	31
Interest expense	46	10	56
Depreciation and amortization	222	100	322
EBITDA	**565**	**(76)**	**489**
Share based compensation	-	(128)	(128)
Reorganizaton and acquisition	127	20	147
Adjusted EBITDA from continuing operations	**691**	**(183)**	**508**

Note: Depreciation and amortization expense for the calculation of EBITDA includes amortization on long-term commissions that is included in salaries, benefits, and commissions on the consolidated statements of income (loss) and comprehensive income (loss). The information in the above table reflects continuing operations only.

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

A summary of segment operating performance during the comparative three-month period ended June 30, 2022 is provided below:

	For the three-month period ended June 30, 2022			
	Avante Security	Corporate	Intersegment eliminations	Total
Revenues	$ 4,569	$ -	$ (1)	$ 4,568
Cost of sales	2,648	-	(76)	2,573
Gross profit	1,920	-	75	1,995
Direct operating expenses	1,241	339	-	1,580
Other operating expenses	138	(455)	-	(318)
Total operating expenses	1,379	(116)	-	1,263
Other (income) expenses	(63)	25	-	(38)
Reorganization and acquisition costs	-	972	-	972
Provision for income taxes	73	(45)	-	28
Net income (loss)	531	(835)	75	(230)
Current income tax expense (recovery)	-	-	-	-
Deferred income tax expense (recovery)	73	(45)	-	28
Interest expense	23	50	-	73
Depreciation and amortization	138	111	-	248
EBITDA	765	(720)	75	120
Share based compensation	-	(566)	-	(566)
Reorganizaton and acquisition	-	972	-	972
Loss (gain) in fair value of derivative liability	-	-	-	-
Deferred financing fees	-	39	-	39
Adjusted EBITDA from continuing operations	765	(274)	75	565

Note: Logixx Security was sold by the Company on June 1, 2022, and the financial results in respect of Logixx Security are treated as discontinued for IFRS financial reporting purposes in respect of the year ended March 31, 2022. The information in the above table reflects continuing operations only.

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

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

	FY 2022			FY 2023				FY2024
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Revenue								
Avante Security	4,438	4,751	4,938	4,568	4,934	5,092	5,366	5,410
Total Revenue	**4,438**	**4,751**	**4,938**	**4,568**	**4,934**	**5,092**	**5,366**	**5,410**
COGS								
Avante Security	2,596	2,608	2,851	2,573	3,013	2,915	3,337	3,371
Total COGS	**2,596**	**2,608**	**2,851**	**2,573**	**3,013**	**2,915**	**3,337**	**3,371**
Gross Profit								
Avante Security	1,842	2,143	2,087	1,995	1,921	2,177	2,029	2,039
Total Gross Profit	**1,842**	**2,143**	**2,087**	**1,995**	**1,921**	**2,177**	**2,029**	**2,039**
Gross Margin								
Avante Security	41.5%	45.1%	42.3%	43.7%	38.9%	42.8%	37.8%	37.7%
Total Gross Margin	**41.5%**	**45.1%**	**42.3%**	**43.7%**	**38.9%**	**42.8%**	**37.8%**	**37.7%**
Avante Security	2,300	1,187	1,799	1,379	1,322	1,514	1,512	1,668
Corporate	52	1,235	441	(116)	607	410	2,315	257
Total Opex	**2,352**	**2,421**	**2,241**	**1,263**	**1,929**	**1,924**	**3,827**	**1,925**
Avante Security	(458)	956	288	616	600	663	517	371
Corporate	(52)	(1,235)	(441)	116	(607)	(410)	(2,315)	(257)
Income (loss) before other income and expenses	**(510)**	**(278)**	**(155)**	**731**	**(8)**	**253**	**(1,798)**	**113**
Miscellaneous income (expense)	54	52	85	113	34	98	93	206
Foreign exchange gain (loss)	(5)	(9)	9	(2)	(1)	(1)	(3)	(5)
Depreciation	217	207	206	157	185	170	194	202
Amortization	89	89	89	89	89	98	117	117
Amortization on capitalized commission	10	3	3	3	3	2	1	3
Share based payments	34	16	32	(566)	(80)	72	1,271	(128)
Deferred financing fees	23	56	39	39	-	-	-	-
Other	-	-	-	-	-	-	-	-
Adjusted EBITDA from continuing operations	(89)	136	308	565	223	692	(125)	508
Adjusted EBITDA from Avante Security	(438)	1,300	(92)	840	723	836	681	691
Adjusted EBITDA from Corporate	348	(1,165)	400	(274)	(500)	(144)	(806)	(183)
Adjusted EBITDA from continuing operations	(89)	135	308	565	223	691	(125)	508

Note: Logixx Security was sold by the Company on June 1, 2022, and the financial results in respect of Logixx Security are treated as discontinued for IFRS financial reporting purposes in respect of the year ended March 31, 2022. The information in the above table reflects continuing operations only.

LOGIXX SECURITY

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

AVANTE SECURITY

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

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

Revenues during the three months ended June 30, 2023 at Avante Security of $5.4 million represents a $0.8 million increase over three months ended June 30, 2022. This increase is related to increases in organic sales, the acquisition of the C & B Alarms Ltd. clients and the addition of new products and services. Gross profit at Avante Security for three months ended June 30, 2023 was $2.0 million, compared to $1.99 million during the three months ended June 30, 2022, with gross profit margins of 37.7% compared to 43.7%.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of liquidity are cash provided from operations and credit available under its $2 million, senior secured, revolving credit facility that is currently undrawn as of June 30, 2023. In addition, on July 7, 2022, the Company entered into definitive agreements for a $10 million, unsecured term loan facility with affiliates of Fairfax. The Company expects that continued cash flow from operations, together with cash and cash equivalents on hand, and available credit facilities, will be more than sufficient to fund its requirements for investments in working capital and capital assets over the next twelve months in the ordinary course of business.

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

Cash Flows

Cash flows during the three-month periods ended June 30, 2023 and 2022 from continuing operations are summarized as follows:

$ in thousands	Jun 30, 2023	Jun 30, 2022
Cash Inflows (Outflows) by Activity		
Cash flow from operations	479	(494)
Non-cash working capital	(326)	(2,834)
Net operating activities	153	(3,328)
Financing activities	(814)	(9,401)
Investing activities	(25)	23,823
Net cash inflows (outflows) from continuing operations	**(686)**	**11,094**
Net cash inflows (outflows) from discontinued operations	-	637
Net cash inflows (outflows)	**(686)**	**11,731**

Operating Activities

Cash flow from operations in respect of continuing operations before working capital was $479 during the three-month period ended June 30, 2023 as compared to $(494) of cash flow from operations in respect of continuing operations before working capital during the prior fiscal year's first quarter. Much of this increase in cash flows from operations was attributable to income from continuing operations for the three-month period ended June 30, 2023. The decline in the prior period was impacted by ongoing restructuring costs in 2022. Cash flow (used in) working capital items in respect of continuing operations during the three-month period ended June 30, 2023 was $(326) as compared to $(2,834) during the prior fiscal year's first quarter mainly due to payments in respect of accounts payable balances during the quarter. Total cash flow from operating activities in respect of continuing operations during the three-month period ended June 30, 2023 was $153 as compared to $3,328 cash flows used in operating activities during the three-month period ended June 30, 2022.

In respect of discontinued operations, net cash flow provided from operating activities was $nil during the three-month period ended June 30, 2023 as compared to $(7,056) during the three-month period ended June 30, 2022.

Financing Activities

Cash used in financing activities in respect of continuing operations was $(814) during the three-month period ended June 30, 2023, compared to cash provided by financing activities from continuing operations of $(9,401) during the prior fiscal year's first quarter. With the sale of Logixx Security on June 1, the Company repaid in full all amounts owing under the senior credit facility with its bank.

In respect of discontinued operations, net cash flow provided from financing activities was $nil during the three-month period ended June 30, 2023 as compared to $7,731 during the three-month period ended June 30, 2022.

Investing Activities

Cash provided by investing activities in respect of continuing operations was $(25) during the three-month period ended June 30, 2023 compared to a use of cash of $23,823 from investing activities in respect of continuing operations during the prior fiscal year's first quarter. Investing activities during the three-month period ended June 30, 2022 reflected sale proceeds of $23,733 on the Company's sale of Logixx Security as well as disposals of vehicles leases of $114 offset by small purchases of capital assets.

In respect of discontinued operations, there were no investing activities during the three-month period ended June 30, 2023, as compared to $(37) during the three-month period ended June 30, 2022.

During the three-month period ended June 30, 2023, total cash inflows aggregated to $(686). The Company's ending cash balance, including guaranteed investment certificates, as of June 30, 2023 was $9,428.

Senior Funded Debt

With the sale of Logixx Security on June 1, 2022, the Company no longer had any funded debt whereas senior funded debt as at March 31, 2023 consisted of advances under its senior secured credit facilities from a bank summarized as follows:

$ in thousands	Jun 30, 2023	Mar 31, 2023
Revolving credit facility	$ -	$ 500
Term credit facility	-	-
Total senior funded debt	**$ -**	**$ 500**
Cash and cash equivalents	9,428	10,114
Net senior funded debt	**$ (9,428)**	**$ (9,614)**

The Company's senior funded debt totaled $0.5 million as at March 31, 2023 was used for working capital purposes as the company had invested it's excess funds in a guaranteed investment certificate. This amount was subsequently repaid by June 30, 2023.

The Company's total available sources of senior secured credit facilities as of June 30, 2023 were as detailed below:

	As at Jun 30, 2023		
$ in thousands	Total Amount	Borrowing	Amount Available
Revolving credit facility	$ 2,000	$ -	$ 2,000
Term credit facilities	10,000	-	10,000
	$ 12,000	**$ -**	**$ 12,000**

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

Capital Stock

The authorized capital of the Company consists of an unlimited number of common shares. As at June 30, 2023, there were 26,489,438 common shares issued and outstanding, which was the same amount as at March 31, 2023.

Issuance of Stock Options

As at June 30, 2023, there were a total of 1,483,333 options outstanding to purchase an equivalent of common shares, with a weighted average exercise price of $1.05. During the three-month period ended June 30, 2023 there were no options granted, exercised, or forfeited. Should the outstanding options that were exercisable at June 30, 2023 be exercised, the Company would receive proceeds of approximately $1,557.

Off-Balance Sheet Arrangements

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

Related Party Transactions

The Company's related parties include the following persons and entities: (i) associates, or entities which are controlled or significantly influenced by the Company; (ii) key management personnel, which comprise directors and officers of the Company; and (iii) entities controlled by key management personnel. Please note that all amounts described below are in dollars and are not rounded to thousands.

The Company entered into a contract effective May 1, 2018, with a private company controlled by an officer and director to provide consulting services for the Company. The Company incurred $nil of expense in the three months ended June 30, 2023 (three months ended June 30, 2022: $43,415). The balance outstanding payable by the Company at June 30, 2023, is $nil (March 31, 2023: $nil).

The Company entered into a contract with a private company controlled by a significant shareholder and, prior to April 9, 2022, an officer of the Company to provide services for the Company. For the three months ended June 30, 2023, the Company incurred $nil (June 30, 2022: $1,640) for these services. The balance outstanding payable by the Company at June 30, 2023, is $nil (March 31, 2022: $nil).

The Company provides service to and receives service from a private company controlled by a significant shareholder and, prior to April 9, 2022, an officer of the Company. In the three months ended June 30, 2023, the Company billed $7,800 and incurred $14,692 of expense for services (three months ended June 30, 2022: $11,456 billed and $18,619 expensed). The outstanding accounts receivable balance at June 30, 2023, is $17,145 (March 31, 2023: $8,331) and outstanding accounts payable balance is $10,893 (March 31, 2023: $nil).

The Company provides service to and receives service from a private company controlled by a significant shareholder and, prior to April 9, 2022 officer of the Company. For the three months ended June 30, 2023, the Company had a receivable of $nil (three months ended June 30, 2022: $nil). For the three months ended June 30, 2023, the Company incurred $nil (three months ended June 30, 2022: $1,806) for these services. The balance outstanding payable by the Company at June 30, 2023, is $nil (March 31, 2023: $330,525).

The Company entered into a contract with a private company controlled by a former director to provide services for the Company. For the three months ended June 30, 2023, the Company incurred $nil (three months ended June 30, 2022: $5,000) for these services. The balance outstanding payable by the Company at June 30, 2023, is $nil (March 31, 2023: $nil).

On July 7, 2022, the Company executed an unsecured Loan Agreement with affiliates of Fairfax Financial

Holdings Limited that also collectively own 19.99% of the Company's common shares. Pursuant to the Loan Agreement, the Company is permitted to draw, on a non-revolving basis, up to $10 million of loans until July 7, 2027 for terms to maturity ending on July 7, 2027, at an interest rate of 5.0% that can be paid by the Company in cash or in kind. A standby fee of 0.5% per annum is charged by Fairfax on the unused portion of the term loan facility, and the fee is recorded within the interest expense on the consolidated statement of income (loss) and comprehensive income (loss) in the amount of $12,500 (three months ended June 30, 2022: $nil).

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

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

RECONCILIATION OF NON-IFRS MEASURES

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

EBITDA and Adjusted EBITDA

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

The Company believes that Adjusted EBITDA is a meaningful financial metric, as it measures cash generated from operations which the Company can use to fund working capital requirements, service interest 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	FY2022			FY2023				FY2024
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net Income (loss)	**(3,404)**	**1,412**	**(2,972)**	**(230)**	**(427)**	**(269)**	**(2,930)**	**80**
Interest expense	87	92	180	73	78	27	34	56
Accretion interest expense	–	–	–	–	–	–	–	–
Income taxes	192	67	(208)	28	19	394	152	32
Amortization on capitalized commission	–	3	3	3	3	2	1	3
Depreciation on capital assets	217	207	206	157	185	170	194	202
Amortization	89	89	89	89	89	98	117	117
EBITDA	**(2,819)**	**1,870**	**(2,701)**	**120**	**(53)**	**422**	**(2,432)**	**489**
Share based compensation	34	26	32	(566)	(80)	72	1,271	(128)
Reorganization and acquisition costs	442	343	3,305	972	355	197	1,036	147
Adjusted EBITDA	**(99)**	**(221)**	**675**	**565**	**223**	**691**	**(125)**	**508**
Adjusted EBITDA from discontinued operations	727	2,184	(1,074)	526	–	(5)	–	–
Total adjusted EBITDA	**627**	**1,964**	**(398)**	**1,091**	**223**	**686**	**(125)**	**508**

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

- *Share based payments* – Share based incentive compensation expense can vary based on the timing of when awards are issued. 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, 2023 the Company recorded an expense of $147 of reorganization costs and restructuring charges, and during the year ended March 31, 2023, the Company recorded an expense of $2,560, for reorganization costs and restructuring charges. During the three-month period ended June 30, 2023, this cost reflected professional fees paid to consultants, related to business rebranding and reorganization expenses.

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

Ability to Achieve and Manage Growth

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

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

During the reporting period, we are pleased to announce the successful launch of our new service, Avante Black. This innovative offering represents a significant milestone for our company and further expands our product portfolio. Avante Black was developed in response to market demand and reflects our ongoing commitment to delivering value to our customers and driving sustainable growth.

The launch of Avante Black has been met with strong customer interest and early adoption, positioning us for accelerated revenue growth in the coming quarters. Initial feedback from our clients has been overwhelmingly positive, highlighting the unique features.

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 providing service excellence to its existing clientele, while focusing on implementing new technologies to provide enhanced levels security and related solutions for its clients.

Key Personnel

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

Government Regulations and Licensing

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

Information Technology Systems

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

Attrition of Accounts

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

Credit Risk

The Company sells the majority of its services within Ontario, Canada and a significant portion of its revenues are generated on a contractual basis pursuant to agreed payment terms. Due to the large number of residential clients that the Company deals with, and their economic distribution, the credit risk concentration to which the Company is exposed remains limited. However, failure to pay by customers 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. More recently, the Ontario economy has been exposed to inflationary pressures including, for example, with respect to labour costs and fuel prices. To the greatest extent possible, the Company passes such cost increases on to its customers and it attempts to reduce these pressures through proactive procurement and human resource practices. Should these efforts not be successful, the gross margin and profitability of the Company could be adversely affected.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial instruments of the Company consist of cash, accounts receivable, accounts payable and accrued liabilities, bank indebtedness 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 19(c) "Liquidity Risk" of the Company's consolidated financial statements and notes thereto as at and for the years ended March 31, 2023 and 2022.

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

For additional details on the Company's financial instruments, including the amount and classification of gains and losses recorded in the Company's consolidated financial statements, summary of fair values, notional balances, effective rates and terms, and significant assumptions used in each calculation of the fair value of the Company's financial instruments, refer to Liquidity and Capital Resources in this MD&A and see Notes 8, 14, 15, 19, and 20 to the Company's consolidated financial statements for the years ended March 31, 2023 and 2022.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

CHANGES IN ACCOUNTING POLICIES

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

New Standards and Interpretations

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

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

This amendment was issued originally in January 2020, then subsequently adjusted and re-released on October 31, 2022 after stakeholder feedback was considered. The amendment is effective for annual reporting periods beginning on or after January 1, 2024. The amendment:

- Creates a new section on the concept of settlement for the purpose of classifying a liability as current versus non-current. A settlement refers to a transfer to the counterparty that results in the extinguishment of the liability that can either be in cash, another economic resource, or the entity's own equity instruments;
- Clarifies that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting period, and instead focuses on the rights to defer settlement that have substance and exist at the end of the reporting period; and
- Clarifies that if the right to defer settlement is subject to the entity complying with specified conditions (i.e., covenants), this amendment will only apply to conditions that exist when compliance is measured on or before the reporting date.

Additionally, new presentation and disclosure requirements were added for debt and future covenants as a result of these amendments.

The implementation of this amendment is not expected to have a significant impact to the Company's classification of liabilities. The Company has not elected to early adopt this standard.

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

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

IAS 12: Income Taxes

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

CONTINGENCIES

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

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.