Avante Logixx Inc.
Management’s Discussion and Analysis
For the Three And Six-Month Periods Ended September 30, 2022 and 2021
(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 and six-month periods ended September 30, 2022 and 2021, as well as forward-looking information about future periods. The information in this MD&A is current to November 25, 2022 and should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements and notes thereto as at and for the three and six-month periods ended September 30, 2022 and 2021. This Management’s Discussion and Analysis is authorized for issue by the Board of Directors on November 25, 2022.

The accompanying unaudited condensed interim consolidated financial statements of the Company were prepared by and are the responsibility of the Company’s management. The Company’s unaudited condensed interim consolidated financial statements as at and for the three and six-month periods ended September 30, 2022 and 2021 were prepared in accordance with IAS 34, “*Interim Financial Reporting*” as issued by the International Accounting Standards Board (“IASB”), and *International Financial Reporting Standards* (“IFRS”). All financial amounts in this MD&A are expressed in thousands of Canadian dollars except where otherwise noted. All tables are for the three and six-month periods ended September 30 of the year indicated, unless otherwise stated. This MD&A includes forward-looking statements and assumptions. See “Forward-Looking Information” for more details.

The financial information summarized in this MD&A is prepared excluding the financial results of discontinued operations, including the results of Logixx Security Inc, which was sold by the Company on June 1, 2022.

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

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

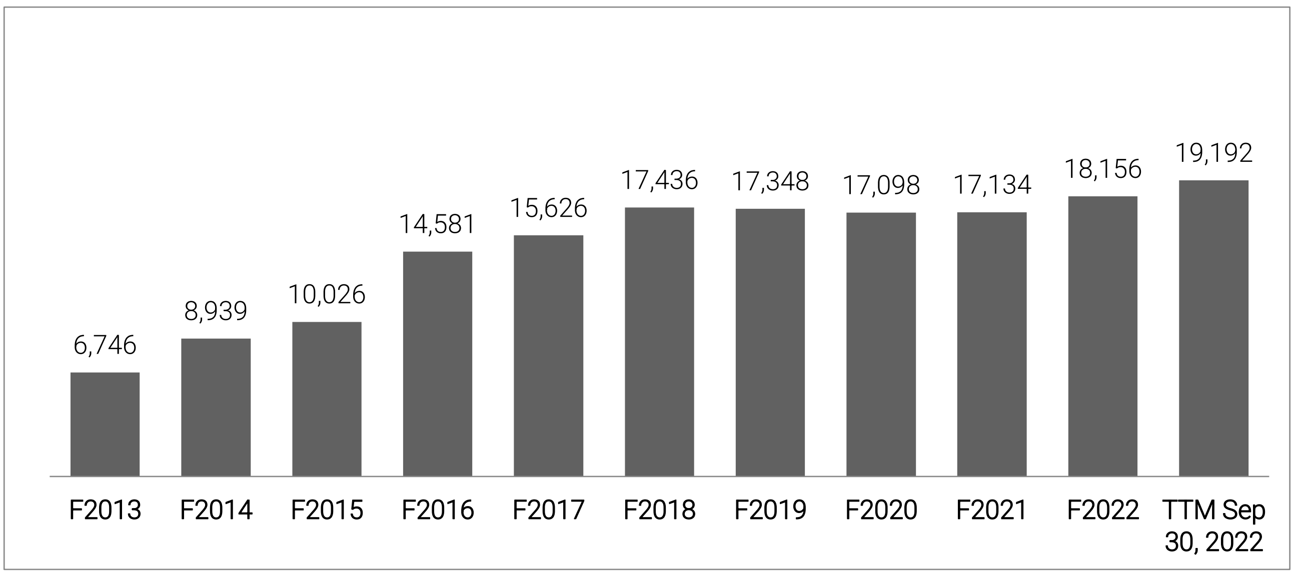
During the fiscal year ending March 31, 2022 and until June 1, 2022, the Company was organized into two operating segments consisting of Logixx Security Inc. ("Logixx Security") and Avante Security Inc. ("Avante Security"), based on the type of customer serviced and as described in further detail in this MD&A. The Company sold its entire ownership interest in Logixx Security Inc. on June 1, 2022. *With respect to the sale of Logixx Security, refer to Notes 7 and 24 to the Unaudited Condensed Interim Consolidated Financial Statements for the three and six--month period ended September 30, 2022 and 2021*. 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 condominium 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 addressing the security risks of 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 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 after the sale of a third operating unit in September 2020.

As at September 30, 2022, the Company's full-time and part-time headcount was 126 compared to 133 as at March 31, 2022 excluding the Logixx Security business that was sold on June 1, 2022.

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



Note: The Company's fiscal year end is March 31 and "TTM" means Trailing Twelve Months. City Wide Locksmiths Ltd. ("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. Logixx Security revenues are excluded from the above chart as the ownership of Logixx Security is treated as a discontinued operation since the date the Company sold its interest in Logixx Security on June 1, 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 residential and condominium customers with security service excellence that exceeds customers' expectations.

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

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

CONSOLIDATED FINANCIAL OBJECTIVES AND OUTLOOK

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

- Invest in tuck-in acquisitions to build its Avante Security business;
- Build recurring revenues;
- Achieve consolidated Adjusted EBITDA margins consistent with its industry;
- Achieve growth in adjusted net income per share;
- Reinvest cashflow in future business growth; and
- Target a low level of leverage, as measured by Net Senior Debt to Adjusted EBITDA, as compared to the Company's existing cash position.

SELECTED FINANCIAL INFORMATION

The following selected financial information for the three-month period ended September 30, 2022 and 2021 have been derived from the unaudited condensed interim consolidated financial statements and should be read in conjunction with those financial statements and related notes. 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.

	FY 2021		FY 2022				FY 2023	
$ in thousands, unless otherwise noted	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenues	4,328	4,653	4,029	4,438	4,751	4,938	4,568	4,934
Cost of goods sold	2,480	2,788	2,253	2,596	2,608	2,851	2,573	3,013
Gross profit	1,848	1,865	1,776	1,842	2,143	2,087	1,995	1,921
Gross profit margin	42.7%	40.1%	44.1%	41.5%	45.1%	42.3%	43.2%	38.9%
Direct operating expenses	2,142	1,926	2,152	2,002	2,106	1,911	1,580	1,732
Direct operating expense as a percent of revenue	49.5%	41.4%	53.4%	45.1%	44.3%	38.7%	45.0%	34.6%
Adjusted EBITDA from continuing operations(1)	(220)	(31)	(363)	(99)	(221)	675	565	223
Adjusted EBITDA from discontinued operations(1)	1,853	2,086	2,371	727	2,184	(1,074)	526	–
Total adjusted EBITDA(1)	1,633	2,055	2,008	627	1,964	(398)	1,091	223
Total comprehensive income (loss) attributable to Avante shareholders on continuing operations	(172)	(511)	(973)	(3,404)	1,412	(2,972)	(230)	(427)

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

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 and in respect of the fiscal quarterly information presented above.

Results for the Three and Six-Month Periods Ended September 30, 2022 and 2021

Revenues

Revenues for the three-month period ended September 30, 2022 were $4,934, compared with $4,438 for the prior fiscal year's second quarter, an increase of $497, or 11.2%. Revenues for the six months ended September 30, 2022 were $9.5 million, compared with $8.5 million for the prior year's first six months, an increase of $1.0 million, or 11.8%. The increase was due to increased revenue from protective service customers and from improved monitoring revenues due to net new monitoring customers and price increases implemented over the preceding twelve months. This growth in revenues was offset by reduced installation service revenues as compared to the prior year.

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 2021		FY 2022				FY 2023	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Recurring	2,126	2,314	2,372	2,372	2,416	2,488	2,463	2,584
Other revenue	2,202	2,339	1,657	2,066	2,335	2,450	2,105	2,352
Total revenue	4,328	4,653	4,029	4,438	4,751	4,938	4,568	4,935
Recurring as a % of total revenue	49.1%	49.7%	58.9%	53.4%	50.9%	50.4%	53.9%	52.4%

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 and in respect of the fiscal quarterly information presented above. The information in the above table reflects continuing operations only.

Recurring Monthly revenue was $2,584 for the three-month period ended September 30, 2022, compared to $2,372 during the prior fiscal year's second quarter, an increase of $212, or approximately 8.9% reflecting increased pricing and net growth in monitoring customers. Total recurring and other revenues increased by $1.0 million, an approximate increase of 12.2% in the six month period ending September 30, 2022 over prior year's six-month period ending September 30, 2021.

Gross Profit and Gross Profit Margin

Gross profit was $1,921 for the three-month period ended September 30, 2022, an increase of $79 or 4.3% over the prior fiscal year's second 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 profit was $3.9 million for the six months ended September 30, 2022, an increase of $0.3 million or 8.2% over the prior year's first six months. Gross Margin percentages in respect of the Avante Security division were as follows during the most recent eight fiscal quarters ending September 30, 2022:

	FY 2021		FY 2022				FY 2023	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Gross Profit	1,848	1,865	1,776	1,842	2,143	2,087	1,995	1,921
Gross Margin	42.7%	40.1%	44.1%	41.5%	45.1%	42.3%	43.7%	38.9%

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 and in respect of the fiscal quarterly information presented above. The information in the above table reflects continuing operations only.

The decrease in the Gross Margin percentage during three-month period ending September 30, 2022 to 38.9% as compared to prior fiscal year's second quarter margin of 41.5% is largely attributed to the change in sales mix and cost inflation, offset by pricing increases implemented during fiscal 2022 and during the second quarter of fiscal 2023. Gross profit margin was 41.2% for the six-months ended September 30, 202 comparted to 42.7% for the prior years first six months.

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

Operating Expenses

Operating expenses excluding depreciation, amortization, interest and share based payments, for the three-month period ended September 30, 2022 were $1,732, as compared to $2,002 during the prior fiscal year's second quarter. In respect of the comparative period, adjusted operating expenses as a percentage of revenues were elevated as revenues during that period exclude revenues from discontinued operations while all corporate expenses are stlll reflected in IFRS reported results for the each of three-month periods ended on or before March 31, 2022, whereas signficant cost reductions initiated since March 30, 2022 are reflected in the results for the three month-period ending September 30, 2022.

	FY2021		FY2022				FY2023	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Operating expenses	2,413	2,145	2,506	2,352	2,421	2,241	1,263	1,929
Less								
Depreciation	235	92	239	217	207	206	157	185
Amortization	99	99	89	89	89	89	89	89
Commission amortization	-	6	0.4	10	3	3	3	3
Share based payments	(62)	21	25	34	16	32	(566)	(80)
Adjusted operating expenses	2,142	1,926	2,152	2,002	2,106	1,911	1,580	1,732
Revenue	4,328	4,653	4,029	4,438	4,751	4,938	4,568	4,934
Operating expense as a % of revenue	49.5%	41.4%	53.4%	45.1%	44.3%	38.7%	34.6%	35.1%

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 and in respect of the fiscal quarterly information presented above. The information in the above table reflects continuing operations only.

Interest expense

Net interest costs for the three-month period ending September 30, 2022 were $78 compared with $87 during the prior fiscal year's second quarter. Interest costs for the six months ending September 30, 2022 were $152 compared with $186 during the prior year's first six months. The decrease in interest expense for the six months of fiscal 2023 is due to the repayment in full of bank debt on June 1, 2022, elimination of vehicle loans over the preceding twelve months. During late June 2022, the Company began investing surplus cash balances into guaranteed investment certificates, with $76 reported interest income in Miscelanious income on the Condensed Interim Consolidated Financail Statments.

EBITDA and Adjusted EBITDA From Continuing Operations

EBITDA and Adjusted EBITDA for the three-month period ended September 30, 2022, was $(53) and $223 as compared to the prior fiscal year's second quarter EBITDA and Adjusted EBITDA from continuing operations of $(2,085) and $(99) respectively. Prior to conversion of the convertible debentures into common shares on February 16, 2022, the Company reported significant IFRS gains or losses on the deemed derivative component of those debentures, and such gains or losses were removed from the Company's reporting of Adjusted EBITDA, but not from reporting of EBITDA, explaining some of the quarterly variation in the Company's reported EBITDA. The quarterly composition of EBITDA and Adjusted EBITDA over the Company's most recent eight quarterly fiscal quarterly periods ending September 30, 2022, are summarized below:

	FY2021		FY2022				FY2023	
$ in thousands, unless otherwise noted	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenues	4,328	4,653	4,029	4,438	4,751	4,938	4,568	4,934
Gross profit (1)	1,848	1,865	1,776	1,842	2,143	2,087	1,995	1,921
Gross profit margin (1)	*42.7%*	*40.1%*	*44.1%*	*41.5%*	*45.1%*	*42.3%*	*43.7%*	*38.9%*
Net Income (loss)	**(172)**	**(511)**	**(973)**	**(3,404)**	**1,412**	**(2,972)**	**(230)**	**(427)**
Net income (loss) from discontinued operations	(1,321)	677	1,250	478	199	(382)	3,734	–
Total net income (loss)	**(1,493)**	**166**	**277**	**(2,926)**	**1,611**	**(3,354)**	**3,504**	**(427)**
Interest expense	107	91	99	87	92	180	73	78
Income taxes	(260)	(5)	9	192	67	(208)	28	19
Amortization on capitalized commission	–	6	–	–	3	3	3	3
Depreciation on capital assets	(1,396)	93	239	217	207	206	157	185
Amortization	99	99	89	89	89	89	89	89
EBITDA (1)	**(1,623)**	**(228)**	**(537)**	**(2,819)**	**1,870**	**(2,701)**	**120**	**(53)**
EBITDA from discontinued operations	1,731	1,888	2,336	734	1,030	(109)	503	–
Total EBITDA	**108**	**1,660**	**1,799**	**(2,085)**	**2,900**	**(2,810)**	**623**	**(53)**
Write-down of intangible assets	–	–	–	–	–	–	–	–
Share based compensation	(62)	21	25	34	26	32	(566)	(80)
Reorganization and acquisition costs	49	(5)	316	442	343	3,305	972	355
Loss (gain) in fair value of derivative liability	1,404	169	(175)	2,220	(2,516)	–	–	–
Other Adjustments	–	–	–	–	–	–	–	–
Deferred finance fees	12	12	8	23	56	39	39	–
Adjusted EBITDA from continuing operations	**(220)**	**(31)**	**(363)**	**(99)**	**(221)**	**675**	**565**	**223**
Adjusted EBITDA from discontinued operations	1,853	2,086	2,371	727	2,184	(1,074)	526	–
Total adjusted EBITDA (1)	**1,633**	**2,055**	**2,008**	**627**	**1,964**	**(398)**	**1,091**	**223**
Total comprehensive income (loss)	(1,493)	165	277	(2,926)	1,611	(3,354)	3,505	(427)
Comprehensive income (loss) attributable to equity holders	(1,493)	314	277	(2,926)	1,611	(3,354)	3,505	(427)
Basic and fully diluted earnings per share	$ (0.070)	$ 0.008	$ 0.013	$ (0.138)	$ 0.076	$ (0.158)	$ 0.132	$ (0.016)
Total assets	43,609	44,106	45,975	44,527	43,735	42,943	25,726	24,965
Senior funded debt	7,829	6,926	9,402	9,251	8,865	8,865	–	–
Total debt and lease obligations, IFRS (2)	18,071	17,729	21,402	22,671	20,054	9,706	724	772

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

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 and in respect of the fiscal quarterly information presented above.

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

Restructuring and Acquisition Charges

During the three-month period ended June 30, 2021, the Company evaluated a possible acquisition and refinanced its banking arrangements to facilitate that potential transaction. On August 25, 2021, the Board of Directors of the Company initiated a strategic review of alternatives available to the Company and engaged two investment banking firms and two law firms to assist with that process. On February 9, 2022 the Company announced that a third party had agreed to purchase all of the Company's common shares, however that transaction was subsequently not completed.

On March 30, 2022, the Company replaced all members of its board of directors and entered into a definitive share purchase agreement (the "SPA") with SSC Security Services Corp. ("SSC") pursuant to which SSC agreed to acquire all of the Company's ownership interest in Logixx Security. On June 1, 2022, the Company sold Logixx Security to SSC under the SPA. From March 30, 2022 until June 30, 2022, the Company eliminated or replaced several executive and related positions and closed its corporate office.

The Company incurred reorganization and acquisition costs in continuing operations of $355 and $1,328 for the three and six-month periods ended September 30, 2022 (three and six-month periods ended September 30, 2021: $442 and $758). These costs incurred during the six months ended September 30, 2022 included $316 of bank and legal fees related to the terminated prior credit agreement on June 30, 2022, $(207) transactions costs related to prior year moved to gain on sale of subsidiary, and $1,219 of severance expense. During the six months ended September 30, 2021 reorganization and acquisition costs included professional fees paid to consultants, financial and legal advisors for business acquisitions.

Balance Sheet

Total assets decreased by $17,979, or 42%, during the six-month period ended September 30, 2022 compared to the prior year end as at March 31, 2022. Total liabilities declined by $20,410, or 76%, during the six-month period ended September 30, 2022 compared to the prior year end as at March 31, 2022. All asset and liability balances in respect of Logixx Security were treated as held for sale in respect of the year ended March 31, 2022, with one total within each of current assets and current liabilities, and the sale of Logixx Security was completed on June 1, 2022.

Within continuing operations, cash and cash equivalent balances increased by $10,557 due primarly to net proceeds received from the sale of Logixx Security. Accounts receivable increased by $1,365, largely due to increases in trade receivables and unbilled trade receivables, the inclusion of the estimated amount due from SSC in relation to the Company's sale of Logixx Security as well as a lease receivable due from a sub-tenant of the Company's former corporate office. Accounts payable and accrued liabilities declined by $2,208 as the Company paid costs related to the former board of directors' strategic review that ended on March 30, 2022. During the six-month period ended September 30, 2022, the Company repaid all funded debt from proceeds of the sale of Logixx Security and lease obligation liabilities declined due to regulary monthly lease payments as well as the disposal of some vehicle leases during the first quarter.

Total shareholders' equity increased by $2,431 during the six-month period ended September 30, 2022 due to the$3,734 gain on the Company's sale of Logixx Security net operating income of $229 during the two months prior to the sale, offset by the net loss from continuing operations of $(656) and changes to contributed surplus due to share option changes.

BUSINESS SEGMENT OPERATING RESULTS

With the sale of Logixx Security on June 1, 2022, the Company now has Avante Security as its only division. Avante Security focuses on providing residential and condominium 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. Approximately half of the services recur on a monthly basis, including recurring monthly revenues in respect of rapid response services.

Electronic Security

The Company's Electronic Security services provides a complete suite of home and condominium 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 Electronic Security activities as residential clients typically schedule project work outside the summer months and during the December-to-January 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. The 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 the Company's 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 for customer sites with cameras installed. 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, as of September 30, 2022, the Company's operations are organized into one segment consisting of Avante Security, including corporate expenses of the parent company.

The Avante Security 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.

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

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

	For the three-month ended September 30, 2022			
	Avante Security	Corporate	Intersegment eliminations	Total
Revenues	$ 4,934	$ -	$ -	$ 4,934
Cost of sales	3,013	-	-	3,013
Gross profit	1,921	-	-	1,921
Direct operating expenses	1,150	625	-	1,775
Other operating expenses	172	(18)	-	154
Total operating expenses	1,322	607	-	1,929
Other (income) expenses	75	(30)	-	45
Reorganization and acquisition costs	55	300	-	355
Provision for income taxes	59	(40)	-	19
Net income (loss)	410	(837)	-	(427)
Current income tax expense (recovery)	-	-	-	-
Deferred income tax expense (recover)	59	(40)	-	19
Interest expense	26	52	-	78
Depreciation and amortization	172	105	-	277
EBITDA	**667**	**(720)**	**-**	**(53)**
Share based compensation	-	(80)	-	(80)
Reorganizaton and acquisition	55	300	-	355
Loss (gain) in fair value of derivative liability	-	-	-	-
Deferred financing fees	-	-	-	-
Adjusted EBITDA from continuing operations	**$ 723**	**$ (500)**	**$ -**	**$ 223**

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 and in respect of the fiscal quarterly information presented above. 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 September 30, 2021 is provided below:

	For the three-month period ended September 30, 2021			
	Avante Security	**Corporate**	**Intersegment eliminations**	**Total**
Revenues	$ 4,441	$ -	$ (3)	$ 4,438
Cost of sales	2,677	-	(81)	2,596
Gross profit	1,764	-	78	1,842
Direct operating expenses	2,130	(116)	3	2,017
Other operating expenses	172	168	-	340
Total operating expenses	2,302	52	3	2,357
Other (income) expenses	25	2,233	-	2,258
Reorganization and acquisition costs	-	443	-	443
Provision for income taxes	246	(54)	-	192
Net income (loss)	(808)	(2,674)	78	(3,404)
Current income tax expense (recovery)	-	-	-	-
Deferred income tax expense (recover)	246	(54)	-	192
Interest expense	22	65	-	87
Depreciation and amortization	172	134	-	306
EBITDA	**(368)**	**(2,529)**	**78**	**(2,819)**
Share based compensation	-	28	-	34
Reorganizaton and acquisition	-	443	-	443
Loss (gain) in fair value of derivative liability	-	2,220	-	2,220
Deferred financing fees	-	23	-	23
Adjusted EBITDA from continuing operations	**$ (369)**	**$ 185**	**$ 78**	**$ (99)**

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 and in respect of the fiscal quarterly information presented above. 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 six-month period ended September 30, 2022 and the prior year comparative is provided below:

	For the six-month ended September 30, 2022			
	Avante Security	Corporate	Intersegment eliminations	Total
Revenues	$ 9,503	$ -	$ (1)	$ 9,502
Cost of sales	5,661	-	(76)	5,585
Gross profit	3,842	-	75	3,917
Direct operating expenses	2,391	964	-	3,355
Other operating expenses	310	(474)	-	(164)
Total operating expenses	2,701	490	-	3,191
Other (income) expenses	12	(5)	-	7
Reorganization and acquisition costs	56	1,272	-	1,328
Provision for income taxes	132	(85)	-	47
Net income (loss)	**941**	**(1,672)**	**75**	**(656)**
Current income tax expense (recovery)	-	-	-	-
Deferred income tax expense (recover)	132	(85)	-	47
Interest expense	50	102	-	152
Depreciation and amortization	310	215	-	525
EBITDA	**1,433**	**(1,440)**	**75**	**68**
Share based compensation	-	(646)	-	(646)
Reorganizaton and acquisition	56	1,272	-	1,328
Loss (gain) in fair value of derivative liability	-	-	-	-
Deferred financing fees	-	39	-	39
Adjusted EBITDA from continuing operations	**1,489**	**(775)**	**75**	**789**

	For the six-month period ended September 30, 2021			
	Avante Security	Corporate	Intersegment eliminations	Total
Revenues	$ 8,469	$ -	$ (3)	$ 8,466
Cost of sales	4,998	-	(150)	4,848
Gross profit	3,471	-	147	3,618
Direct operating expenses	3,276	877	3	4,156
Other operating expenses	378	327	-	705
Total operating expenses	3,654	1,204	3	4,861
Other (income) expenses	41	2,135	-	2,176
Reorganization and acquisition costs	-	759	-	759
Provision for income taxes	308	(107)	-	201
Net income (loss)	(532)	(3,991)	144	(4,379)
Current income tax expense (recovery)	-	-	-	-
Deferred income tax expense (recover)	308	(107)	-	201
Interest expense	49	136	-	185
Depreciation and amortization	366	267	-	633
EBITDA	**191**	**(3,695)**	**144**	**(3,359)**
Share based compensation	-	59	-	59
Reorganizaton and acquisition	-	759	-	759
Loss (gain) in fair value of derivative liability	-	2,045	-	2,045
Deferred financing fees	-	31	-	31
Adjusted EBITDA from continuing operations	**$ 191**	**$ (801)**	**$ 144**	**$ (465)**

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

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

	FY 2021		FY 2022				FY 2023	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue								
Avante Security	4,328	4,653	4,029	4,438	4,751	4,938	4,568	4,934
Total Revenue	**4,328**	**4,653**	**4,029**	**4,438**	**4,751**	**4,938**	**4,568**	**4,934**
COGS								
Avante Security	2,480	2,788	2,253	2,596	2,608	2,851	2,573	3,013
Total COGS	**2,480**	**2,788**	**2,253**	**2,596**	**2,608**	**2,851**	**2,573**	**3,013**
Gross Profit								
Avante Security	1,848	1,865	1,776	1,842	2,143	2,087	1,995	1,921
Total Gross Profit	**1,848**	**1,865**	**1,776**	**1,842**	**2,143**	**2,087**	**1,995**	**1,921**
Gross Margin								
Avante Security	42.7%	40.1%	44.1%	41.5%	45.1%	42.3%	43.7%	38.9%
Total Gross Margin	**42.7%**	**40.1%**	**44.1%**	**41.5%**	**45.1%**	**42.3%**	**43.7%**	**38.9%**
Avante Security	1,560	1,421	1,353	2,300	1,187	1,799	1,379	1,322
Corporate	854	724	1,152	52	1,235	441	(116)	607
Total Opex	**2,413**	**2,145**	**2,506**	**2,352**	**2,421**	**2,241**	**1,263**	**1,929**
Avante Security	288	444	423	(458)	956	288	616	600
Corporate	(854)	(724)	(1,152)	(52)	(1,235)	(441)	116	(607)
Income (loss) before other income and expenses	**(566)**	**(281)**	**(729)**	**(510)**	**(278)**	**(155)**	**731**	**(8)**
Miscellaneous income (expense)	67	18	6	54	52	85	113	34
Foreign exchange gain (loss)	(4)	(0)	(1)	(5)	(9)	9	(2)	(1)
Depreciation	235	93	239	217	207	206	157	185
Amortization	99	99	89	89	89	89	89	89
Amortization on capitalized commission	-	6	0.4	10	3	3	3	3
Share based payments	(62)	21	25	34	16	32	(566)	(80)
Deferred financing fees	12	12	8	23	56	39	39	-
Other	-	-	-	-	-	-	-	-
Adjusted EBITDA from continuing operations	(220)	(31)	(363)	(89)	136	308	565	223
Adjusted EBITDA from Avante Security	488	390	629	(438)	1,300	(92)	840	723
Adjusted EBITDA from Corporate	(708)	(421)	(992)	348	(1,165)	400	(274)	(500)
Adjusted EBITDA from continuing operations	(220)	(31)	(363)	(90)	135	308	565	223

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 and in respect of the fiscal quarterly information presented above. The information in the above table reflects continuing operations only.

LOGIXX SECURITY

Logixx Security was sold by the Company on June 1, 2022. Therefore, the financial results of Logixx Security are reported pursuant to IFRS as discontinued operations and assets held for sale for the fiscal years ended March 31, 2022 and 2021 and in respect of the six-month period ended September 30, 2022.

Logixx Security focuses on providing enterprise customers with Protective Services, Electronic Security and Monitoring & Managed Services across Canada. This prior segment reflects the activities of prior acquisitions that are now operating under one leadership team and one legal entity and have now been sold to a third party. 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 Intelligarde acquisition, an amount of $679 (March 31, 2021: $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 and the Company to settle this escrow amount and additional claims being made by the Company against the vendors.

In the three-month period ended June 30, 2022 revenue at Logixx Security of $NIL as that business unit was sold on June 1, 2022 as compared to $18,164 during the comparative period in the prior fiscal year. In the six-month period ended September 30, 2022 reenue at Logixx Security of $12,278 represents a $5,977 decrease over the prior fiscal year's first six-months ended September 30, 2021. This decrease is a result of the current six-month period reflecting only two months of revenue (versus six months during the comparative period). Gross profit at Logixx Security during the three-month period ended September 30, 2022 of $NIL, compared to gross profit of $2,400 with the decline attributable to the business unit being sold on June 1, 2022. Gross profit for the six-month period ended September 30, 2022 of $1,728, compared to $6,518 during the prior fiscal year's first six months declined for similar reasons as the decline in revenues.

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

Logixx Security financial results during the three and six-month periods ended September 30, 2022 and 2021 were as follows:

	For the three-month period ended		For the six-month period ended		
	September 30, 2022 *Unaudited*	September 30, 2021 *Re-presented*	September 30, 2022 *Unaudited*		September 30, 2021 *Re-presented*
Revenues from discontinued operations	$ -	$ 18,164	$ 12,278		$ 38,256
Cost of sales	-	15,765	10,549		31,738
Gross profit		2,399	1,729		6,518
Operating expenses					
Salaries, benefits and commissions	-	988	741		2,096
Administration	-	706	458		1,317
Depreciation on capital assets (note 10)	-	110	143		288
Amortization on intangible assets (note 12)	-	122	81		244
Merchant transaction fees and bank charges	-	7	7		15
	-	1,933	1,430		3,960
Income (loss) before other income and expenses	-	466	299		2,558
Other (income) expenses					
Miscellaneous (income) expense	-	49	29		33
Interest expense	-	301	11		627
Foreign exchange (gain) loss	-	(31)	7		44
Total Other (income) expenses	-	319	47		704
Income (loss) before reorganization, and acquisition costs	-	147	252		1,854
Reorganization and acquisition costs	-	(7)	23		27
Income (loss) before income taxes	-	154	229		1,826
Provision for income taxes					
Current income tax expense (recovery)	-	(285)	-		-
Deferred income tax expense (recovery)	-	(38)	-		99
		99	-		99
Net income from discontinued operations for the period	-	478	229		1,727
Gain/Loss on disposal	-	-	3,505	0	-
Net incom (loss) from discontinued operations	-	478	3,734	0	1,727

The gain or loss on the sale of Logixx Security will be finalized when the purchaser and the Company determine the final post closing adjustments to the purchase price, which is expected to occur during November to December 2022. Based on information available at this time, the Company does not expect the gain on disposal to be subject to tax.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of liquidity are its existing cash balances, investments in guaranteed investment certificates, cash provided from operations and credit available under its $2,000, senior secured, revolving credit facility (under the June 1, 2022 credit agreement with a bank) that is currently undrawn as of September 30, 2022. In addition, on July 7, 2022, the Company entered into a definitive agreement for a $10,000 unsecured term loan facility with affiliates of Fairfax.

The Company expects that continued cash flow from operations, together with cash and cash equivalents and guaranteed investment certificates 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.

Cash Flows

Cash flows during the six-month periods ended September 30, 2022 and 2021 from continuing operations are summarized as follows:

$ in thousands	Sep 30, 2022	Sep 30, 2021
Cash Inflows (Outflows) by Activity		
Cash flow from operations	(316)	717
Non-cash working capital	(3,902)	(1,541)
Net operating activities	(4,218)	(822)
Financing activities	(9,576)	1,420
Investing activities	23,631	103
Net cash inflows (outflows) from continuing operations	**9,837**	**701**
Net cash inflows (outflows) from discontinued operations	720	(245)
Net cash inflows (outflows)	**10,557**	**456**

Operating Activities

Cash flow used in operations in respect of continuing operations before working capital was $(316) during the six-month period ended September 30, 2022 as compared to $717 of cash flow from operations in respect of continuing operations before working capital during the prior fiscal year's first six-month period. Much of this decline in cash flows from operations was attributable to loss from continuing operations for the six-month period ended September 30, 2022 reflecting continued restructuring costs of $1,328 in excess of the $759 incurred during the prior fiscal year's first six-month period. The prior period also benefited from a fair value gain of $2,000 from the derivative component of the convertible debenture, whereas such debentures ceased to exist on February 16, 2022 and thus did not benefit the six-month period ended September 30, 2022. Cash flow (used in) working capital items in respect of continuing operations during the six-month period ended September 30, 2022 was $(3,902) as compared to $(1,540) during the prior fiscal year's first six-month period mainly due to payments in respect of accounts payable balances during the period and also due to increased non-trade accounts receivable balances due to the estimated amounts for post closing working amounts in respect of the sale of Logixx Security. Total cash flow used in operating activities in respect of continuing operations during the six-month period ended September 30, 2022 was $(4,218) as compared to cash flow from operating activities of $(822) during the prior fiscal year's first six-month period.

In respect of discontinued operations, net cash flow used in operating activities was $(6,974) during the six-month period ended September 30, 2022 as compared to $478 during the prior fiscal year's first six-month period with the larger outflow attributable to lower profitability within the Logixx Security segment during this year's period that only benefited from two months of operations as the Company sold Logixx Security on June 1, 2022.

Financing Activities

Cash used in financing activities in respect of continuing operations was $(9,576) during the six-month period ended September 30, 2022, compared to cash provided by financing activities from continuing operations of $1,420 during the prior fiscal year's first six-month period. With the sale of Logixx Security on June 1, 2022, the Company repaid in full all amounts owing under the senior credit facility with its bank. During the prior comparative period ending September 30, 2021, incremental debt financing was required to pay for structuring and break fees applicable to replacing the former credit facilities on June 30, 2021, to fund working capital requirements and to fund costs applicable to a potential acquisition and costs related to the Strategic Review initiated by the Company's board of directors during August 2021.

In respect of discontinued operations, financing activities provided $7,731 of cash during the six-month period ended September 30, 2022, from the elimination of the Logixx Security liabilities on sale, offset by repayments of vehicles loans within Logixx Security, similar to the prior fiscal year's first six-month period, as Logixx Security continued to repay vehicle loans and to reduce net vehicle lease obligations by way of monthly payments.

Investing Activities

Cash provided by investing activities in respect of continuing operations was $23,631 during the six-month period ended September 30, 2022 compared to provided cash of $103 from investing activities in respect of continuing operations during the prior fiscal year's first six-month period. Investing activities during the six-month period ended September 30, 2022 reflected sale proceeds of $23,733 on the Company's sale of Logixx Security.

In respect of discontinued operations, investing activities used $(37) during the six-month period ended September 30, 2022, compared to the prior fiscal year's first six-month period of $(551). Other than vehicle leases, most of the capital expenditures incurred by Logixx Security in prior fiscal quarters were spent on new uniforms. However, this level of expenditure abated during the first two months of fiscal 2023 compared to prior run rate expenditures and due to the current fiscal year only reflecting two months of Logixx Security's activities as the Company sold Logixx Security on June 1, 2022.

During the six-month period ended September 30, 2022, total cash inflows aggregated to $10,557, of which $720 was generated from discontinued operations, and the net balance was represented proceeds from the sale of Logixx Security on June 1, 2022. This was offset by use of cash to fully repay bank debt of $9,200 and other cash outflows of in respect of continuing operations. The Company's ending cash balance, including guaranteed investment certificates, as of September 30, 2022 was $10,911.

Senior Secured Funded Debt

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

$ in thousands	Sep 30, 2022	Mar 31, 2022
Revolving credit facility	$ -	$ 3,650
Term credit facility	-	5,550
Deferred Financing Fees	-	(335)
Mortgage	-	-
Promissory note due to ASAP vendors	-	-
Vehicle loans	-	-
Total senior funded debt	$ -	$ 8,865
Cash and cash equivalents	10,911	354
Net senior funded debt	$ (10,911)	$ 8,511

The Company's total available sources of senior secured credit facilities as of September 30, 2022 as compared to March 31, 2022 were as detailed below:

	As at Sep 30, 2022		
$ in thousands	Total Amount	Borrowing	Amount Available
Revolving credit facility	$ 2,000	$ -	$ 2,000
Term credit facilities	-	-	-
Mortgage	-	-	-
	$ 2,000	$ -	$ 2,000

	As at Mar 31, 2022		
$ in thousands	Total Amount	Borrowing	Amount Available
Revolving credit facility[1]	$ 8,000	$ 3,650	$ 4,350
Term credit facilities	5,550	5,550	-
Mortgage	-	-	-
	$ 13,550	$ 9,200	$ 4,350

1. Amount available is before $200 performance Letter of Credit issued to a Logixx Security customer.

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 June 2021 credit agreement provided 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 could draw upon Facility A, subject to a borrowing base consisting of eligible cash, accounts receivable, and inventory. The Company was permitted to draw upon Facility B in two tranches; Tranche 1 had 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 was available until December 31, 2022, to fund delayed purchase price payments or other funding requirements applicable to future permitted acquisitions. Repayment of drawings under the non-revolving term loan and delayed draw credit facilities occurred at the rate of 2.50% of the original principal balance per fiscal quarter, with the remaining balances due on the maturity date. Interest and standby fees in respect of the credit facilities were subject to a leverage-ratio based pricing grid and, as at March 31, 2022, interest was charged at the bank's prime rate plus 0.25%, and standby fees on the unused portions of the credit facilities of 0.44% were applicable.

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 Logixx and Avante Security, benefiting from cross guarantees supported by first security interests in favour of the bank over all assets of Avante Logixx 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 September 30, 2022 and thereafter, and the Company was in compliance with that covenant as of September 30, 2022. 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%).

Unsecured Debt Facility

On July 7, 2022, the Company executed an unsecured Loan Agreement with affiliates of Fairfax Financial Holdings Limited ("Fairfax") 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. Such debt may be used for working capital, general corporate purposes or as agreed in advance by Fairfax and each drawing shall be in minimum increments of $1 million and may be repaid at any time without penalty. A standby fee of 0.5% is charged by Fairfax on the unused portion of the term loan facility, payable annually in arrears. The unsecured term loans advanced under the 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.

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"). The issuance of 8,264 Convertible Debentures occurred on November 27, 2019 and net proceeds from that issuance was used to fund an acquisition within Logixx Security that closed on December 1, 2019. Such debentures were to mature on November 27, 2024 and were 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.

Fairfax had the right to convert issued Convertible Debentures into common shares of the Company at a conversion price of $1.56 per share. On February 16, 2022, the Company received notice from Fairfax to convert all of the outstanding convertible debentures issued by the Company into 5,297,434 common shares of the Company.

Capital Stock

The authorized capital of the Company consists of an unlimited number of common shares. As at March 31, 2022, there were 26,489,438 common shares issued and outstanding, after reflecting the February 16, 2022 conversion of the convertible debentures by Fairfax, compared to March 31, 2021's outstanding shares of 21,192,400.

Pursuant to an indenture agreement dated November 2019 with Fairfax in respect of convertible debentures that were converted to common shares on February 16, 2022, Fairfax owns 19.99% of all the common shares currently issued by the Company. Under that indenture agreement, as long as Fairfax owns at least 10% of the Company's common shares, it 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. In addition, if Fairfax owns more than 10% of the Company's common shares, it is entitled to nominate one member to the Company's board of directors, which it did on July 18, 2022.

Issuance of Stock Options

As at September 30, 2022, there were a total of 1,426,666 options outstanding to purchase an equivalent of common shares, with a weighted average exercise price of $1.11, expiring at various dates between October 2022 and

September 2027. During the three-month period ended September 30, 2022, 250,000 options were granted to members of the Company's board of directors and the Company's chief financial officer and 300,000 options were forfeited. During the year ended March 31, 2022, there were no options granted or exercised, and 146,667 were forfeited. Should the outstanding options that were exercisable at September 30, 2022 be exercised, the Company would receive proceeds of approximately $567.

Off-Balance Sheet Arrangements

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

Related Party Transactions

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

The Company entered into a contract with Sissano Inc. effective May 1, 2018, a private company controlled by a significant shareholder (and CEO and Board Chair as of March 30, 2022) to provide consulting services for the Company. The Company incurred $16 of expense in the three-month period ended September 30, 2022 (September 30, 2021: $90) and $59 of expense in the six months ended September 30, 2022 (six months ended September 30, 2021: $161). The balance outstanding payable by the Company at September 30, 2022 is $0 (March 31, 2022: $0). Negotiations are in place for the arrangement to be replaced with an employment agreement.

The Company entered into a contract with XpressChek Inc., a private company controlled by a significant shareholder (and officer of the Company until April 8, 2022) to provide services for the Company. For the three months ended September 30, 2022 the Company incurred $0.2 (September 30, 2021: $2) for these services. For the six months September 30, 2022 the Company incurred $2 (six months ended September 30, 2021: $8). The balance outstanding payable by the Company at September 30, 2022 is $0 (March 31, 2022: $1).

The Company provides service to, and receives service from, RSPNDR, a private company controlled by a significant shareholder (and officer of the Company until April 8, 2022). In the three months ended September 30, 2022 the

Company billed $6 and incurred $15 of expense for services (three months ended September 30, 2021: $0 billed and $12 expensed). In the six months ended September 30, 2022 the Company billed $17 and incurred $29 of expense for services (six months ended September 30, 2021: $0 billed and $18 expensed). The outstanding accounts receivable balance at September 30, 2022 is $8 (March 31, 2022: $1) and outstanding accounts payable balance at September 30, 2022 is $0 (March 31, 2022: $11).

The Company incurred a receivable from Resilience Capital, a private company controlled by a significant shareholder (and officer of the Company until April 8, 2022). The receivable is $2 at September 30, 2022 (March 31, 2022: $2).

During the fiscal year ended March 31, 2022, the Company incurred $678 for services provided by Kingsdale Advisors, a private company that is an affiliate of a director at the time of the Company for proxy-advisory services provided to two large shareholders of the Company. One of the shareholders became an officer and director of the Company on March 30, 2022, and a representative of the other shareholder became a board member on July 18, 2022. The services were in relation to negotiating on behalf of those shareholders termination of the Company's February 2022 agreement with SSC Security Services Corp for the sale of the entire Company and the concurrent replacement of the Company's board of directors on March 30, 2022. The cost was accrued as of March 31, 2022 within "Accounts payable and accrued liabilities" on the Consolidated Statements of Financial Position and reflected in "Reorganization and acquisition costs" on the Consolidated Statements of Loss and Comprehensive Loss. The amount was paid by the Company on June 3, 2022.

Effective June 2022, in addition to annual director fees paid to all directors, the Company pays Illyria Inc. (an affiliate of a board member), $5 per month for general consulting and advisory services.

On July 7, 2022, the Company executed an unsecured Loan Agreement with affiliates of Fairfax Financial Holdings Limited ("Fairfax") that also collectively own 19.99% of the Company's common shares (See" "Unsecured Debt Facility"). As of September 30, 2022 the Company has not placed any draws against this loan and incurred $50 in interest expense in the three-months ending September 30, 2022.

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, Direct or Adjusted Operating expenses as a percentage of revenue, and recurring monthly revenue, or RMR. These non-IFRS measures are not recognized under IFRS and, accordingly, users are cautioned that these measures should not be construed as alternatives to net income, revenue or operating expenses (as applicable) determined in accordance with IFRS. The non-IFRS measures presented are unlikely to be comparable to similar measures presented by other issuers. Reconciliation to the most directly comparable IFRS measure in respect of both RMR and direct or adjusted operating expenses as a percent of revenue is provided earlier in this MD&A and provided below in respect of EBITDA and 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, maintenance capital expenditures and principal debt repayments and to fund future growth initiatives. The calculation of EBITDA and Adjusted EBITDA over each of the last eight fiscal quarters is provided below:

	2021		2022				2023	
$ in thousands	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Net income (loss)	**(172)**	**(511)**	**(973)**	**(3,404)**	**1,412**	**(2,972)**	**(230)**	**(427)**
Interest expense	107	91	99	87	92	180	73	78
Accretion interest expense (1)	–	–	–	–	–	–	–	–
Income taxes	(260)	(5)	9	192	67	(208)	28	19
Amortization on capitalized commission	–	6	–	–	3	3	3	3
Depreciation on capital assets	(1,396)	93	239	217	207	206	157	185
Amortization	99	99	89	89	89	89	89	89
EBITDA	**(1,623)**	**(228)**	**(537)**	**(2,819)**	**1,870**	**(2,701)**	**120**	**(53)**
Share based compensation	(62)	21	25	34	26	32	(566)	(80)
Reorganization and acquisition costs	49	(5)	316	442	343	3,305	972	355
Loss (gain) in fair value of derivative liability	1,404	169	(175)	2,220	(2,516)	–	–	–
Deferred financing	12	12	8	23	56	39	39	–
Other	–	–	–	–	–	–	–	–
Adjusted EBITDA	**(220)**	**(31)**	**(363)**	**(99)**	**(221)**	**675**	**565**	**223**
Adjusted EBITDA from discontinued operations	1,853	2,086	2,371	727	2,184	(1,074)	526	–
Total Adjusted EBITDA	**1,633**	**2,055**	**2,008**	**627**	**1,964**	**(398)**	**1,091**	**223**

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

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 and in respect of the fiscal quarterly information presented above.

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. Such convertible debentures were fully converted to common shares of the Company on February 16, 2022 and, therefore, after the fiscal year ended March 31, 2022, the Company no longer incurs such mark to market adjustments. Such value fluctuated depending on the share price of the Company's common shares as at each period end, the time remaining to the debentures' maturity date of November 2024 and the volatility of the Company's common share price. The loss, or gain, during the prior quarterly reporting periods represented the increase, or decrease, in such value during the particular reporting period. Notwithstanding the loss or gain recorded during each such fiscal period, the contractual liability of the Convertible Debentures remained 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. The above adjustment excludes cash settled compensation plans.

- *Reorganization and acquisition costs* – During the three-month period ended September 30, 2022, the Company recorded an expense of $355, and during the year ended March 31, 2022, the Company recorded an expense of $4,407, for reorganization costs and restructuring charges. During the fiscal year ended March 31, 2022, these costs were comprised of fees related to potential acquisitions of $120, $3,734 for the board of directors' strategic review initiated on August 25, 2021, $280 in severances, and $270 in legal and bank cancelation fees. During the six-month period ended September

30, 2022, this cost reflected severance and retention costs and remaining costs applicable to ending the former board's strategic review process.

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

Ability to Achieve and Manage Growth

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

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

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

Market Competition and Technology Innovation

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

Key Personnel

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

Government Regulations and Licensing

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

Information Technology Systems

The Company is dependent on its information technology ("IT") infrastructure. Significant problems with the Company's infrastructure, such as billing systems, 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, technology innovation by third parties, 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 all of its services within Ontario, Canada and a significant portion of its revenues are generated on a contractual basis pursuant to agreed payment terms. Due to the large number of residential clients that the Company deals with, and their economic distribution, the credit risk concentration to which the Company is exposed remains limited. However, inaccurate invoicing by the Company or failure to pay by customers could have a material adverse effect on the Company's cash flow and financial condition.

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.

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 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 Company's services, others requested additional services.

There have been no material revisions to the nature and number of estimates and judgements 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 management's 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, investments in guaranteed investment certificates, accounts receivable, a promissory note due from the purchasers of the Company's ownership interest in City Wide Locksmiths Ltd., amounts due from the purchaser of Logixx Security, accounts payable and accrued liabilities and obligations under finance leases. There are no significant differences between the carrying amounts of the items reported on the balance sheet and their estimated fair values other than as set out in Note 19(c) "Liquidity Risk" of the Company's unaudited condensed interim consolidated financial statements and notes thereto as at and for the three and six-month periods ended September 30, 2022 and 2021.

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

For additional details on the Company's financial instruments, including the amount and classification of gains and losses recorded in the Company's unaudited condensed interim consolidated financial statements, summary of fair values, notional balances, effective rates and terms, and significant assumptions used in each calculation of the fair value of the Company's financial instruments, refer to Liquidity and Capital Resources in this MD&A and see Notes 8, 14, 15, 19, and 20 to the Company's unaudited condensed interim consolidated financial statements for the three and six-month periods ended September 30, 2022 and 2021.

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

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

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

CHANGES IN ACCOUNTING POLICIES

The Company's accounting policies are as disclosed in Note 3 of the Company's audited annual consolidated financial statements for the years ended March 31, 2022 and 2021. There were no material changes to the Company's accounting policies during fiscal 2022 or during fiscal 2021.

IFRS Issued Standards Not Yet Adopted

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

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

On May 14, 2020 the IASB published an amendment to IFRS 3 Business Combinations, and is effective on or after January 1, 2022, with earlier application permitted. The amendment has an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The Company did not have a business combination in this fiscal period, but will adopt the amendment for future business combinations.

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

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

IAS 12: Income Taxes

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

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.

IAS 37: Provisions, Contingent Liabilities and Contingent Assets

On May 14, 2020, the IASB published Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37). These amendments clarify which costs should be included in determining the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Early application is permitted. The Company is assessing the potential impact of these amendments and does not expect an impact at this time.

CONTINGENCIES

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

SUBSEQUENT EVENTS

On September 29, 2022, the shareholders of the Company voted to change the legal name of to Avante Corp with the Articles of Amendment filed in November 2022.

Stock options of 200,000 were granted to member of the Company's Board of Directors on October 11, 2022. The options have a strike price of $0.77 and expire on October 11, 2027.

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.