# AVANTE CORP.
# (Formerly AVANTE LOGIXX INC.)

Condensed Interim Consolidated Financial Statements

## Unaudited for the three and six-month periods ended September 30, 2024 and 2023

**NOTICE TO READER OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The condensed interim consolidated financial statements of Avante Corp. for the three and six-month periods ended September 30, 2024 are the responsibility of the Company's Management. These financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company. The condensed interim consolidated financial statements have been prepared by Management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards.

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# AVANTE CORP.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
## AS AT SEPTEMBER 30, 2024 AND MARCH 31, 2024

| | Sep 30, 2024 | Mar 31, 2024 |
|---|---|---|
| **ASSETS** | *Unaudited* | |
| **CURRENT** | | |
| Cash and cash equivalents | $ 3,913,644 | $ 6,030,907 |
| Accounts receivable (note 8) | 7,483,921 | 7,392,456 |
| Inventories (note 9) | 1,324,272 | 1,103,250 |
| Contract assets (note 6b) | 325,835 | 285,548 |
| Prepaid expenses | 991,132 | 591,836 |
| | 14,038,804 | 15,403,997 |
| **NON-CURRENT ASSETS** | | |
| Property, plant & equipment (note 10) | 2,318,147 | 2,335,755 |
| Capitalized commissions (note 11) | 1,604 | 4,164 |
| Deferred tax assets (note 18) | 435,633 | 435,632 |
| Intangible assets (note 12) | 2,166,153 | 2,488,697 |
| Goodwill (note 12) | 4,501,317 | 4,501,317 |
| | 9,422,854 | 9,765,565 |
| | **$ 23,461,658** | **$ 25,169,562** |
| **LIABILITIES** | | |
| **CURRENT** | | |
| Accounts payable and accrued liabilities | 3,897,461 | 4,570,790 |
| Loan from officer | 92,415 | 89,670 |
| Corporate tax payable | - | 1,466 |
| Obligations under lease (note 15) | 620,243 | 562,052 |
| Contract liabilities (note 6b) | 2,424,473 | 2,388,521 |
| Put option liability | 1,269,562 | 1,269,562 |
| | 8,304,154 | 8,882,061 |
| **NON-CURRENT LIABILITIES** | | |
| Obligations under lease (note 15) | 772,070 | 818,096 |
| Dividend payable to non-controlling shareholder of NSSG | 530,801 | 606,486 |
| Cash settled share-based payment liabilities (note 21) | 1,197,750 | 1,209,875 |
| Deferred tax liability (note 18) | 143,957 | 143,957 |
| | 2,644,578 | 2,778,414 |
| **TOTAL LIABILITIES** | **10,948,732** | **11,660,475** |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (note 16a) | 30,233,361 | 30,233,361 |
| Contributed surplus (note 16b) | 2,441,171 | 2,395,960 |
| Other equity | (370,752) | (370,752) |
| Accumulated other comprehensive deficit | (6,161) | (2,019) |
| Accumulated deficit | (19,747,028) | (18,726,858) |
| TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | 12,550,591 | 13,529,692 |
| Non-controlling interest | (37,665) | (20,605) |
| **TOTAL EQUITY** | **12,512,926** | **13,509,087** |
| **TOTAL EQUITY & LIABILITIES** | **$ 23,461,658** | **$ 25,169,562** |

Contingencies (note 24)
Subsequent events (note 25)

**AUTHORIZED FOR ISSUE ON BEHALF OF THE BOARD:**

*Signed "Emmanuel Mounouchos" Director* *Signed "Daniel Argiros" Director*

*See accompanying notes to the condensed interim consolidated financial statements*

# AVANTE CORP.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS FOR THE THREE AND SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023

| | For the three-month period ended | | For the six-month period ended | |
|---|---|---|---|---|
| | **Sep 30, 2024** | **Sep 30, 2023** | **Sep 30, 2024** | **Sep 30, 2023** |
| | *Unaudited* | | *Unaudited* | |
| **Revenues from continuing operations (note 6a)** | $ 8,088,966 | $ 5,338,726 | $ 16,003,591 | $ 10,749,166 |
| **Cost of sales** | 4,612,387 | 3,221,413 | 9,521,482 | 6,592,912 |
| **Gross profit** | 3,476,579 | 2,117,313 | 6,482,109 | 4,156,254 |
| **Operating expenses** | | | | |
| Salaries, benefits and commissions | 1,593,943 | 1,109,319 | 3,089,952 | 1,988,191 |
| Administration | 1,505,574 | 685,991 | 2,741,726 | 1,450,512 |
| Depreciation on capital assets (note 10) | 246,239 | 199,168 | 491,620 | 400,748 |
| Amortization on intangible assets (note 12) | 161,272 | 117,304 | 322,544 | 234,608 |
| Merchant transaction fees and bank charges | 117,333 | 88,277 | 269,523 | 179,064 |
| Share based payments (note 16b) | 22,606 | 99,836 | 45,211 | (27,763) |
| | 3,646,967 | 2,299,895 | 6,960,576 | 4,225,360 |
| **Income (loss) before other income and expenses and reorganization and acquisition costs** | (170,388) | (182,582) | (478,467) | (69,106) |
| **Other (income) expenses** | | | | |
| Miscellaneous income | (49,648) | (82,173) | (343,673) | (287,681) |
| Interest expense | 85,757 | 64,859 | 155,358 | 120,591 |
| Foreign exchange loss | 18,469 | 6,995 | 26,627 | 11,867 |
| | 54,578 | (10,319) | (161,688) | (155,223) |
| **Income (loss) before reorganization and acquisition costs** | (224,966) | (172,263) | (316,779) | 86,117 |
| Reorganization, development and acquisition costs (note 22) | 684,382 | 249,511 | 720,451 | 396,074 |
| **Income (loss) before income taxes** | (909,348) | (421,774) | (1,037,230) | (309,957) |
| **Provision for income taxes** | | | | |
| Deferred income tax expense (recovery) (note 18) | - | (25,576) | - | 6,059 |
| **Net income (loss) from continuing operations for the period** | (909,348) | (396,198) | (1,037,230) | (316,016) |
| **Net income from discontinued operations for the period net of tax** | - | 144,117 | - | 144,117 |
| **Net income (loss) for the period** | $ (909,348) | $ (252,081) | $ (1,037,230) | $ (171,899) |
| **Net income (loss) for the period attributable to:** | | | | |
| Equity holders of the parent | (900,064) | (252,081) | (1,020,170) | (171,899) |
| Non-controlling interests | (9,284) | - | (17,060) | - |
| | $ (909,348) | $ (252,081) | $ (1,037,230) | $ (171,899) |
| **Other comprehensive income (loss) from continuing operations: Items that may be reclassified subsequently to net loss** | | | | |
| Unrealized gain (loss) on translating financial statements of foreign operations | (4,435) | - | (4,142) | - |
| | $ (4,435) | $ - | $ (4,142) | $ - |
| **Total comprehensive income (loss) for the period** | **$ (913,783)** | **$ (252,081)** | **$ (1,041,372)** | **$ (171,899)** |
| Equity holders of the parent | (904,499) | (252,081) | (1,024,312) | (171,899) |
| Non-controlling interests | (9,284) | - | (17,060) | - |
| **Total comprehensive income (loss) for the period** | $ (913,783) | $ (252,081) | $ (1,041,372) | $ (171,899) |
| Net income (loss) per share attributable to equity holders of the parent (note 5) | | | | |
| Basic and diluted loss per share from continuing operations (note 5) | ($0.034) | ($0.015) | ($0.038) | ($0.012) |
| Basic and diluted income per share from discontinued operations | $0.000 | $0.005 | $0.000 | $0.005 |
| Basic and diluted loss per share | ($0.034) | ($0.010) | ($0.038) | ($0.007) |
| Weighted average number of shares outstanding for basic and diluted calculation | 26,643,739 | 26,504,868 | 26,643,739 | 26,497,110 |

*See accompanying notes to the condensed interim consolidated financial statements*

# AVANTE CORP.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
## FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023

| | Share Capital | Contributed Surplus | Other Equity | Deficit | Accumulated Other Comprehensive Income | Subtotal | Non-controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at April 1, 2023** | **$30,138,388** | **$ 2,340,769** | **$ -** | **$ (15,698,067)** | **$ -** | **$ 16,781,090** | **$ -** | **$ 16,781,090** |
| Income for the period | - | - | - | (171,899) | - | (171,899) | - | (171,899) |
| Share based payments | - | (27,764) | - | - | - | (27,764) | - | (27,764) |
| Issuance of common shares | 119,564 | 12,344 | - | - | - | 131,908 | - | 131,908 |
| **Balance at September 30, 2023 (Unaudited)** | **$30,257,952** | **$ 2,325,349** | **$ -** | **$ (15,869,966)** | **$ -** | **$ 16,713,335** | **$ -** | **$ 16,713,335** |
| | | | | | | | | |
| **Balance at April 1, 2024** | **$30,233,361** | **$ 2,395,960** | **$ (370,752)** | **$ (18,726,858)** | **$ (2,019)** | **$ 13,529,692** | **$ (20,605)** | **$ 13,509,087** |
| Loss for the period | | | | (1,020,170) | | (1,020,170) | (17,060) | (1,037,230) |
| Unrealized gain on translating financial statements of foreign operations | - | - | - | - | (4,142) | (4,142) | - | (4,142) |
| Share based payments | - | 45,211 | - | - | - | 45,211 | - | 45,211 |
| **Balance at September 30, 2024 (Unaudited)** | **$30,233,361** | **$ 2,441,171** | **$ (370,752)** | **$ (19,747,028)** | **$ (6,161)** | **$ 12,550,591** | **$ (37,665)** | **$ 12,512,926** |

*See accompanying notes to the condensed interim consolidated financial statements*

# AVANTE CORP.
# CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
# FOR THE THREE AND SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023

| | For the three-month period ended | | For the six-month period ended | |
|---|---|---|---|---|
| | **Sep 30, 2024** | **Sep 30, 2023** | **Sep 30, 2024** | **Sep 30, 2023** |
| **Operating activities** | | | | |
| Comprehensive income (loss) for the period | $ (909,348) | $ (252,081) | $ (1,037,230) | $ (171,899) |
| Gain on disposal of capital assets | - | (110,906) | (4,752) | (110,906) |
| Share based payments | 22,606 | 99,841 | 45,211 | (27,763) |
| Interest on bank loans and leases | 66,258 | - | 122,095 | 173,587 |
| Depreciation on capital assets (note 10) | 246,239 | 199,168 | 491,620 | 400,748 |
| Amortization on intangible assets (note 12) | 161,272 | 117,305 | 322,544 | 234,608 |
| Amortization on capitalized commission (note 11) | 1,266 | - | 2,560 | 2,728 |
| Provision for income tax | - | (25,576) | - | 6,059 |
| | (411,707) | 27,751 | (57,952) | 507,162 |
| **Net change in non-cash working capital:** | | | | |
| Accounts receivable | (225,352) | 101,784 | (91,465) | (466,045) |
| Inventories | (100,950) | (14,150) | (221,022) | (192,848) |
| Contract assets (note 6b) | (90,951) | (130,371) | (40,287) | 143,128 |
| Prepaid expenses | (318,167) | (301,529) | (399,297) | (326,132) |
| Current income tax | - | - | (1,466) | - |
| Accounts payable and accrued liabilities | (1,085,328) | (1,324,347) | (749,013) | (834,168) |
| Contract liabilities (note 6b) | 214,045 | (341,760) | 23,827 | (660,577) |
| | (1,606,703) | (2,010,373) | (1,478,723) | (2,336,642) |
| Cash used in continuing operations | (2,018,410) | (1,982,622) | (1,536,675) | (1,829,480) |
| Net cash flows attributable to discontinued operations | | - | - | - |
| **Net cash used in operating activities** | (2,018,410) | (1,982,622) | (1,536,675) | (1,829,480) |
| **Financing activities** | | | | |
| Proceeds from loans | - | - | - | 500,000 |
| Principal loan payments | - | - | - | (1,000,000) |
| Principal lease payments (note 15) | (183,698) | (181,465) | (352,262) | (321,807) |
| Interest on bank loans, and leases | (63,818) | - | (119,350) | (173,587) |
| Cash from (used in) continuing operations | (247,516) | (181,465) | (471,612) | (995,394) |
| Net cash flows attributable to discontinued operations | | - | - | - |
| **Net cash from (used in) financing activities** | (247,516) | (181,465) | (471,612) | (995,394) |
| **Investing activities** | | | | |
| Deposit on acquisition, net of cash | - | (1,739,592) | - | (1,739,592) |
| Loan to North Star Support Group S.R.L. | - | (720,000) | - | (720,000) |
| Purchase of capital assets | (55,113) | (24,279) | (89,003) | (38,207) |
| Disposal of capital assets | 8,581 | 128,075 | 3,816 | 117,027 |
| Additions to leases | (2,719) | 282 | (16,600) | - |
| Cash from (used in) continuing operations | (49,251) | (2,355,514) | (101,787) | (2,380,772) |
| Net cash flows attributable to discontinued operations | | - | - | - |
| **Net cash from (used in) investing activities** | (49,251) | (2,355,514) | (101,787) | (2,380,772) |
| **Increase (decrease) in cash during the period** | (2,315,177) | (4,519,601) | (2,110,074) | (5,205,646) |
| Cash and cash equivalents, beginning of period | 6,236,302 | 9,428,338 | 6,030,907 | 10,114,383 |
| Unrealized foreign exchange gain on cash and cash equivalents held in foreign currencies | (7,481) | - | (7,189) | - |
| **Cash and cash equivalents, end of period** | $ 3,913,644 | $ 4,908,737 | $ 3,913,644 | $ 4,908,737 |

*See accompanying notes to the condensed interim consolidated financial statements*

## 1. NATURE OF BUSINESS

Avante Corp., formerly Avante Logixx Inc. (the "Company") develops security technologies, products and solutions for personal and condominium protective services, monitoring and control applications, secure transportation and private investigations. All of these activities are conducted through the following subsidiaries: Avante Security Inc. ("Avante Security"), which is 100% owned, Avante International Inc., which is 100% owned, Avante Holding Corp., which is 100% owned, The Reserve (formerly ToyBoxx), which is 51% owned and North Star Support Group S.R.L. ("NSSG"), in which the Company acquired a 55% majority interest on October 1, 2023.

The Company's common shares are listed on the TSX Venture Exchange under the symbol XX.V (OTC: ALXXF).

Avante Security provides premium security services for residential and condominium customers in Toronto and Muskoka, Ontario through the use of advanced technology and a focus on client service. Avante Security's business provides a complete offering ranging from system design, sales, installations, and monitoring to services such as alarm response and patrols, personal protection, house staff training, and secure transportation. Avante Security has a specialized skillset in high-rise security integration, monitoring and electronic building management. It also provides consulting and installation of automation and security solutions for the high-end residential market. Avante Security's signature offerings are its Rapid Alarm Response services, and its Intelligent Perimeter Protection Video Analytics. Avante Security also provides extensive offerings, which include Closed Circuit Television ("CCTV"), access controls and security services for travelling executives. Avante Security uses its proprietary two-way wireless communication technology for security and in other market segments for various remote control and monitoring functions.

Avante Black, a division of Avante Security, offers highly specialized services that are bespoke to specific needs of the client for a specific purpose. Services offered include specialized security services providing 24 hour, 7 days a week, 365 days security, cyber monitoring, investigations and international secured transportation.

On October 1, 2023, Avante Corp., via its subsidiary Avante International Inc., acquired a 55% in North Star Support Group S.R.L. ("NSSG"), which is a risk management and security company. It primarily specializes in offering international secured transportation, investigation services, medical services, emergency SOS services, sophisticated cyber sentiment monitoring and sensitive investigations tailored for executive customers on a global scale.

In September 2023, Avante Corp., operating through its subsidiary Avante Holding Corp., formally established The Reserve (formerly The ToyBoxx Inc.), which commenced its auto storage services in December 2023. The service offers security for high-value vehicle owners in Toronto, Ontario.

The address of the Company's corporate office is 1959 Leslie Street, Toronto, Ontario, Canada. The Company is domiciled in Canada and was incorporated in Canada.

## 2. BASIS OF PRESENTATION

### a) Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with IAS 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein. Accordingly, certain information and footnote disclosure normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

The notes presented in these condensed interim consolidated financial statements include only significant events and transactions and do not include all matters normally disclosed in the Company's annual audited consolidated financial statements and are therefore referred to as condensed.

These condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2024.

The financial information included herein reflects all adjustments that, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the periods ended September 30, 2024, and 2023 are not necessarily indicative of the results to be expected for the full year.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 25, 2024.

**b) Basis of measurement**

These condensed interim consolidated financial statements of the Company are presented in Canadian dollars, which is the Company's presentation currency. NSSG, a subsidiary, uses the euro as its functional currency, while the Company and all other subsidiaries uses Canadian dollars as its functional currency. Transactions in foreign currencies are translated into the respective functional currencies at the exchange rates on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

Assets and liabilities of foreign operations are translated into the presentation currency at the spot exchange rate in effect as of the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rates for the reporting period. Any resulting translation differences from the above translation methods are recognized in other comprehensive income.

The preparation of these condensed interim consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the condensed interim consolidated financial statements, are disclosed in Note 4.

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

**Basis of Consolidation**

The condensed interim consolidated financial statements include the accounts of the Company and other entities that the Company controls (subsidiaries). Control exists when the Company is exposed or has the existing rights to variable returns and the current ability to direct activities that significantly affect the entities' returns. Consolidation of the subsidiaries begins on the date on which control is obtained and ends when control of the entity ceases to exist. The Company assesses control on an ongoing basis.

Non-controlling interests in subsidiaries are identified separately from the Company's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

The financial statements of the Company and subsidiaries are prepared as of the same dates and periods. The condensed interim consolidated financial statements are prepared using uniform accounting policies by all companies in the Company. Transactions and balances between the Company and its consolidated entities have been eliminated on consolidation.

The Company's composition is made of the subsidiaries listed below.

| | Ownership interest held at | |
|---|---|---|
| **Name of entity** | **Sep 30, 2024** | **Mar 30, 2024** |
| Avante Security Inc. | 100% | 100% |
| Avante International Inc. | 100% | 100% |

| | | |
|---|---|---|
| Avante Holding Corp. | 100% | 100% |
| North Star Support Group S.R.L. | 55% | 55% |
| The Reserve | 51% | 51% |

On October 1, 2023 Avante Corp., set up a wholly owned subsidiary, Avante International Inc., to acquire a 55% stake in NSSG, a risk management and security company (note 13). The comprehensive purchase cost amounted to $1,834,561, with payment structured as a blend of $1,728,000 in cash and the issuance of 154,301 common shares in the Company. NSSG is consolidated with effect from October 1, 2023.

In October 2023, Avante Corp., set up a wholly owned subsidiary, Avante Holding Corp., which formed a partnership and holds a 51% ownership stake in The Reserve. The Reserve is consolidated with effect from September 14, 2023 (note 17).

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Accounting standards effective in the year

*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 Company adopted this amendment on April 1, 2023, with no material impact to the financial statements.

*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. The Company adopted this amendment on April 1, 2023, with no material impact to the financial statements.

*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 Company adopted this amendment on April 1, 2023, with no material impact to the financial statements.

**Accounting standards issued but not yet effective in the year**

*Amendments to IAS21 - Lack of exchangeability*

The IASB amended IAS 21 'The Effects of Changes in Foreign Exchange Rates' to add requirements to help entities to determine whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not. These new requirements will apply from 2025, with early application permitted. At this time, management does not expect the amendments to have significant impact, if any, on its condensed interim consolidated financial statements.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

There have been no material revisions to the nature and number of estimates and judgments made in prior periods. For assumptions made by Avante Corp. in the estimates made to calculate the recoverable amount of CGU's, refer to note 12.

**Judgements**

Information about critical judgements in applying accounting policies that have the most significant risk of causing material adjustment to the amounts reported in these consolidated financial statements are discussed below:

1. **Expected credit losses for accounts receivable and contract assets**

The Company has exercised judgement in quantifying the allowance for expected credit losses. While it is possible that certain accounts receivable considered good may turn doubtful at a later date, there are no indicators that they would at the present time. The Company analyzes accounts receivable for any accounts that may become uncollectable to determine the allowance. This assessment is based on discussions with clients for items that may be disputed.

At each reporting date, the Company shall measure the loss allowance on accounts receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that amounts may be credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

2. **Income taxes**

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may be materially different than the amount included in the tax liabilities.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. Judgement is used to evaluate whether a deferred tax asset can be recovered based on the Company's assessment of existing tax laws, estimates of future profitability, and tax planning strategies.

### 3. Provision for impairment of inventories

The provision for impairment of inventories requires estimation and judgement to assess the lower of cost and net realizable value. The provision is assessed by taking into account recent sales, aging of inventories, historical costs and other factors that affect inventory obsolescence.

### 4. Intangible assets and goodwill

Management is required to use judgement in determining the economic useful lives of identifiable intangible assets. Judgement is also required in identifying indicators of impairment and in identifying the Company's cash generating units ("CGUs").

### 5. Revenue and contract assets

There is judgement in determining the timing of revenue recognition pertaining to electronic installation services, where the entire contract is one performance obligation and is recognized over time using the percentage of completion basis. Timing of revenue recognition may differ from when customers are invoiced, which could result in contract assets or contract liabilities being recognized.

### 6. Segment reporting

The Company has exercised judgement in identifying its reportable segments and applying the related aggregation criteria required under IFRS 8. In the prior year, the Company had one reporting segment after the sale of Logixx Security on June 1, 2022. With the acquisition of NSSG on October 1, 2023, the Company now has two reportable segments consisting of Avante Security and NSSG.

### 7. Estimates

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income (loss) in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year include accrued liabilities. These estimates are created based on management's assumptions, based on current circumstances, and management believes represent a reasonable basis upon which to estimate the future liability. With respect to put option valuation, acquired through business combinations, the Company determines fair values using such estimates as discount rates, EBITDA and outcome (normal vs. accelerated).

These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. With respect to goodwill impairment testing, the Company determines value in use and fair value less costs of disposal using such estimates as cash flows and discount rates. These estimates are reviewed periodically by management.

Share-based payments and derivative liabilities are determined by the Black-Scholes option pricing model, which is used by the Company to determine the fair value of stock options. Significant estimates are used in the calculation of the input variables in the Black-Scholes model, which include: risk free interest rate (based on government bonds), expected stock price volatility, expected life, and expected dividend yield.

## 5. EARNINGS (LOSS) PER SHARE

The following reflects the income (loss) and share data used in the basic and diluted earnings (loss) per share computations for the period ended:

| | For the three-month period ended | |
|---|---|---|
| | Sep 30, 2024 | Sep 30, 2023 |
| Basic and diluted loss per share from continuing operations | $ (0.034) | $ (0.015) |
| Basic and diluted earnings per share from discontinued operations | - | 0.005 |
| Basic and diluted loss per share | (0.034) | (0.010) |
| Net income (loss) attributable to equity holders of the parent - basic and fully diluted from continuing operations | (900,064) | (396,198) |
| Net income (loss) attributable to equity holders of the parent - basic and fully diluted from discontinued operations | - | 144,117 |
| Total net income/(loss) attributable to equity holders of the parent- basic and fully diluted | (900,064) | (252,081) |
| Weighted average number of shares outstanding for basic and diluted calculation | 26,643,739 | 26,504,868 |

| | For the six-month period ended | |
|---|---|---|
| | Sep 30, 2024 | Sep 30, 2023 |
| Basic and diluted loss per share from continuing operations | $ (0.038) | $ (0.012) |
| Basic and diluted earnings per share from discontinued operations | - | 0.005 |
| Basic and diluted earnings/(loss) per share | (0.038) | (0.007) |
| Net income (loss) attributable to equity holders of the parent - basic and fully diluted from continuing operations | (1,020,170) | (316,016) |
| Net income (loss) attributable to equity holders of the parent - basic and fully diluted from discontinued operations | - | 144,117 |
| Total net income/(loss) attributable to equity holders of the parent - basic and fully diluted | (1,020,170) | (171,899) |
| Weighted average number of shares outstanding for basic and diluted calculation | 26,643,739 | 26,497,110 |

Potential common shares are antidilutive when their conversion to common shares increases earnings per share or decreases loss per share from continuing operations. Antidilutive common shares are excluded from weighted average number of shares outstanding for the purposes of calculating the diluted earnings per share.

## 6. REVENUE RECOGNITION

a) Disaggregation of Revenue

Revenue is recognized in a manner that depicts the transfer of promised goods or services to the customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods and services. Standard 30-day payment terms apply to the majority of accounts receivable for the Company. Segment revenues by service type for the three months ended September 30, 2024 and 2023 were as follows:

| | For the three-month period ended | | | | | | |
|---|---|---|---|---|---|---|---|
| | Sep 30, 2024 | | | | Sep 30, 2023 | | |
| | Avante Security | NSSG | Elimination | Total | Avante Security | Elimination | Total |
| Protective Services | $ 2,913,201 | $ - | $ - | $ 2,913,201 | $ 2,301,576 | - | $ 2,301,576 |
| Monitoring and Managed Services | 1,361,852 | - | (2,633) | 1,359,219 | $ 1,148,322 | - | $ 1,148,322 |
| Electronic Services | 2,163,783 | - | - | 2,163,783 | $ 1,888,828 | - | $ 1,888,828 |
| Secured Transport | 298,224 | - | - | 298,224 | - | - | - |
| Investigations | 354,950 | - | - | 354,950 | - | - | - |
| Specialized Security | 164,622 | - | - | 164,622 | - | - | - |
| Auto storage | 2,370 | - | - | 2,370 | - | - | - |
| Operations | - | 646,801 | (54,607) | 592,194 | - | - | - |
| Investigations | - | 33,779 | - | 33,779 | - | - | - |
| Consulting | - | 206,624 | - | 206,624 | - | - | - |
| **Total Revenue** | **$ 7,259,001** | **$ 887,205** | **$ (57,240)** | **$ 8,088,966** | **$ 5,338,726** | **$ -** | **$ 5,338,726** |

Segment revenues by type of service for the six months September 30, 2024 and 2023 were as follows:

| | For the six-month period ended | | | | | | |
|---|---|---|---|---|---|---|---|
| | Sep 30, 2024 | | | | Sep 30, 2023 | | |
| | Avante Security | NSSG | Elimination | Total | Avante Security | Elimination | Total |
| Protective Services | $ 5,418,791 | $ - | $ - | $ 5,418,791 | $ 5,118,273 | - | $ 5,118,273 |
| Monitoring and Managed Services | 2,694,842 | - | (2,633) | 2,692,209 | $ 2,229,607 | - | $ 2,229,608 |
| Electronic Services | 3,875,924 | - | - | 3,875,924 | $ 3,401,286 | - | $ 3,401,286 |
| Secured Transport | 971,850 | - | - | 971,850 | - | - | - |
| Investigations | 1,218,289 | - | - | 1,218,289 | - | - | - |
| Specialized Security | 205,893 | - | - | 205,893 | - | - | - |
| Auto storage | 7,843 | - | - | 7,843 | - | - | - |
| Operations | - | 1,326,512 | (102,024) | 1,224,489 | - | - | - |
| Investigations | - | 82,217 | (1,976) | 80,241 | - | - | - |
| Consulting | - | 308,063 | - | 308,063 | - | - | - |
| **Total Revenue** | **$ 14,393,431** | **$ 1,716,793** | **$ (106,633)** | **$ 16,003,591** | **$ 10,749,166** | **$ -** | **$ 10,749,166** |

(b) Contract Assets and Liabilities

| | Sep 30, 2024 | Mar 31, 2024 |
|---|---|---|
| Work-in-progress - contracts in process | $ 325,835 | $ 285,548 |

## 6. REVENUE RECOGNITION (CONTINUED)

Timing differences between invoicing, cash collection, and revenue recognition results in accounts receivable and also results in unbilled work-in-progress (contract assets), and deferred revenue (contract liabilities) on the consolidated statement of financial position. Amounts are billed in accordance with the terms of each customer contract, generally subsequent to the performance of obligations and related revenue recognition, resulting in accounts receivable with standard payment terms of 'Net 30 Days' for these types of contracts. For certain contracts, the Company receives customer payment prior to satisfying contracted obligations and recognizing revenue, resulting in deferred revenue (contract liabilities).

| | | |
|---|---|---|
| **Contract liabilities balance at March 31, 2023 to be recognized after fiscal year 2024** | $ | 2,139,672 |
| Additions during the year | | 12,984,719 |
| Recognized during the year | | (12,735,870) |
| Contract liabilities balance at March 31, 2024 to be recognized in fiscal year 2025 | | 2,388,521 |
| **Contract liabilities balance at March 31, 2024** | $ | 2,388,521 |
| Additions during the year | | 7,368,090 |
| Recognized during the year | | (7,332,138) |
| Contract liabilities balance at September 30, 2024 to be recognized in fiscal year 2025 | | 1,030,403 |
| Contract liabilities balance at September 30, 2024 to be recognized after fiscal year 2025 | | 1,394,070 |
| **Contract liabilities balance at September 30, 2024** | **$** | **2,424,473** |

## 7. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

On March 30, 2022, the Company 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. Under the terms of the SPA, the Company would receive $23,950,000 in cash including repayment of intercompany loans of $7,802,074 less reimbursement of SSC's costs related to a prior transaction agreement of $750,000 plus or minus closing working capital compared to an agreed minimum threshold. On June 1, 2022, the Company sold Logixx Security to SSC under the SPA and received $23,733,248, net of the expense reimbursement and estimated working capital surplus. On September 12, 2023 the Company received $144,000 from SSC for the working capital adjustment. In addition, the Company will receive the benefit of Logixx Security's collected accounts receivable since closing that was older than 90 days old as of closing (approximately $1.1 million), net of a 5% collection fee payable to SSC. The company is pursuing legal action against SSC for the payment of the collection of overdue receivables (note 8).

The estimated total amount due from SSC is included within non-trade receivables within "Accounts receivable" on the condensed interim consolidated statements of financial position as at September 30, 2024 and consists of the unpaid portion of the cost of agreed transition services provided by the Company to SSC since the closing of the transaction and Logixx Security accounts receivable older than 90 days at closing (net of SSC's collection fee) that the Company anticipates will be collected by SSC in accordance with the SPA. SSC has not remitted its collection to date and thus the Company has commenced a lawsuit for payment.

## 8. ACCOUNTS RECEIVABLE

The accounts receivable on the financial statements are net of allowance for doubtful accounts of $201,956 as at September 30, 2024 (March 31, 2024: $232,050). Changes in the allowance for doubtful accounts during the period were as follows:

| | Sep 30, 2024 | Mar 31, 2024 |
|---|---|---|
| Allowance for doubtful accounts - opening balance | $ 232,050 | $ 160,716 |
| Net increase (decrease) during the period | (30,094) | 71,334 |
| Allowance for doubtful accounts - closing balance | $ 201,956 | $ 232,050 |

As at September 30, 2024 and March 31, 2024, the aging of the Company's accounts receivables was as follows:

| | Balance Due | 1 - 30 Days | 31 - 60 Days | 61 - 90 Days | Over 90 Days |
|---|---|---|---|---|---|
| Trade receivables | $6,419,424 | $2,626,268 | $524,396 | $442,844 | $2,825,916 |
| Unbilled trade receivables | 335,827 | 317,172 | - | - | 18,655 |
| Non-trade receivables | 869,255 | 869,255 | - | - | - |
| Allowance for doubtful accounts | (232,050) | - | - | - | (232,050) |
| **Balance at March 31, 2024** | **$7,392,456** | **$3,812,695** | **$524,396** | **$442,844** | **$2,612,521** |
| Trade receivables | 6,523,758 | $3,447,192 | $373,396 | $61,703 | $2,641,467 |
| Unbilled trade receivables | 28,831 | 10,176 | - | - | 18,655 |
| Non-trade receivables | 1,133,288 | 1,133,288 | - | - | - |
| Allowance for doubtful accounts | (201,956) | - | - | - | (201,956) |
| **Balance at September 30, 2024** | **$7,483,921** | **$4,590,656** | **$373,396** | **$61,703** | **$2,458,166** |

The consolidated entity has recognized a loss of $(30,094) from continuing operations at September 30, 2024 in profit or loss in respect of the expected credit losses for the six months then ended (September 30, 2023: $31,504). As at September 30, 2024, there was $2,660,122 (March 31, 2024: $2,844,571) of accounts receivable outstanding for over 90 days of which management did not consider $2,458,166 (March 31, 2024: $2,612,521) impaired.

## 9. INVENTORIES

| | Sep 30, 2024 | Mar 31, 2024 |
|---|---|---|
| Inventory | $ 1,324,272 | $ 1,103,250 |

All inventory is considered finished goods. Inventory expensed to cost of sales during the three and six months ended September 30, 2024, amounted to $562,896 and $1,253,248 respectively (September 30, 2023: $747,466 and $1,284,167 for the three and six-month periods).

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Computer equipment | Equipment, furniture and fixtures | Leasehold improvements | Computer software | Right-of-use asset | Vehicles | Uniforms | Buildings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | | | | |
| **Balance at March 31, 2024** | **$ 519,503** | **$ 798,159** | **$ 817,782** | **$ 345,418** | **$ 2,066,128** | **$ 81,176** | **$ 143,143** | **$ 473,300** | **$ 5,244,609** |
| Additions | 42,030 | 20,087 | - | - | 399,938 | - | 26,886 | - | 488,941 |
| Disposals | - | - | - | - | (46,223) | - | - | - | (46,223) |
| Foreign exchange gain (loss) | - | 1,589 | - | - | (2,677) | - | - | - | (1,088) |
| **Balance at September 30, 2024** | **561,533** | **819,835** | **817,782** | **345,418** | **2,417,166** | **81,176** | **170,029** | **473,300** | **5,686,239** |
| **Accumulated depreciation** | | | | | | | | | |
| **Balance at March 31, 2024** | **409,521** | **518,312** | **731,639** | **345,418** | **691,228** | **36,542** | **73,645** | **102,549** | **2,908,854** |
| Depreciation | 18,867 | 30,279 | 9,813 | - | 403,284 | 6,695 | 13,216 | 9,466 | 491,620 |
| Disposals | - | - | - | - | (28,250) | - | - | - | (28,250) |
| Foreign exchange gain (loss) | - | 623 | - | - | (4,755) | - | - | - | (4,132) |
| **Balance at September 30, 2024** | **428,388** | **549,214** | **741,452** | **345,418** | **1,061,507** | **43,237** | **86,861** | **112,015** | **3,368,092** |
| **Carrying Amounts** | | | | | | | | | |
| **Balance at March 31, 2024** | **109,982** | **279,847** | **86,143** | **-** | **1,374,900** | **44,634** | **69,498** | **370,751** | **2,335,755** |
| **Balance at September 30, 2024** | **$ 133,145** | **$ 270,621** | **$ 76,330** | **$ -** | **$ 1,355,659** | **$ 37,939** | **$ 83,168** | **$ 361,285** | **$ 2,318,147** |

| | Computer equipment | Equipment, furniture and fixtures | Leasehold improvements | Computer software | Right-of-use asset | Vehicles | Uniforms | Buildings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | | | | |
| **Balance at March 31, 2023** | **$ 486,256** | **$ 677,052** | **$ 723,044** | **$ 345,418** | **$ 1,636,640** | **$ 59,014** | **$ 115,043** | **$ 473,300** | **$ 4,515,767** |
| Additions | 18,647 | 6,596 | - | - | 84,731 | - | 12,964 | - | 122,938 |
| Disposals | - | - | - | - | (247,675) | - | - | - | (247,675) |
| **Balance at September 30, 2023** | **504,903** | **683,648** | **723,044** | **345,418** | **1,473,696** | **59,014** | **128,007** | **473,300** | **4,391,030** |
| **Accumulated depreciation** | | | | | | | | | |
| **Balance at March 31, 2023** | **380,082** | **434,051** | **723,044** | **326,370** | **59,524** | **22,163** | **44,236** | **83,617** | **2,073,087** |
| Depreciation | 16,375 | 24,674 | - | 12,333 | 316,854 | 5,528 | 15,518 | 9,466 | 400,748 |
| Disposals | - | - | - | - | (70,581) | - | - | - | (70,581) |
| **Balance at September 30, 2023** | **396,457** | **458,725** | **723,044** | **338,703** | **305,797** | **27,691** | **59,754** | **93,083** | **2,403,254** |
| **Carrying Amounts** | | | | | | | | | |
| **Balance at March 31, 2023** | **106,174** | **243,001** | **-** | **19,048** | **1,577,116** | **36,851** | **70,807** | **389,683** | **2,442,680** |
| **Balance at September 30, 2023** | **$ 108,446** | **$ 224,923** | **$ -** | **$ 6,715** | **$ 1,167,899** | **$ 31,323** | **$ 68,253** | **$ 380,217** | **$ 1,987,776** |

Depreciation expense is $246,237 and $491,620 for the three months and six months ended September 30, 2024 (three months and six months ended September 30, 2023: $199,168 and $400,748).

The Company carries two categories of right-of-use assets: vehicles and property. At September 30, 2024 the carrying amount of vehicles under lease was $710,705 (March 31, 2024: $593,813), with $131,561 and $266,255 of depreciation for the three months and six months ended September 30, 2024 (three months and six months ended September 30, 2023: $117,103 and $236,292).

The right-of-use asset property had a carrying amount of $644,954 at September 30, 2024 (March 31, 2024: $781,087). Depreciation in the amount of $68,248 and $137,029 is included for the three and six months ended September 30, 2024 (three months and six months ended September 30, 2023: $40,281 and $80,562).

All assets of the Company, including its Accounts Receivables, Inventories and Property, Plant and Equipment, have been pledged as general security against the senior secured credit facilities established with the Company's bank (Note 14). Gains and losses on disposals are booked in the miscellaneous (income) expense line on the condensed interim consolidated statement of income and comprehensive income.

## 11. CAPITALIZED COMMISSION

Commissions on long-term contracts (12 months in length or longer) are capitalized at the initiation of the contract and amortized over the length of the contract as revenue is recognized. The unamortized amount of commission on long-term contracts as of September 30, 2024 was $1,604 (March 31, 2024: $4,164), with $1,266 and $2,560 amortized in the three months and six months ended September 30, 2024 (three months and six months ended September 30, 2023: $2,728 and $2,728).

## 12. GOODWILL AND INTANGIBLE ASSETS

### A. INTANGIBLE ASSETS

| | Trade Name | Customer relationships | Order backlog | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Cost** | | | | |
| **Balance at March 31, 2024** | $660,026 | $5,362,080 | $262,000 | $6,284,106 |
| Additions | - | - | - | - |
| **Balance at September 30, 2024** | **660,026** | **5,362,080** | **262,000** | **6,284,106** |
| **Amortization** | | | | |
| **Balance at March 31, 2024** | $136,030 | $3,397,379 | $262,000 | $3,795,409 |
| Amortization | 55,157 | 267,387 | - | 322,544 |
| **Balance at September 30, 2024** | **191,187** | **3,664,766** | **262,000** | **4,117,953** |
| **Carrying amounts** | | | | |
| **Balance at March 31, 2024** | **$ 523,996** | **$ 1,964,701** | **$ -** | **$ 2,488,697** |
| **Balance at September 30, 2024** | **$ 468,839** | **$ 1,697,314** | **$ -** | **$ 2,166,153** |

| | Trade Name | Customer relationships | Order backlog | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Cost** | | | | |
| **Balance at March 31, 2023** | $80,873 | $4,755,673 | $262,000 | $5,098,546 |
| **Balance at September 30, 2023** | **80,873** | **4,755,673** | **262,000** | **5,098,546** |
| **Amortization** | | | | |
| **Balance at March 31, 2023** | $80,873 | $2,895,383 | $262,000 | $3,238,256 |
| Amortization from continuing operations for the period | - | 234,608 | - | 234,608 |
| **Balance at September 30, 2023** | **80,873** | **3,129,991** | **262,000** | **3,472,864** |
| **Carrying amounts** | | | | |
| **Balance at March 31, 2023** | **$ -** | **$ 1,860,290** | **$ -** | **$ 1,860,290** |
| **Balance at September 30, 2023** | **$ -** | **$ 1,625,682** | **$ -** | **$ 1,625,682** |

## 12. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

On December 1, 2022 the Company acquired the customer list of C & B Alarms Ltd ("C&B Alarms") pursuant to an Asset Purchase Agreement between the Company and C & B Alarms Ltd. ("C&B") in the Muskoka region. The total purchase price was $575,000, $431,250 was paid in cash, the Company held back $143,750 of the purchase price against certain representations and warranties. The full amount of the acquisition was allocated to the intangible asset Customer Relationships on the Consolidated Statement of Financial Position as of March 31, 2023.

On October 1, 2023, Avante Corp., acquired a controlling interest of 55% in NSSG, an international risk management and security company. The comprehensive purchase cost amounted to $1,834,561, with payment structured as a blend of $1,728,000 in cash and the issuance of 154,301 common shares in the Company. NSSG is consolidated with effect from October 1, 2023. As a result of the acquisition of NSSG, the Company recorded $1,185,560 of identifiable intangible assets. These intangible assets are primarily related to customer relationships and trade name, with useful lives ranging from 5.25 to 9.25 years.

Intangible amortization expense for the three months and six months ended September 30, 2024 is $161,271 and $322,544 (three months and six months ended September 30, 2023: $117,304 and $234,608).

### B. GOODWILL

| | |
|---|---|
| **Balance at March 31, 2023** | **$ 2,971,997** |
| **Acquisition of a subsidiary** | **$ 1,529,320** |
| **Balance at March 31, 2024** | **$ 4,501,317** |
| **Balance at September 30, 2024** | **$ 4,501,317** |

The above intangible assets and goodwill were acquired upon the acquisitions of the businesses of INTO Electronics Inc. at August 22, 2014, LVS Inc. at April 1, 2015, Architronics Limited ("Architronics") at March 1, 2017 and Watermark Security Inc. at August 1, 2018 as well as the acquisition of the business of NSSG at October 1, 2023. The goodwill recognized on NSSG acquisition is primarily attributed to the anticipated synergy in services, global expansion through leveraging respective networks, innovation and expertise in technology, and enhanced operational efficiency.

The key assumptions used to calculate the fair value of these intangible assets include discount rates, growth rates and margins. The cost of goodwill is calculated as the excess of purchase price of the acquired business over the estimated fair value of the tangible and intangible assets acquired and liabilities assumed at the date of acquisition and is allocated to the cash generating unit ("CGU") expected to benefit from the acquisition. A CGU is the smallest group of assets for which there are separate identifiable cash flows. The Company has two CGUs at September 30, 2024, consisting of Avante Security and NSSG.

### Amortization

The amortization of tradenames, customer relationships, order backlog and non-compete agreement is included in amortization on intangible assets on the condensed interim consolidated statements of income and comprehensive income.

## 13. BUSINESS ACQUISITIONS

### Acquisition of Veridin Systems Canada Inc. and Intelligarde International Inc., subsequently sold to SSC

Veridin Systems Canada Inc. was acquired by the Company on September 17, 2018 and integrated with Logixx Security and sold to SSC on June 1, 2022. Within an escrow account, the Company held back $94,923 of the purchase price against certain representations and warranties. The parties are engaged in litigation processes to settle the amounts owing between the parties.

Intelligarde International Inc. was acquired by the Company on November 30, 2018 and integrated with Logixx Security and sold to SSC on June 1, 2022. The Company held back $712,500 of the purchase price. The amount in the escrow account as of April 19, 2024 was $549,299. Subsequent to year-end, the Company reached a settlement with the seller where the Company received $250,000 (note 27).

### Acquisition of NSSG

On October 1, 2023 Avante Corp., via its subsidiary Avante International Inc., acquired a controlling interest of 55% in NSSG, an international risk management and security company. The comprehensive purchase cost amounted to $1,834,561, with payment structured as a blend of $1,728,000 in cash and the issuance of 154,301 common shares in the Company. NSSG is consolidated with effect from October 1, 2023.

The acquisition was undertaken to strengthen the Group's presence in the global security market by utilizing NSSG's worldwide client base for cross-selling its services and technology to NSSG's Fortune 500 clients.

As part of the transaction, Avante Corp. entered into a shareholder’s agreement with respect to NSSG and a loan agreement with NSSG. Pursuant to the loan agreement, the Company will, indirectly through the Purchaser, advance to NSSG a loan in principal amount of up to EUR 1,000,000 for a term of 4 years, bearing interest at a rate equal to the Bank of Canada Prime Rate plus 1%, and repayable in 8 quarterly equal repayments starting on the date that is 24 months after the date of each drawdown under the loan. This first draw of EUR 500,000 was executed on September 25, 2023.

Following the acquisition of NSSG, Mrs. Grigore, the former owner of NSSG, was granted a put option, which can be exercised any time after the four-year Lock-up period expires, starting from the acquisition date. As of March 31, 2024, the fair value of the put option was revalued at $1,269,562. The next revaluation will occur at the year-end.

## 14. BANK INDEBTEDNESS

On June 1, 2022, the Company entered into credit facilities with a bank consisting of a $2 million revolving credit facility, together with credit card facilities for each of Avante Corp. and Avante Security, supported by a first fixed security interest 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 75% of eligible accounts receivable and 50% of inventory, minus priority payables.

The provision of the credit facilities is subject to a minimum consolidated current ratio of 1.20 as of March 31, 2023, and thereafter, and the Company was in compliance with that covenant as of September 30, 2024.

The agreement further stipulates that the advances cannot exceed 75% of accounts receivable and 50% of inventory less priority payables; Avante corp. is in compliance with these requirements as of March 31, 2024. Drawings under the revolver 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%).

As of September 30, 2024, there were no drawings on the line of credit. The Company must maintain a current asset to current liability ratio of at least 1.20:1.00 at all times, as calculated on a quarterly basis. The Company was onside with covenants throughout the year and as at September 30, 2024. The borrowing base of the line of credit is 75% of accounts receivable, excluding items aged greater than ninety days, plus 50% of inventory less priority payables which consist of accrued payments such as salaries, commissions and HST payable. The Company borrowing base must exceed the amount borrowed on the line of credit.

## 14. BANK INDEBTEDNESS (CONTINUED)

On July 7, 2022, the Company executed an unsecured Loan Agreement with affiliates of Fairfax Financial Holdings Limited ("Fairfax"), who collectively own 19.88% of the Company's common shares. This note should be read in conjunction with the related-party transactions Note 21 to fully understand the nature and impact of the Loan Agreement with Fairfax affiliates.

## 15. OBLIGATIONS UNDER LEASE

The Company's lease payments are discounted using the interest rate implicit in the lease, or if that cannot be determined, the Company's incremental borrowing rate. Vehicle lease and property lease liabilities as of the respective period ends were as follows:

| | Vehicle lease liability | Property lease liability | Total liability |
|---|---|---|---|
| **Balance at March 31, 2023** | **$ 797,759** | **$ 836,253** | **$ 1,634,012** |
| Current obligations under lease | 381,206 | 188,586 | 569,792 |
| Long-term obligations under lease | 416,553 | 647,667 | 1,064,220 |
| **Balance at March 31, 2023** | **$ 797,759** | **$ 836,253** | **$ 1,634,012** |
| Additions from acquisition of NSSG | 63,098 | 84,515 | 147,613 |
| Additions during the year | 355,062 | 149,449 | 504,511 |
| Disposals during the year | (240,085) | - | (240,085) |
| Principal payments | (418,780) | (247,121) | (665,902) |
| **Balance at March 31, 2024** | **$ 557,054** | **$ 823,095** | **$ 1,380,149** |
| Current obligations under lease | 320,530 | 241,523 | 562,053 |
| Long-term obligations under lease | 236,524 | 581,572 | 818,096 |
| **Balance at March 31, 2024** | **$ 557,054** | **$ 823,095** | **$ 1,380,149** |
| Additions during the year | 383,337 | - | 383,337 |
| Disposals during the year | (18,911) | - | (18,911) |
| Principal payments | (223,722) | (128,540) | (352,262) |
| **Balance at Sep 30, 2024** | **$ 697,758** | **$ 694,555** | **$ 1,392,313** |
| Current obligations under lease | 403,578 | 216,665 | 620,243 |
| Long-term obligations under lease | 294,180 | 477,890 | 772,070 |
| **Balance at Sep 30, 2024** | **$ 697,758** | **$ 694,555** | **$ 1,392,313** |

The Company leased certain vehicles with a value of $697,758 (March 31, 2024: $557,054), at an effective annual rate of interest of 21.9% (March 31, 2024: 19.19%). The payment terms include blended monthly payments of $82,393 plus applicable taxes (March 31, 2024: $60,939) for 12 to 60 months ending between November 2024 and August 2028, with an aggregate buy out obligation of $nil as of September 30, 2024 (March 31, 2024: $nil). Interest expense from these leases, included in the condensed interim consolidated statements of income and comprehensive income for the three months and six months ended September 30, 2024 was $44,954 and $89,983 (three months and six months ended September 30, 2023: $26,562 and $58,509).

Various office properties with a value of $694,555 (March 31, 2024: $823,095), are leased with blended monthly payments of $26,176 plus applicable taxes (March 31, 2024: $25,796). An incremental borrowing rate of 6.8% is used. The property leases end between November 2024 and January 2028. Interest expense from these leases, included in the condensed interim consolidated statement of income and comprehensive income for the three months and six months ended September 30, 2024 was $11,493 and $23,714 (three months and six months ended September 30, 2023: $13,261 and $27,104).

## 16. SHAREHOLDERS' EQUITY

### [a] Share capital issued and outstanding

| Unlimited common shares | Number of Shares | | Amount |
|---|---|---|---|
| **Balance at March 31, 2023** | 26,489,438 | $ | 30,138,388 |
| Issue of shares on acquisition of NSSG (note 13) | 154,301 | | 106,561 |
| Share issue costs | - | | (11,588) |
| **Balance at March 31, 2024** | 26,643,739 | $ | 30,233,361 |
| **Balance at September 30, 2024** | 26,643,739 | $ | 30,233,361 |

### [b] Share options

The Company has an incentive Share Option Plan ("the Plan") under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or service providers of the Company. The terms of the Plan provide that the Directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant at terms of up to ten years. No amounts are paid or payable by the recipient on receipt of the option.

Options for Directors vest when granted, while vesting of options for non-directors is as follows: 33.33% on the first anniversary; 33.33% on the second anniversary; and the remainder on the third anniversary following the grant date. For the chairman of the Board vesting of the options is as follows: 25% of the option will vest on the first anniversary; 25% on the second anniversary; 25% on the third anniversary; and the remainder on the fourth anniversary following the grant date.

On September 29, 2015, the shareholders of the Company approved an amendment to the stock option plan whereby it reverted to a 10% rolling stock option plan. This plan is approved annually by the shareholders of the Company and was approved by the shareholders on October 24, 2023, and again on October 24, 2024. Accordingly, the Company has a total of 824,374 options available to be issued as at September 30, 2024, with the maximum term remaining at 10 years (March 31, 2024: 1,199,374).

| | Number of Options | Weighted Average Exercise Price |
|---|---|---|
| **Balance at March 31, 2023** | **1,483,333** | **$1.05** |
| Option granted during the period | 115,000 | $0.88 |
| Options expired during the period | (133,333) | $2.22 |
| **Balance at March 31, 2024** | **1,465,000** | **$0.93** |
| Option granted during the period | 370,000 | $0.81 |
| **Balance at September 30, 2024** | **1,835,000** | **$0.91** |

During the three months and six months ended September 30, 2024 370,000 share options were issued to employees and the strike price was $0.81, no share options were forfeited. During the three months and six months ended September 30, 2023 115,000 share options were issued to a member of the board of directors and an employee and the strike price was $0.88, no share options were forfeited. None of the outstanding options were exercised in the three and six months ended September 30, 2024 or during the year ended March 31, 2024.

Using the Black-Scholes pricing model, the Company recognized $nil for forfeited options for the three and six months ended September 30, 2024 (six months ended September 30, 2023: $146,207 net of $nil for forfeited options).

## 16. SHAREHOLDERS' EQUITY (CONTINUED)

In calculating the share-based compensation expense, the Company used the assumptions as listed below as at the date of grants:

| | Fiscal 2025 | Fiscal 2024 |
|---|---|---|
| Risk-free interest rate | 2.80% | 3.92% |
| Expected volatility | 68.47% | 63.08% - 63.72% |
| Expected time until exercise | 10 years | 5 years |
| Expected dividend yield | NIL | NIL |
| Expected forfeiture | 0-20% | 0-5% |
| Share price | $0.81 | $0.88 |

The expected price volatility is based on the historic volatility (based on the expected life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The following table summarizes stock options vested and outstanding at September 30, 2024:

| Grant Date | Number of Options Outstanding | Remaining Years | Number of Options Vested | Exercise Price | Expiry Date |
|---|---|---|---|---|---|
| 2022-04-28 | 200,000 | 2.58 | 200,000 | 0.88 | 2027-04-28 |
| 2022-04-28 | 200,000 | 2.58 | 200,000 | 0.97 | 2027-04-28 |
| 2022-04-28 | 200,000 | 2.58 | - | 1.07 | 2027-04-28 |
| 2022-04-28 | 200,000 | 2.58 | - | 1.18 | 2027-04-28 |
| 2022-04-28 | 100,000 | 2.58 | 100,000 | 0.88 | 2027-04-28 |
| 2022-09-26 | 250,000 | 2.99 | 166,667 | 0.80 | 2027-09-26 |
| 2022-10-11 | 200,000 | 3.53 | 200,000 | 0.77 | 2027-09-26 |
| 2023-08-29 | 100,000 | 3.92 | 100,000 | 0.88 | 2028-08-29 |
| 2023-07-31 | 15,000 | 3.84 | 5,000 | 0.88 | 2028-07-31 |
| 2024-09-27 | 370,000 | 10.00 | - | 0.81 | 2034-09-27 |
| | 1,835,000 | | 971,667 | | |

*1. Expiry date extended in accordance with the share option plan.*

## 17. NON-CONTROLLING INTERESTS

### NSSG

On October 1, 2023, the Company acquired control of North Star Support Group S.R.L. ("NSSG") upon achieving economic and voting interests of 55%. As a result, effective October 1, 2023, the Company commenced consolidating the entity. The transaction has been accounted for as a business combination in accordance with IFRS 3, Business Combinations.

Following the acquisition of NSSG, Mrs. Grigore, the former owner, was granted a put option (note 13). At the initial recognition of this put option, the NCI related to the shares subject to the option was eliminated. The difference between the present value of expected redemption amount and the carrying amount of the NCI was adjusted within equity.

### The Reserve (formerly known as ToyBoxx)

In September 2023, Avante Corp., operating through its subsidiary Avante Holding Corp., formally established The Reserve, which commenced its services in December 2023. The following table summarizes the financial information related to The Reserve, before any intra-group eliminations:

| As at (and for the period ended) | Sep 30, 2024 | Mar 31, 2024 |
|---|---|---|
| Current assets | 17,799 | 9,956 |
| Non-current assets | 205,110 | 240,735 |
| Current liabilities | (247,287) | (215,527) |
| Non-current liabilities | (52,389) | (77,114) |
| **Net assets (100%)** | **(76,767)** | **(41,950)** |
| Revenue | 7,843 | 9,856 |
| Net income (loss) | (34,817) | (42,050) |
| Other comprehensive income | 0 | 0 |
| **Total comprehensive income (loss) (100%)** | **(34,817)** | **(42,050)** |
| **NCI** | **(17,060)** | **(20,605)** |
| Cash flows from operating activities | 27,300 | 163,369 |
| Cash flows from investment activities | - | (31,749) |
| Cash flows from financing activities | (27,300) | (131,520) |
| Net increase (decrease) in cash and cash equivalents | - | 100 |

## 18. INCOME TAXES

In prior annual fiscal years, the Company incurred non-capital losses for income tax purposes. Those losses are available to the Company to reduce the current portion of income taxes payable, if any. Income tax expense is recognized based on management's estimate of tax rates of 26.5% expected to be in effect for the Company's full financial year.

For the six months ending September 30, 2024, the Company recognized $nil deferred income tax expense from continuing operations (six months ended September 30, 2023: expense of $6,059). The deferred tax assets are attributable to previously unused non-capital tax loss carry forwards that it estimates will be used against taxable income for the year ended March 31, 2025 and future taxable periods.

## 19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### [a] Risk management

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in this note.

**General Objectives, Policies and Processes:**

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The Board of Directors receive quarterly reports from the Company's management, through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

### a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are primarily comprised of two types of risk: foreign currency risk and interest rate risk.

## 19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### Foreign Currency Risk:

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and other foreign currencies will affect the Company's operations and financial results.

The Company is exposed to foreign currency risk on revenue and expenses where it invoices or procures in a foreign currency. It is also exposed to foreign currency risk on cash and cash equivalents, trade receivables, trade payables and loans payable denominated in foreign currencies, principally in US dollars, GBP and RON. The company does not employ any hedging strategies or use derivative instruments to mitigate this risk.

### Interest Rate Risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has an available revolving credit facility limit, provided on a demand basis, from its bank of $2,000,000 (as of June 1, 2022) and an unsecured term loan facility from its largest shareholder of $10,000,000 (as of July 7, 2022) but neither credit arrangement was utilized as of September 30, 2024.

During late June 2022 the Company began investing surplus funds in one-year, cashable guaranteed investment certificates issued by its bank at fixed interest rates, so interest rate risk to rising market interest rates now exists in respect of such investments offset by the Company's ability to cash the guaranteed investment certificate and reinvest the proceeds following the initial one month non-redeemable period.

### b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For credit risk on accounts receivable see Note 8. Financial instruments, which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents, guaranteed investment certificates, accounts receivables, and amounts due from the purchasers of Logixx Security. The carrying amounts of financial assets represent the maximum credit exposure. The Company has gross credit exposure at September 30, 2024 relating to cash of $nil (March 31, 2024: $nil) and guaranteed investment certificates of $2,462,177 (March 31, 2024: $3,744,974). All cash and guaranteed investment certificates are held in or with Canadian banks which have credit ratings of A+ and Aa2 from rating agencies Standard & Poor's and Moody's respectively. The Company has performed a sensitivity analysis on changes in the credit risk associated with these banks and considers this risk to be minimal for all cash assets based on changes that are reasonably possible at the reporting date.

### c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of approximately 90 days. To achieve this objective, the Company prepares annual financial budgets and updates short-term liquidity requirements at least monthly based on revised estimates. Further, the Company utilizes delegated authorizations for varying expenditure levels and types to further manage expenditure. The Company also monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable.

## 19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The following table sets out the Company's contractual maturities (representing undiscounted contractual cash flows including interest) of financial liabilities:

| | Up to 3 months | 3 to 12 months | 1 to 2 years | 2 to 5 years | Over 5 years | Contractual amount | Carrying amount |
|---|---|---|---|---|---|---|---|
| **At March 31, 2024** | **$ 4,319,547** | **$ 857,876** | **$ 427,959** | **$ 415,450** | **$ -** | **$ 6,020,831** | **$ 5,950,923** |
| Accounts payable and accrued liabilities | 3,867,455 | 30,006 | - | - | - | 3,897,461 | 3,897,461 |
| Obligations under lease | 240,771 | 528,340 | 491,815 | 344,286 | - | 1,605,211 | 1,392,313 |
| **At September 30, 2024** | **$ 4,108,226** | **$ 558,346** | **$ 491,815** | **$ 344,286** | **$ -** | **$ 5,502,671** | **$ 5,289,774** |

Contractual amounts reflect undiscounted principal payments and future interest payments. Carrying amount excludes interest, is discounted, includes any residual value.

The working capital as at September 30, 2024 was $5,734,650 compared to $6,521,936 at March 31, 2024.

### d) Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the Black-Scholes option pricing model. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The balance sheet carrying amounts for cash and cash equivalents, accounts receivable, notes receivable, accounts payable and accrued liabilities, bank indebtedness and vehicle loans and finance leases, and the prior year end's derivative liabilities approximate fair value due to their short-term nature.

### e) Fair Value Hierarchy:

Financial instruments that are measured subsequent to initial recognition at fair value or disclosed at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments at fair value are level 1.

## 20. CAPITAL MANAGEMENT

The Company defines its cash, guaranteed investment certificates, common shares and stock options as capital. The Company's objectives when maintaining capital are:

- To preserve the ability to ensure business continuity thereby creating a return for the shareholders, investors and other interested parties.
- To ensure adequate return for the shareholders by pricing of services that is adjusted to the level of risk in the business activity.

To support business activity and maximize shareholder value, the Company takes into consideration various factors, including the growth of the business-related infrastructure and the up-front cost of developing new services. The Company's officers and senior management are responsible for managing the capital and do so through monthly meetings and regular review of financial information. The Board of Directors is responsible for overseeing this process. The Company manages capital with the objective of maintaining adequate capital resources through the optimization of the cash flows from operations and capital transactions. As of June 1, 2022 and July 7, 2022, the Company's new senior secured credit facility provided on a demand basis and its new unsecured term loan facility, respectively, are both subject to financial covenants, draw conditions and other terms that must be complied with in order for such sources of financing to be used by the Company (Notes 14). The Company has compiled with all the terms of both facilities as at September 30, 2024 and March 31, 2024.

## 21. RELATED PARTY TRANSACTIONS

The Company entered into a contract effective May 1, 2018 with a private company controlled by a significant shareholder (and subsequent to March 30, 2022 an officer) to provide consulting services for the Company. The Company incurred $nil of expense in the six-month period ended September 30, 2024 (June 30, 2023: $nil). The balance outstanding payable by the Company at September 30, 2024, is $27,186 (March 31, 2024: $nil).

During the year ended March 31, 2024, the Company entered into an employee contract with a family member of a significant shareholder and an officer of the Company. Under the terms of the contract, the family member provided sales services to the Company on a contractual basis. The total amount paid to the family member for services rendered during the six-month period ended September 30, 2024, was $21,224. The terms of the contract were negotiated at arm's length and were comparable to those that would be offered to unrelated third parties.

During the six-month period ended September 30, 2024, the Company entered into an employee contract with a family member of a significant shareholder and an officer of the Company. Under the terms of the agreement, the family member provided consulting services to the Company on a contract basis. The total amount paid to the family member for services rendered during the six-month period ended September 30, 2024 was $20,000. The terms of the agreement were negotiated at arm's length and were comparable to those that would be provided to unrelated third parties.

On July 7, 2022, the Company executed an unsecured Loan Agreement with affiliates of Fairfax Financial Holdings Limited that also collectively own 19.88% 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 condensed interim consolidated statement of income (loss) and comprehensive income (loss) in the amount of $25,000 (six months September 30, 2023: $25,000).

The Loan Agreement ranks 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.

## 21. RELATED PARTY TRANSACTIONS (CONTINUED)

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.

Remuneration of Directors and Officers was as follows:

| | For the six-month period ended | |
|---|---|---|
| **Directors and Officers Remuneration** | **Sep 30, 2024** | **Sep 30, 2023** |
| Salaries, short term employee benefits | $ 339,952 | $ 265,385 |
| Bonus (short-term and long-term) | 380,102 | 269,833 |
| Director fees | 100,000 | 100,000 |
| Share based payments | 43,043 | (38,313) |
| | $ 863,097 | $ 596,905 |

The officers of the Company receive the short-term compensation based on achieving targeted free cash flow as determined by the Compensation committee on an annual basis.

The officers of the Company are eligible for long-term incentive payments, structured as cash-settled share-based payments, contingent upon specific criteria.

The total expense recognized for the period arising from cash-settled share-based payments was $72,750, which is included in employee benefits expense. This amount reflects the fair value of the share-based payments remeasured at the reporting date.

## 22. REORGANIZATION AND ACQUISITION COSTS

The Company incurred reorganization and acquisition costs in the amount of $684,382 and $720,451 for the three months and six months ended September 30, 2024 (three months and six months ended September 30, 2023: $249,511 and $396,074). The costs incurred during the three and six months ended September 30, 2024, included a $1 million payment related to the settlement of a dispute with a former officer and shareholder of the Company, partially offset by a $300,000 payout from the insurance company for the case, along with other consulting and legal fees..During the six months ended September 30, 2023 reorganization and acquisition costs included software development and professional fees paid to consultants, rebranding and reorganization expenses.

## 23. SEGMENT REPORTING

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Company's other components. The operating results of all operating segments are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assessing their performance. The Company's chief operating decision maker is the Chief Executive Officer.

## 23. SEGMENT REPORTING (CONTINUED)

Avante Security provides premium security services for residential customers in Toronto and Muskoka, Ontario through the use of advanced technology and a focus on client service. Avante Security's business provides a complete offering ranging from system design, sales, installations, and monitoring to services such as alarm response and patrols, personal protection, house staff training, and secure transportation.

NSSG is a risk management and security firm that primarily specializes in international secure transportation, investigation services, and advanced cyber sentiment monitoring, as well as providing sensitive investigations tailored for executive clients on a global scale. NSSG also offers risk management, crisis management, remote medicine, due diligence, and travel risk management services. Operating from Romania, the company serves clients in Saudi Arabia, Italy, Israel, the United Kingdom, and a worldwide clientele.

The Company's revenue by geographic region for the three months and six months ending September 30, 2024 was as follows:

**For the three months ended September 30, 2024**

| Region | Revenue |
|---|---|
| Canada | $ 6,391,075 |
| USA | 830,769 |
| Egypt | 255,552 |
| Ukraine | 84,935 |
| Germany | 89,090 |
| Italy | 65,301 |
| Romania | 95,119 |
| Others | 277,126 |
| Total | 8,088,966 |

**For the six months ended September 30, 2024**

| Region | Revenue |
|---|---|
| Canada | $ 11,895,920 |
| USA | 2,413,300 |
| Egypt | 585,865 |
| Ukraine | 134,513 |
| Germany | 115,002 |
| Italy | 135,959 |
| Romania | 100,350 |
| Others | 622,682 |
| Total | 16,003,591 |

## 23. SEGMENT REPORTING (CONTINUED)

Segment statements of income (loss) and comprehensive income (loss) for the three months ending September 30, 2024 are included below:

| | For the three-month period ended September 30, 2024 | | | | |
|---|---|---|---|---|---|
| | Avante Security | NSSG | Corporate | Intersegment eliminations | Total |
| **Revenues** | $ 7,257,778 | $ 887,208 | $ - | $ (56,020) | $ 8,088,966 |
| **Cost of sales** | 4,245,009 | 423,397 | - | (56,020) | 4,612,387 |
| **Gross profit** | 3,012,769 | 463,811 | - | - | 3,476,579 |
| **Operating expenses** | | | | | |
| Salaries, benefits and commissions | 690,925 | 369,389 | 533,629 | - | 1,593,943 |
| Administration | 1,328,545 | 173,033 | 3,997 | - | 1,505,574 |
| Depreciation on capital assets | 205,963 | 25,346 | 14,930 | - | 246,239 |
| Amortization on intangible assets | - | - | 161,272 | - | 161,272 |
| Merchant transaction fees and bank charges | 107,808 | 4,988 | 4,537 | - | 117,333 |
| Share based payments | - | - | 22,606 | - | 22,606 |
| | 2,333,241 | 572,756 | 740,971 | - | 3,646,967 |
| **Income (loss) before other income and expenses** | 679,528 | (108,945) | (740,971) | - | (170,388) |
| **Other (income) expenses** | | | | | |
| Miscellaneous (income) expense | (773) | - | (48,875) | - | (49,648) |
| Interest (income) expense | 31,631 | 13,798 | 40,328 | - | 85,757 |
| Foreign exchange (gain) loss | 8,352 | 10,117 | - | - | 18,469 |
| **Total other (income) expenses** | 39,210 | 23,915 | (8,546) | - | 54,578 |
| **Income (loss) before reorganization, and acquisition costs** | 640,317 | (132,860) | (732,425) | - | (224,966) |
| Reorganization and acquisition costs | - | - | 684,381 | - | 684,382 |
| **Income (loss) before income taxes** | 640,317 | (132,860) | (1,416,806) | - | (909,348) |
| **Provision for income taxes** | | | | | |
| Deferred income tax expense (recovery) | - | - | - | - | - |
| | - | - | - | - | - |
| **Net income (loss) for the year** | 640,317 | (132,860) | (1,416,806) | - | (909,348) |
| **Other comprehensive income (loss) from continuing operations:** | | | | | |
| Unrealized gain (loss) on translating financial statements of foreign operations | - | | (4,435) | - | (4,435) |
| **Total comprehensive income (loss) from continuing operations for the period** | **$ 640,317** | **$ (132,860)** | **$ (1,421,241)** | **$ -** | **$ (913,783)** |

## 23. SEGMENT REPORTING (CONTINUED)

Segment statements of income (loss) and comprehensive income (loss) for the comparative three months ending September 30, 2023 are included below:

| | For the three-month period ended September 30, 2023 | | | |
|---|---|---|---|---|
| | Avante Security | Corporate | Intersegment eliminations | Total |
| **Revenues** | $ 5,338,726 | $ - | - | $ 5,338,726 |
| **Cost of sales** | 3,221,413 | - | - | 3,221,413 |
| **Gross profit** | 2,117,313 | - | - | 2,117,313 |
| **Operating expenses** | | | | |
| Salaries, benefits and commissions | 685,645 | 423,674 | - | 1,109,319 |
| Administration | 832,468 | (146,477) | - | 685,991 |
| Depreciation on capital assets | 152,736 | 46,432 | - | 199,168 |
| Amortization on intangible assets | - | 117,304 | - | 117,304 |
| Merchant transaction fees and bank charges | 84,061 | 4,216 | - | 88,277 |
| Share based payments | - | 99,836 | - | 99,836 |
| | 1,754,910 | 544,985 | - | 2,299,895 |
| **Income (loss) before other income and expenses** | 362,403 | (544,985) | - | (182,582) |
| **Other (income) expenses** | | | | |
| Miscellaneous (income) expense | (596) | (81,577) | - | (82,173) |
| Interest expense | 39,823 | 25,036 | - | 64,859 |
| Foreign exchange (gain) loss | 6,995 | - | - | 6,995 |
| **Total other (income) expenses** | 46,222 | (56,541) | - | (10,319) |
| **Income (loss) before reorganization, and acquisition costs** | 316,181 | (488,444) | - | (172,263) |
| Reorganization and acquisition costs | 93,774 | 155,737 | - | 249,511 |
| **Income (loss) before income taxes** | 222,407 | (644,181) | - | (421,774) |
| **Provision for income taxes** | | | | |
| Deferred income tax expense (recovery) | (31,143) | 5,567 | - | (25,576) |
| | (31,143) | 5,567 | - | (25,576) |
| **Net income (loss) for the year from continuing operations** | 253,550 | (649,748) | - | (396,198) |
| **Total comprehensive income (loss) from continuing operations for the period** | **$ 253,550** | **$ (649,748)** | **$ -** | **$ (396,198)** |

## 23. SEGMENT REPORTING (CONTINUED)

Segment statements of income (loss) and comprehensive income (loss) for the six months ending September 30, 2024 are included below:

| | For the six-month period ended September 30, 2024 | | | | |
|---|---|---|---|---|---|
| | Avante Security | NSSG | Corporate | Intersegment eliminations | Total |
| **Revenues** | $ 14,393,429 | $ 1,716,795 | | $ (106,633) | $ 16,003,591 |
| **Cost of sales** | 8,780,918 | 847,197 | | (106,633) | 9,521,482 |
| **Gross profit** | 5,612,511 | 869,598 | - | - | 6,482,109 |
| **Operating expenses** | | | | | |
| Salaries, benefits and commissions | 1,344,741 | 725,626 | 1,019,584 | - | 3,089,952 |
| Administration | 2,347,630 | 397,953 | (3,856) | - | 2,741,726 |
| Depreciation on capital assets | 399,415 | 69,054 | 23,151 | - | 491,620 |
| Amortization on intangible assets | - | - | 322,544 | - | 322,544 |
| Merchant transaction fees and bank charges | 251,264 | 8,568 | 9,692 | - | 269,523 |
| Share based payments | - | - | 45,211 | - | 45,211 |
| | 4,343,051 | 1,201,199 | 1,416,326 | - | 6,960,576 |
| **Income (loss) before other income and expenses** | 1,269,459 | (331,601) | (1,416,326) | - | (478,467) |
| **Other (income) expenses** | | | | | |
| Miscellaneous (income) expense | (5,527) | - | (338,147) | - | (343,673) |
| Interest (income) expense | 178,446 | 18,906 | (41,993) | - | 155,358 |
| Foreign exchange (gain) loss | 8,837 | 17,543 | 247 | - | 26,627 |
| **Total other (income) expenses** | 181,756 | 36,448 | (379,893) | - | (161,688) |
| **Income (loss) before reorganization, and acquisition costs** | 1,087,702 | (368,050) | (1,036,433) | - | (316,779) |
| Reorganization and acquisition costs | - | - | 720,451 | - | 720,451 |
| **Income (loss) before income taxes** | 1,087,702 | (368,050) | (1,756,883) | - | (1,037,230) |
| **Provision for income taxes** | | | | | |
| Deferred income tax expense (recovery) | - | - | - | - | - |
| | - | - | - | - | - |
| **Net income (loss) for the year** | **$ 1,087,702** | **$ (368,050)** | **$ (1,756,883)** | **$ -** | **$ (1,037,230)** |
| **Other comprehensive income (loss) from continuing operations:** | | | | | |
| Unrealized gain (loss) on translating financial statements of foreign operations | - | | (4,142) | - | (4,142) |
| **Total comprehensive income (loss) from continuing operations for the period** | **$ 1,087,702** | **$ (368,050)** | **$ (1,761,025)** | **$ -** | **$ (1,041,372)** |

## 23. SEGMENT REPORTING (CONTINUED)

Segment statements of income (loss) and comprehensive income (loss) for the six months ending September 30, 2023 are included below:

| | For the six-month period ended September 30, 2023 | | | |
|---|---|---|---|---|
| | Avante Security | Corporate | Intersegment eliminations | Total |
| **Revenues** | $ 10,749,166 | $ - | $ - | $ 10,749,166 |
| **Cost of sales** | 6,592,912 | | - | 6,592,912 |
| **Gross profit** | 4,156,254 | - | - | 4,156,254 |
| **Operating expenses** | | | | |
| Salaries, benefits and commissions | 1,173,326 | 814,865 | - | 1,988,191 |
| Administration | 1,708,123 | (257,611) | - | 1,450,512 |
| Depreciation on capital assets | 371,462 | 29,286 | - | 400,748 |
| Amortization on intangible assets | - | 234,608 | - | 234,608 |
| Merchant transaction fees and bank charges | 170,644 | 8,420 | - | 179,064 |
| Share based payments | - | (27,763) | - | (27,763) |
| | 3,423,555 | 801,805 | - | 4,225,360 |
| **Income (loss) before other income and expenses** | 732,699 | (801,805) | - | (69,106) |
| **Other (income) expenses** | | | | |
| Miscellaneous (income) expense | (104,661) | (183,020) | - | (287,681) |
| Interest expense | 85,613 | 34,978 | - | 120,591 |
| Foreign exchange (gain) loss | 11,867 | - | - | 11,867 |
| **Total other (income) expenses** | (7,181) | (148,042) | - | (155,223) |
| **Income (loss) before reorganization, and acquisition costs** | 739,880 | (653,763) | - | 86,117 |
| Reorganization and acquisition costs | 220,094 | 175,980 | - | 396,074 |
| **Income (loss) before income taxes** | 519,786 | (829,743) | - | (309,957) |
| **Provision for income taxes** | | | | |
| Deferred income tax expense (recovery) | 6,059 | - | - | 6,059 |
| | 6,059 | - | - | 6,059 |
| **Net income (loss) for the year from continuing operations** | **$ 513,727** | **$ (829,743)** | **$ -** | **$ (316,016)** |
| **Total comprehensive income (loss) from continuing operations for the period** | **$ 513,727** | **$ (829,743)** | **$ -** | **$ (316,016)** |

Segment assets and liabilities as at September 30, 2024 and March 31, 2024 are as follows:

| **Segment assets are as follow:** | **Avante Security** | **NSSG** | **Corporate** | **Total** |
|---|---|---|---|---|
| As at March 31, 2024 | $ 15,987,882 | $ 3,812,279 | $ 5,369,401 | $ 25,169,562 |
| As at September 30, 2024 | $ 17,342,030 | $ 1,718,253 | $ 4,401,375 | 23,461,658 |
| **Segment liabilities are as follow:** | | | | |
| As at March 31, 2024 | $ 6,107,380 | $ 1,404,960 | $ 4,148,135 | $ 11,660,475 |
| As at September 30, 2024 | $ 5,235,610 | $ 1,275,244 | $ 4,437,877 | $ 10,948,732 |

## 24. 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.

## 25. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date the financial statements were issued. Based on this evaluation, the Company has determined that there were no material subsequent events that would require adjustment to, or disclosure in, the financial statements as of the reporting date.