This Management's Discussion and Analysis ("MD&A") contains information about the consolidated performance and financial position of Avante Corp. (the "Company") as at and for the three and six-month periods ended September 30, 2024 and 2023, as well as forward-looking information about future periods. The information in this MD&A is current to November 25, 2024 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and notes thereto as at and for the three and six-month periods ended September 30, 2024 and 2023. This Management's Discussion and Analysis is authorized for issue by the Board of Directors on November 25, 2024.

The accompanying unaudited condensed interim consolidated financial statements of the Company were prepared by and are the responsibility of the Company's management. The Company's unaudited condensed interim consolidated financial statements as at and for the three and six-month periods ended September 30, 2024 and 2023 were prepared in accordance with ISA 34, *"Interim Financial Reporting"* as issued by the International Accounting Standards Board ("IASB") and *International Financial Reporting Standards* ("IFRS"). All financial amounts in this MD&A are expressed in thousands of Canadian dollars except where otherwise noted. All tables are for the three and six-month periods ended September 30 of the year indicated, unless otherwise stated. This MD&A includes forward-looking statements and assumptions. See "Forward-Looking Information" for more details.

FORWARD LOOKING INFORMATION

The information set forth in this MD&A and the accompanying message to readers may contain statements concerning the Company's future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements or information within the meaning of securities laws. In some cases, forward-looking information can be identified by the use of terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts. Forward-looking statements are not guarantees of future performance.

These forward-looking statements are based on current expectations that involve numerous risks and uncertainties, including, but not limited to, those identified in the Risks Factors section of the Annual Information Form the Company filed with regulatory authorities on July 20, 2021 and amended on July 23, 2021. Assumptions relating to the foregoing involve judgements with respect to, among other things, future economic, competitive and market conditions and future business decisions and the successful completion and integration of proposed acquisitions, all of which are difficult or impossible to predict accurately and many of which are beyond the Company's control. Although the Company believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company's behalf.

NON-IFRS MEASURES

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

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

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

OVERVIEW OF AVANTE AND HIGHLIGHTS

Avante Corp. is an Ontario corporation listed on the Toronto Venture Exchange (TSXV: XX). The Company is a leading provider of security operatives and technology enabled security solutions to residential and commercial clients. Avante's mission is to deliver an elevated level of security globally, with white-glove mentality to high-net-worth families and corporations alike, through advanced solutions and methods of detecting conditions that require immediate response. The Company has developed a diversified security platform that leverages advanced technology solutions to provide a superior level of security services. Avante provides specialized, mission-critical solutions that address the security risks of its clients. As at September 30, 2024, the Company's full-time and part-time headcount was 153 compared to 159 as at March 31, 2024.

Avante provides the following key services to its clients: "Protective Services", "Rapid Alarm Response", "Monitoring & Managed Services" and "Electronic Security". Included within these services are secured transport, investigation services, cyber sentiment monitoring, sentiment analysis, international close protection and escort.

Protective Services

Avante's Protective Services are built on the principle of proactive, intelligent security solutions tailored for its residential clientele. From guarding and patrol services to rapid alarm response, secure transport, and international travel security advisory, the Company prioritizes providing quick response and service with a single call.

Key highlights include:

- Intelligent Perimeter Protection: Leveraging advanced surveillance and analytics to deter and detect intrusions.

- Rapid Alarm Response: With an average response time of six minutes or less, the Company's strategically located patrol vehicles ensure prompt action when alarms are triggered.

- Recurring Revenues: A significant portion of the Company's services operate on a contractual, monthly recurring revenue model, ensuring long-term client relationships and predictable cash flows.

Rapid Alarm Response

Avante's hallmark Rapid Alarm Response service combines speed, precision, and reliability. The Avante Control Centre (ACC) deploys patrol vehicles instantly upon receiving Smartboxx signals or client calls, maintaining an average response time of under six minutes. The Company's focus on geographic zones within key neighborhoods allows patrol teams to stay near clients' residences at all times.

This rapid-response capability is critical to deterring threats and minimizing risks, enhancing client trust and satisfaction.

Monitoring & Managed Services

Avante's Monitoring & Managed Services redefine residential security through innovation and operational excellence. Operating from the state-of-the-art Avante Control Centre (ACC), this service ensures 24/7/365 protection, blending advanced technology with expert human oversight to deliver unmatched security outcomes.

Key Features:

1. Dual Factor Monitoring System:
    - ULC-Certified Monitoring ensures compliance with the highest security standards.
    - Smartboxx Wireless Monitoring offers real-time, wireless communication, direct to the Avante Control Centre, enabling instant alarm response anywhere.
2. AI-Powered Analytics:
    - Real-time threat detection through AI-enhanced video monitoring.
    - Verified alerts via Avante Verified's human-in-the-loop solution, ensuring actionable intelligence for rapid response.

3. CCTV and Remote Access:

    - Multi-site CCTV systems provide real-time monitoring and visual records of events.
    - Clients can remotely view their properties or projects, with architects and builders benefiting from construction monitoring capabilities.

4. Integration with Halo Technology:

    - Halo enhances security monitoring with unparalleled precision in detecting silhouettes, limbs, and intrusions, includes facial recognition and gun detection and shortly, real-time tracking of violators via Google Maps.

5. Emergency Dispatch:

    - The ACC coordinates with patrol teams and local authorities to ensure immediate intervention.

These capabilities deliver comprehensive, customizable security solutions tailored to high-net-worth clients and their unique properties. By pairing technology with human expertise, Avante provides seamless security and operational excellence.

Electronic Security

Avante's Electronic Security Services offer a full suite of custom-designed solutions, including:

- System Design and Installation: Customized security plans tailored to each client's needs, ranging from industry standards to the highest-grade protection solutions.
- Keyless Access and Video Systems: Integration of modern technologies like wireless access control and high-definition video surveillance.
- Seasonal Flexibility: Installation schedules optimized for non-peak seasons, ensuring efficient project management.

Revenues for this segment are largely project-driven and subject to quarter-to-quarter variability. Despite seasonal trends, the Company's innovative solutions ensure consistent demand.

BACKGROUND COMPANY HISTORY

Avante was founded in 1996 and publicly listed in 2008. The Company was previously organized into two operating segments consisting of Logixx Security Inc. ("Logixx Security") and Avante Security Inc. ("Avante Security"), based on the type of customer serviced. Logixx Security focused on providing enterprise customers with Protective Services, Electronic Security and Monitoring & Managed Services across Canada. Logixx Security was sold on June 1, 2022. Avante Security provided similar services to residential and commercial customers in central Toronto and Muskoka, Ontario, as well as provided Secured Transportation and Investigation Services. Avante Logixx Inc. (since renamed Avante Corp.) operated as a holding company

providing centralized services such as information technology, marketing, human resources, finance, and general management for the two operating entities.

As of October 1, 2023, the Company purchased a 55% stake in North Star Support Services ("NSSG") expanding its' global reach. The Company sees synergies with the combined entity, where NSSG will benefit from technology developed by Avante Corp. and Avante Corp. will benefit from NSSG's corporate relationships. NSSG also provides services to Avante Corp.'s clients via its' network of vetted suppliers for international secured transport.

AVANTE'S NEW PRODUCTS and SERVICES

Over the past year, the Company has made significant strides in multiple areas from enhancing services to the current account base, introducing new technology and products to increase protection of clients' and their property and expanding its international presence. The Company also introduced a 10% price increase on all its services on April 1, 2024. In the past, customers were grandfathered with the original price they paid during their initial sign-up. Now all customers are paying the new prices for their subscribed services. With stream-lined operations, Avante Security, in addition to providing a higher level of service and achieving financial efficiency, has introduced new products and services to enhance its offerings to its clients. In the past year, the Company has implemented proprietary enhanced video monitoring (Halo), increased coverage on patrols, introduced Toyboxx (renamed to The Reserve), Homeworxx, Avante Ghost, Argus App and Button and expanded Avante Black. In the last quarter, Avante has launched community watch programs with dedicated security staff and is currently testing its new autonomous surveillance tower, Wall-E.

Avante Security

Enhanced Video Monitoring (Halo)

Halo technology, proprietary to Avante, redefines video monitoring with unparalleled features:

- Version 1: Silhouette and limb detection technology.
- Version 2 (Current Version): Facial recognition and two-way voice communication, gun detection.
- Version 3 (Testing): Real-time Google Maps tracking of intruders (Halo-Track) for enhanced law enforcement collaboration.

Halo is now installed in over 160 locations and is part of a U.S. pilot project in New Mexico Asteria School Board for gun detection in three schools.

Avante Verified

The human-in-the-loop solution integrates AI-driven alerts with human expertise, ensuring accurate verification for incidents such as gun detection, intrusion, and facial recognition. This hybrid approach reduces false alarms and enhances trust in monitoring capabilities. The projections over the next 10-12 months are to have two school boards onboarded with over 4,000 cameras for each board.

Toyboxx (Renamed The Reserve)

In late 2023, Avante with a partner, launched Toyboxx, a secured vehicle storage facility. Toyboxx, is a climate-controlled facility equipped with 24-hour surveillance, a non-passable crash gate and provides the Company's clients with short-term and long-term solutions for vehicle storage. The service has been well-received as vehicle thefts in greater Toronto have been on the rise.

Homeworxx

In January 2024, Avante launched a new division, Homeworxx, providing luxury home management for its clients. The Company provides trusted, vetted and security background checks for vendors providing services to its clients. Avante oversees quality control, scheduling and management and coordination of contractor teams for its clients' home maintenance and improvements. The service includes but is not limited to, seasonal maintenance, landscaping, home fortification, repairs to damaged properties and personal home management concierge services. The Company has already seen a very large demand for this service and expects to be a major financial contributor to the business.

Avante Ghost

Avante Ghost was launched in late Q4, 2023. Avante Ghost is a revolutionary vehicle immobilizer that simulates a secret code through native vehicle buttons to unlock the vehicle for operation protecting against automobile theft. The service has been well-received as vehicle thefts in greater Toronto have been on the rise.

Argus App/Argus Button

The Argus Button is an advanced personal safety solution designed for high-net-worth individuals, executives, and families who demand immediate, reliable access to emergency services—no matter where they are in the world.

Core Functionality

1. Emergency Activation:
    - With a simple press of the Argus Button, users trigger an alert that is immediately sent to the Avante Control Centre (ACC).
2. Real-Time Tracking:
    - Upon activation, the ACC initiates real-time GPS tracking of the user's location.
    - Location data is continuously monitored to ensure swift action is taken.
3. Two-Way Communication:
    - The device facilitates direct communication with the ACC, allowing users to convey additional details about their situation.

4. Global Coverage:

    - Through the North Star Support Services (NSSG) network, the Argus App and Button provides access to emergency assistance worldwide, covering security, medical, and logistical needs.

Future Enhancements

1. Wearable Technology Integration:

    - Future iterations will integrate Argus functionality into smartwatches and other wearable devices for even greater ease of use.

2. AI-Powered Insights:

    - The Argus Button will soon incorporate machine learning algorithms to predict and pre-empt risks based on user behavior and location.

3. Advanced Geofencing Alerts:

    - Clients will receive automatic alerts if they enter high-risk areas, with recommendations for safe actions.

Community Watch Programs – Collaborative Security for Safer Neighborhoods

The Community Watch Program is a direct response to the growing demand for enhanced residential security amidst rising crime rates in metropolitan areas like Toronto. Designed to provide peace of mind to entire communities, this innovative program combines Avante's expertise in rapid response, technology, and patrol services with a shared-cost model that makes professional-grade security accessible to neighborhood groups. Currently, Avante has launched 3 neighbourhood patrols, which has also increased the demand for additional Avante services such as Smartboxx, additional Cameras and AI services.

Use Cases

1. High-Crime Areas:

    - Communities experiencing a surge in break-ins, thefts, or vandalism benefit from enhanced patrols and visible deterrence.

2. Affluent Neighborhoods:

    - High-profile residents who are targets of opportunistic crime gain added layers of security without the need for individual patrol services.

3. Vacation and Seasonal Needs:

    - Streets with residents frequently away during the summer or holidays can opt for increased patrol frequency to prevent unattended homes from becoming targets.

4. Exclusive Gated Communities:

    - Premium neighborhoods can integrate the Community Watch Program with existing gated systems for an added layer of protection.

Success Metrics

- Crime Reduction:

    - Participating communities have reported a noticeable reduction in property crimes, with proactive intervention from patrol teams preventing incidents before escalation.

- Client Satisfaction:

    - High renewal rates and growing demand for program expansions reflect client confidence and satisfaction with the service.

- Operational Efficiency:

    - By focusing resources on high-density patrol zones, Avante optimizes response times and ensures cost-effective service delivery.

Wall-E

Wall-E is Avante Security's latest innovation in autonomous security technology, designed to provide comprehensive, self-sustaining surveillance for a wide range of environments. This cutting-edge solution represents a major leap forward in security technology by combining solar-powered sustainability, backup generator, advanced AI-driven analytics, and seamless mobility. Wall-E is ideal for temporary deployments, areas with limited infrastructure, and large spaces requiring continuous monitoring.

Key Features and Capabilities

1. Self-Sustaining Power:

    - Wall-E is equipped with solar panels and back-up generator with advanced battery storage, ensuring uninterrupted operation without the need for external power sources.

    - This feature makes it highly versatile for deployment in remote areas or locations with unreliable infrastructure.

2. Advanced Halo Technology Integration:

    - Powered by Avante's proprietary Halo monitoring technology; Wall-E brings unparalleled capabilities:

        - Intruder Detection: Tracks silhouettes, limbs, and body parts for precise detection and monitoring.

- Facial & Gun Recognition: Identifies individuals in real-time, assisting in targeted surveillance, gun detection

3. Autonomous Monitoring:
    - Wall-E operates independently, with minimal human intervention required, making it a cost-effective solution for long-term surveillance.
    - Its AI-powered analytics can identify suspicious activity in real-time and relay data to the Avante Control Centre (ACC) for rapid response.
4. Mobile and Flexible Deployment:
    - Designed with mobility in mind, Wall-E can be deployed and relocated quickly and easily, offering flexibility for clients with changing security needs.
    - Its compact design allows it to be transported to construction sites, event venues, parking lots, industrial zones, and more.
5. Built-in Alarm System:
    - Wall-E includes integrated audio alarms and strobe lights to deter intruders immediately upon detection.
    - The system can also relay live announcements via remote operatives for real-time intervention.
6. AI-Driven Analytics:
    - When equipped with artificial intelligence, Wall-E provides real-time analytics, such as:
        - Crowd behavior analysis in public events or high-traffic zones.
        - Pattern recognition to detect unusual activities or suspicious movements.
        - Gun detection capabilities, especially valuable in high-risk zones like schools or large public areas.

<u>Applications and Use Cases</u>

1. Construction Sites:
    - Wall-E can be deployed to monitor progress, prevent theft of materials and equipment, and ensure worker safety in real-time.
2. Events and Public Gatherings:
    - Perfect for temporary deployment at large-scale events, Wall-E provides enhanced security coverage without the need for extensive infrastructure.

3. Critical Infrastructure and Industrial Sites:

    - Ideal for securing high-risk areas, such as power plants, warehouses, or transportation hubs, Wall-E ensures around-the-clock monitoring.

4. Remote and Temporary Locations:

    - Wall-E is particularly effective in remote areas with limited or no infrastructure, such as mining operations or rural properties.

5. Educational Campuses:

    - With its ability to integrate Halo gun detection technology, Wall-E offers a valuable layer of security for schools and universities, enabling rapid response to critical threats.

6. Parking Lots and Open Spaces:

    - Provides surveillance for large parking areas, ensuring the safety of vehicles and deterring theft or vandalism.

Current Deployment and Expansion

- Wall-E is currently in its pilot phase, with successful deployments in high-risk zones in the Greater Toronto Area.

- Avante is also exploring partnerships with municipal governments to utilize Wall-E for public safety initiatives in parks, transit hubs, and urban centers.

- Future enhancements to Wall-E will include drone integration for aerial surveillance and real-time patrolling in hard-to-access areas.

Wall-E is the future of autonomous surveillance, offering unparalleled flexibility, precision, and cost-effectiveness in securing any location. By integrating cutting-edge technology with sustainable design, Wall-E reflects Avante's commitment to innovation and leadership in the security industry.

Avante Black

Avante Black was launched in January 2023, providing an enhanced level of investigation and protection for select clients. Avante Black services have been well-received representing approximately 15% of total revenues. The service provides investigations, cyber monitoring, international secured transport and this year launched dedicated 24-hour guarding for high profile clients. With the acquisition of NSSG, the Company expects Avante Black to continue to grow into a substantial revenue in the near future.

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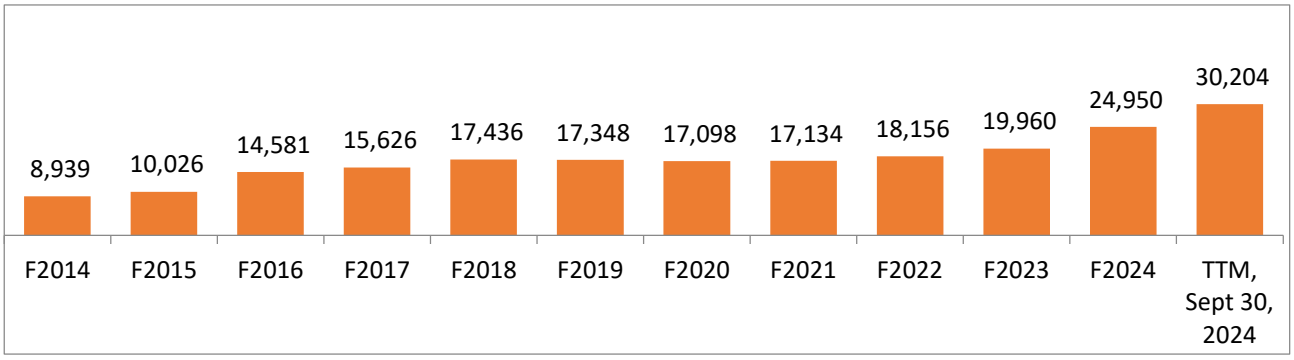
GROWTH STRATEGY

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

Avante's revenues are once again accelerating. After going through a period of flat to declining revenue from Fiscal 2018 to Fiscal 2021, the Company has experienced CAGR of over 51% from Fiscal 2022 to Fiscal 2024. Historical consolidated annual revenues from continuing operations of the Company, excluding prior divestitures, are summarized below:



Note: The Company's fiscal year end is March 31.

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

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

CONSOLIDATED FINANCIAL OBJECTIVES AND OUTLOOK

The Company's long-term financial objectives serve as a guide in developing our strategy. While these financial objectives serve as a guide to developing and executing long-term corporate strategy, the Company's management

does not anticipate achieving these financial objectives annually and these should not be considered as guidance. The Company's long-term financial objectives are:

- Build recurring revenues;
- Achieve consolidated Adjusted EBITDA margins consistent with its industry;
- Achieve growth in adjusted net income per share;
- Reinvest cashflow in future business growth.

SELECTED FINANCIAL INFORMATION

The following selected financial information for the three-month period ended September 30, 2024 and 2023 have been derived from the unaudited consolidated financial statements and should be read in conjunction with those financial statements and related notes. Non-IFRS measures are defined and reconciled in the Reconciliation of Non-IFRS Measures section of this MD&A or in the applicable section of this MD&A in respect of direct or adjusted operating expenses and recurring monthly revenues.

	FY 2023	FY2024				FY 2025	
$ in thousands, unless otherwise noted	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenues	5,366	5,410	5,339	6,941	7,259	7,915	8,089
Cost of goods sold	3,337	3,371	3,221	3,993	4,048	4,909	4,612
Gross profit	2,029	2,039	2,118	2,948	3,211	3,006	3,477
Gross profit margin	37.8%	37.7%	39.7%	42.5%	44.2%	38.0%	43.0%
Adjusted direct operating expenses	2,244	1,731	1,884	2,512	4,575	2,883	3,216
Direct operating expense as a percent of revenue	41.8%	32.0%	35.3%	36.2%	63.0%	36.4%	39.8%
Adjusted EBITDA from continuing operations(1)	50	407	227	442	(1,898)	363	338
Adjusted EBITDA from discontinued operations(1)	–	–	–	–	–	–	–
Total adjusted EBITDA(1)	50	407	227	442	(1,898)	363	338
Total comprehensive income (loss)	(2,771)	80	(396)	3	(2,738)	(128)	(914)

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

Results for the Three and Six-Month Periods Ended September 30, 2024 and 2023

Revenues

Revenues for the three-month period ended September 30, 2024, were $8.1 million, compared with $5.4 million for the prior fiscal year's second quarter, an increase of $2.8 million, or 51.5%. Revenue for the six months ended September 30, 2024 were $16.0 million, compared with $10.8 million for the prior year's first six months, an increase of $5.3 million, or 48.9%. The increase was due to the acquisition of NSSG, Avante Black growth and organic growth of its domestic business. The Company's services have experienced increased demand due to increasing international instability and domestic crime rates.

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

	FY2023		FY2024				FY 2025	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Recurring	2,600	2,691	2,648	2,834	2,889	3,019	3,262	3,666
Other revenue	2,492	2,675	2,762	2,505	4,053	4,240	4,653	4,423
Total revenue	5,092	5,366	5,410	5,339	6,941	7,259	7,915	8,089
Recurring as a % of total revenue	51.1%	50.1%	48.9%	53.1%	41.6%	41.6%	41.2%	45.3%

Recurring Monthly revenue was $3.7 million for the three-month period ended September 30, 2024, compared to $2.8 million during the prior fiscal year's second quarter, an increase of $0.8 million, or approximately 29.4%, reflecting net growth in monitoring customers and the introduction of new recurring revenue services to the existing client base. Total recurring and other revenues increased by $5.3 million, an approximate increase of 48.9% in the six-month period ending September 30, 2024 over prior year's six-month period ending September 30, 2023.

Gross Profit and Gross Profit Margin

Gross profit was $3.5 million for the three-month period ended September 30, 2024, an increase of $1.4 million or 64.2% over the prior fiscal year's second quarter, primarily due to sales growth in Avante Security, the acquisition of NSSG and the growth of Avante Black. Gross profit was $6.5 million for the six-month ended September 30, 2024, an increase of $2.3 million or 56.0% over the prior year's fist six months. Gross Margin percentages were as follows during the most recent eight fiscal quarters and for the three-month period ended September 30, 2024 and 2023:

	FY 2023		FY2024				FY 2025	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Gross Profit	2,177	2,029	2,039	2,117	2,948	3,211	3,006	3,477
Gross Margin	42.8%	37.8%	37.7%	39.7%	42.5%	44.2%	38.0%	43.0%

There was a slight increase in the Gross Margin percentage during three-month period ended September 30, 2024 to 43.0% as compared to prior fiscal year's second quarter margin of 39.7%. The increase in the Gross Margin percentage from the previous two quarters was related to the sales mix of Avante Security services and the Company's specialized services (Avante Black and NSSG). Gross profit margin was 40.5% for the six-months ended September 30, 2024 compared to 38.7% for the prior years first six months.

Operating Expenses

Operating expenses, excluding depreciation, amortization, commission amortization and share based payments, for the three-month period ended September 30, 2024, were $3.2 million, compared to $1.9 million during the prior year's second quarter. The increase in operating expenses related directly to the additional operating expenses incurred in NSSG and a general increase in overall expenses in Avante Security.

	FY2023		FY2024				FY 2025	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Operating expenses	1,924	3,827	1,925	2,299	2,891	5,762	3,314	3,647
Less								
Depreciation	170	194	202	199	211	252	245	246
Amortization	98	117	117	117	125	197	161	161
Commission amortization	2	1	3	-	-	3	1	1
Share based payments	72	1,271	(128)	100	44	39	23	23
Adjusted operating expenses	1,582	2,244	1,731	1,884	2,512	6,253	2,883	3,216
Revenue	5,092	5,366	5,410	5,339	6,941	7,259	7,915	8,089
Operating expense as a % of	31.1%	41.8%	32.0%	35.3%	36.2%	86.1%	36.4%	39.8%

Interest income and expense

Interest income and expense for the three-month period ending September 30, 2024 were $0.1 million compared to $0.01 million during the prior fiscal year's second quarter. Interest income and expense for the six months ending September 30, 2024 were $0.2 million compared with $0.06 million during the prior year's first six months. During late June 2022, the Company began investing surplus cash balances into guaranteed investment certificates.

EBITDA and Adjusted EBITDA From Continuing Operations

EBITDA and Adjusted EBITDA for the three-month period ended September 30, 2024, was ($0.4) million and $0.3 million as compared to the prior year's second quarter EBITDA and Adjusted EBITDA from continuing operations of ($0.1) million and $0.2 million respectively. The composition of EBITDA and Adjusted EBITDA over the Company's most recent eight quarterly fiscal periods, and for the three-month period ending September 30, 2024 and 2023, are summarized below:

	FY2023		FY2024				FY2025	
$ in thousands, unless otherwise noted	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenues	5,092	5,366	5,410	5,339	6,941	7,259	7,915	8,089
Gross profit [1]	2,177	2,029	2,039	2,118	2,948	3,211	3,006	3,477
Gross profit margin [1]	*42.8%*	*37.8%*	*37.7%*	*39.7%*	*42.5%*	*44.2%*	*38.0%*	*43.0%*
Net income (loss)	**(269)**	**(2,930)**	**80**	**(396)**	**3**	**(2,736)**	**(128)**	**(909)**
Net income (loss) from discontinued operations	(5)	159	–	–	–	–	–	–
Total net income (loss)	**(274)**	**(2,771)**	**80**	**(396)**	**3**	**(2,736)**	**(128)**	**(909)**
Interest income & expense	(148)	76	(46)	(17)	4	10	24	131
Income taxes	394	152	32	(26)	(8)	(85)	–	-
Amortization on capitalized commission	2	1	3	–	–	3	1	1
Depreciation on capital assets	170	194	202	199	211	252	245	246
Amortization	98	117	117	117	125	197	161	161
EBITDA [1]	**247**	**(2,390)**	**388**	**(123)**	**335**	**(2,359)**	**304**	**(369)**
EBITDA from discontinued operations	(5)	–	–	–	–	–	–	–
Total EBITDA	**242**	**(2,390)**	**388**	**(123)**	**335**	**(2,359)**	**304**	**(369)**
Share based compensation (excluding PSU)	72	1,271	(128)	100	44	39	23	23
Reorganization and acquisition costs	197	1,036	147	250	63	(228)	36	684
Loss in fair value of put option	–	–	–	–	–	649	–	–
Deferred finance fees	–	–	–	–	–	–	–	–
Adjusted EBITDA from continuing operations	**517**	**(84)**	**407**	**227**	**442**	**(1,899)**	**363**	**338**
Adjusted EBITDA from discontinued operations	(5)	–	–	–	–	–	–	–
Total adjusted EBITDA [1]	**512**	**(84)**	**407**	**227**	**442**	**(1,899)**	**363**	**338**
Total comprehensive income (loss)	(274)	(2,771)	80	(396)	3	(2,738)	(128)	(914)
Comprehensive income (loss) attributable to equity holders	(274)	(2,771)	80	(396)	3	(2,717)	(120)	(900)
Basic and fully diluted earnings per share	$ (0.010)	$ (0.105)	$ 0.003	$ (0.010)	$ 0.003	$ (0.114)	$ (0.005)	$ (0.034)
Total assets	25,480	25,583	24,980	23,059	24,554	25,170	25,187	23,462
Senior funded debt	–	500	–	–	–	–	–	–
Total debt and lease obligations, IFRS	766	2,134	1,375	1,226	1,300	1,380	1,358	1,392

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

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

Restructuring and Acquisition Charges

The Company incurred reorganization and acquisition costs in the amount of $0.7 million for the three and six-months period ended September 30, 2024 (three and six-month ended September 30, 2023: $0.25 million and $0.40 million). During the three-month period ended September 30, 2024, the cost relates to a settlement of a dispute with a prior officer and shareholder of the Company totaling $0.7 million($1 million total payout with $.30 million recovered from insurance). During the six-month period ended September 30, 2023, these costs included $0.25 million of software development fees and $0.15 million of consulting fees related to business acquisition.

Balance Sheet

Total assets decreased by $1.7 million, or 6.8%, during the six-month period ended September 30, 2024 compared to the prior year end as at March 31, 2024. Total liabilities decreased by $0.7 million, or 6.1%, during the six-month period ended September 30, 2024 compared to the prior year end as at March 31, 2024.

Within continuing operations, cash and cash equivalent balances decreased by $2.1 million. Accounts receivable increased by $0.09 million, Accounts payable and accrued liabilities decreased by $0.7 million during the six-month period ended September 30, 2024.

Total shareholders' equity decreased by $1.0 million during the six-month period ended September 30, 2024 due to the loss incurred for the period.

BUSINESS SEGMENT OPERATING RESULTS

With the sale of Logixx Security on June 1, 2022 (after the fiscal year ended March 31, 2022) and the acquisition of NSSG on 1 October, the Company now has two reportable segments consisting of Avante Security and NSSG. Avante Security focuses on providing residential and commercial customers with Protective Services, Electronic Security, Monitoring & Managed Services within central Toronto and Muskoka, Ontario while NSSG offers international secured transportation, investigative and consulting services.

Protective Services

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

Electronic Security

The Company's Electronic Security services provide a complete suite of home security services including system design, keyless access, and video and systems installation and service. These sophisticated security systems are comprised of computer software and hardware and third-party wireless and locating technologies. The Company conducts a security assessment of each customer site and provides various recommendations that range from security industry standards to the Company's recommended highly secure system design. The installation of the security system is performed by the Company's qualified technical staff and as required, by

approved third party sub-contractors. Revenues for this service type are largely project driven, thus revenues from quarter to quarter, and year to year, will vary depending on the timing of project milestones being achieved. There is some seasonality to the Electronic Security activities as residential clients typically schedule project work outside the summer months and year end holiday season.

Monitoring & Managed Services

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

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

Alarm signals are communicated simultaneously through traditional landline facilities to primary response centres and wirelessly to the ACC. The primary response centres are operated by ULC (Underwriters Laboratories of Canada) (Underwriters Laboratories of Canada) approved third parties. The ULC is an independent, non-profit standards development organization for product safety testing, certification and inspection.

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

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

Avante Black

Avante Black provides International Secured Transport, Investigation Services, Medical Services, Specialized Security Services, and high-end cyber sentiment and sensitive investigations. The Company has seen significant growth in the Avante Black offering since its' inception (January 2023). With the acquisition of NSSG, the Company expects Avante Black to be a significant area of business in the near future.

Segment Reporting:

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

A summary of segment operating performance during the three and six months period ended September 30, 2024 and the prior three-month period ended September 30, 2023 comparative is provided below:

	For the three-month period ended September 30, 2024				
	Avante Security	NSSG	Corporate	Intersegment eliminations	Total
Revenues	$ 7,258	$ 887	$ -	$ (56)	$ 8,089
Cost of sales	4,245	423	-	(56)	4,612
Gross profit	3,013	464	-	-	3,477
Direct operating expenses	2,126	547	543	-	3,216
Other operating expenses	207	25	198	-	431
Total operating expenses	2,333	573	741	-	3,647
Other (income) expenses	39	24	(9)	-	55
Reorganization and acquisition costs	-	-	684	-	684
Provision for income taxes	1	1	(1)	-	-
Net income (loss)	**639**	**(134)**	**(1,416)**	**-**	**(909)**
Deferred income tax expense (recover)	-	-	-	-	-
Interest income & expense	32	14	86	-	131
Depreciation and amortization	206	25	176	-	408
EBITDA	**878**	**(95)**	**(1,154)**	**-**	**(369)**
Share based compensation	-	-	23	-	23
Reorganizaton and acquisition	-	-	684	-	684
Loss (gain) in fair value of derivative liability	-	-	-	-	-
Adjusted EBITDA from continuing operations	**879**	**(94)**	**(447)**	**-**	**338**

	For the six-month period ended September 30, 2024				
	Avante Security	NSSG	Corporate	Intersegment eliminations	Total
Revenues	$ 14,393	$ 1,717	$ -	$ (107)	$ 16,004
Cost of sales	8,781	847	-	(107)	9,521
Gross profit	5,614	871	-	-	6,483
Direct operating expenses	3,944	1,135	1,025	-	6,102
Other operating expenses	399	66	391	-	859
Total operating expenses	4,343	1,201	1,416	-	6,961
Other (income) expenses	182	36	(380)	-	(162)
Reorganization and acquisition costs	-	-	720	-	720
Provision for income taxes	-	-	-	-	-
Net income (loss)	**1,088**	**(368)**	**(1,756)**	**-**	**(1,037)**
Deferred income tax expense (recovery)	-	-	-	-	-
Interest income & expense	178	19	(42)	-	155
Amortization on capitalized commission	3	-	-	-	3
Depreciation and amortization	400	70	346	-	814
EBITDA	**1,668**	**(280)**	**(1,453)**	**-**	**(65)**
Share based compensation	-	-	45	-	45
Reorganizaton and acquisition	-	-	720	-	720
Loss in fair value of put option liability	-	-	-	-	-
Adjusted EBITDA	**1,668**	**(280)**	**(688)**	**-**	**701**

	For the three-month period ended September 30, 2023			
	Avante Security	Corporate	Intersegment eliminations	Total
Revenues	$ 5,339	$ -	$ -	$ 5,339
Cost of sales	3,221	-	-	3,221
Gross profit	2,117	-	-	2,117
Direct operating expenses	1,602	282	-	1,884
Other operating expenses	153	263	-	416
Total operating expenses	1,755	545	-	2,300
Other (income) expenses	46	(56)	-	(10)
Reorganization and acquisition costs	94	156	-	250
Provision for income taxes	(31)	6	-	(25)
Net income (loss)	**253**	**(651)**	**-**	**(398)**
Deferred income tax expense (recover)	(31)	6	-	(25)
Interest expense	40	25	-	65
Depreciation and amortization	153	164	-	317
EBITDA	**415**	**(456)**	**-**	**(41)**
Share based compensation	-	100	-	100
Reorganizaton and acquisition	94	156	-	250
Adjusted EBITDA from continuing operations	**509**	**(200)**	**-**	**309**

	For the six-month period ended September 30, 2023			
	Avante Security	Corporate	Intersegment eliminations	Total
Revenues	$ 10,749	$ -	$ -	$ 10,749
Cost of sales	6,593	-	-	6,593
Gross profit	4,156	-	-	4,156
Direct operating expenses	3,049	566	-	3,615
Other operating expenses	374	236	-	610
Total operating expenses	3,423	802	-	4,225
Other (income) expenses	(7)	(148)	-	(155)
Reorganization and acquisition costs	220	176	-	396
Provision for income taxes	6	-	-	6
Net income (loss)	**514**	**(830)**	**-**	**(316)**
Deferred income tax expense (recover)	6	-	-	6
Interest expense	86	35	-	121
Depreciation and amortization	374	264	-	638
EBITDA	**980**	**(531)**	**-**	**449**
Share based compensation	-	(28)	-	(28)
Reorganizaton and acquisition	220	176	-	396
Adjusted EBITDA from continuing operations	**1,200**	**(383)**	**-**	**817**

A summary of segment operating performance for the last eight fiscal quarters is below. Please note that Q4, 2024 NSSG figures represent the combined results of Q3, 2024 and Q4, 2024.

	FY 2023		FY2024				FY 2025	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue								
Avante Security	5,092	5,366	5,410	5,339	6,941	5,655	7,136	7,258
NSSG	-	-	-	-	-	1,891	830	887
Intersegment eliminations	-	-	-	-	-	(287)	(51)	(56)
Total Revenue	**5,092**	**5,366**	**5,410**	**5,339**	**6,941**	**7,259**	**7,915**	**8,089**
COGS								
Avante Security	2,915	3,337	3,371	3,221	3,993	3,387	4,536	4,245
NSSG	-	-	-	-	-	948	948	423
Intersegment eliminations	-	-	-	-	-	(287)	(287)	(56)
Total COGS	**2,915**	**3,337**	**3,371**	**3,221**	**3,993**	**4,048**	**5,197**	**4,612**
Gross Profit								
Avante Security	2,177	2,029	2,039	2,118	2,948	2,268	2,600	3,013
NSSG	-	-	-	-	-	943	406	464
Intersegment eliminations								-
Total Gross Profit	**2,177**	**2,029**	**2,039**	**2,118**	**2,948**	**3,211**	**3,006**	**3,477**
Gross Margin								
Avante Security	42.8%	37.8%	37.7%	39.7%	42.5%	40.1%	36.4%	41.5%
NSSG	-	-	-	-	-	49.9%	49.9%	52.3%
Intersegment eliminations	-	-	-	-	-	-	-	-
Total Gross Margin	**42.8%**	**37.8%**	**37.7%**	**39.7%**	**42.5%**	**44.2%**	**38.0%**	**43.0%**
Avante Security	1,514	1,512	1,669	1,755	2,354	2,436	2,010	2,333
NSSG	-	-	-	-	-	1,260	1,260	573
Corporate	410	2,315	257	545	538	2,064	675	741
Total Opex	**1,924**	**3,827**	**1,925**	**2,300**	**2,891**	**5,760**	**3,315**	**3,647**
Avante Security	663	517	370	363	594	(168)	590	680
NSSG	-	-	-	-	-	(317)	(317)	(109)
Corporate	(410)	(2,315)	(257)	(545)	(538)	(2,064)	(675)	(741)
Income (loss) before other income and expenses	**253**	**(1,798)**	**113**	**(182)**	**56**	**(2,549)**	**(309)**	**(170)**
Miscellaneous income (expense)	7	(41)	104	(0)	(3)	155	248	95
Foreign exchange gain (loss)	(1)	(3)	(5)	(7)	8	3	(8)	(18)
Depreciation	170	194	202	199	211	252	245	246
Amortization	98	117	117	117	125	197	161	161
Amortization on capitalized commission	2	1	3	-	-	3	1	1
Share based payments	72	1,271	(128)	100	44	39	23	23
Deferred financing fees	-	-	-	-	-	-	-	-
Adjusted EBITDA	601	(259)	407	227	441	(1,901)	361	338
Adjusted EBITDA from Avante Security	836	681	589	427	1,010	(317)	789	879
Adjusted EBITDA from NSSG	-	-	-	-	-	(262)	(186)	(94)
Adjusted EBITDA from Corporate	(235)	(940)	(183)	(200)	(336)	(1,322)	(240)	(448)
Adjusted EBITDA	600	(259)	407	227	674	(1,901)	363	338

AVANTE SECURITY

Avante Security focuses on providing residential and commercial customers with Protective Services, Electronic Security, Monitoring & Managed services within central Toronto and Muskoka, Ontario.

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

Revenues during the three-month period ended September 30, 2024 at Avante Security of $7.3 million represents a $1.9 million increase over the three-month period ended September 30, 2023. This increase is related to increases in organic sales, the introduction of new products and the growth of Avante Black. Gross profit at Avante Security for the three-month period ended September 30, 2024 was $3.0 million, compared to $2.1 million during the six-month period ended September 30, 2023, with gross profit margins of 40.8% compared to 39.7%.

NSSG

With the acquisition of NSSG on October 1, 2023, there was a newly added segment. Revenue was derived from international secured transportation, investigations and consulting. Revenue for the three-month period ended September 30, 2024 was $0.9 million. The gross profit for the three-month period ended September 30, 2024 was $0.5 million, with gross profit margins of 52.3%. Revenue for the six-month period ended September 30, 2024 was $1.7 million while the gross profit for the six-month period ended September 30, 2024 was $0.87 million, with gross profit margins of 50.67%.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of liquidity are cash provided from operations and credit available under its $2 million, senior secured, revolving credit facility that is currently undrawn as of September 30, 2024. In addition, on July 7, 2022, the Company entered into definitive agreements for a $10 million, unsecured term loan facility with affiliates of Fairfax. The Company expects that continued cash flow from operations, together with cash and cash equivalents on hand, and available credit facilities, will be more than sufficient to fund its requirements for investments in working capital and capital assets over the next twelve months in the ordinary course of business.

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

Cash Flows

Cash flows during the six-month periods ended September 30, 2024 and 2023 from continuing operations are summarized as follows:

$ in thousands	Sep 30, 2024	Sep 30, 2023
Cash Inflows (Outflows) by Activity		
Cash flow from operations	(58)	507
Non-cash working capital	(1,479)	(2,336)
Net operating activities	(1,537)	(1,829)
Financing activities	(472)	(995)
Investing activities	(102)	(2,382)
Net cash outflows	(2,111)	(5,206)

Operating Activities

Cash flow from operations before working capital was $(0.06) million during the six-month period ended September 30, 2024 as compared to $0.5 million of cash flow from operations before working capital during the fiscal year's second quarter. Cash flow used in working capital items during the six-month period ended September 30, 2024 was $1.5 million as compared to $2.3 million during the six-month period ended September 30, 2023. Total cash flow used in operating activities during the six-month period ended September 30, 2024 was $1.5 million as compared to $1.8 million during the six-month ended September 30, 2023.

Financing Activities

Cash used in financing activities was $0.5 million during the six-month period ended September 30, 2024, compared to cash used in financing activities of $1.0 million during the six-month period ended September 30, 2023.

Investing Activities

Cash used in investing activities was $0.1 million during the six-month period ended September 30, 2024 compared to cash used in investing activities of $2.4 million during the six-month period ended September 30, 2023.

During the six-month period ended September 30, 2024, total cash outflows aggregated to $2.1 million. The Company's ending cash balance as of September 30, 2024 was $3.9 million.

Senior Secured Funded Debt

The Company does not have any funded debt whereas senior funded debt as of September 30, 2024 as compared to March 31, 2024 summarized as follows:

$ in thousands	Sep 30, 2024	Mar 31, 2024
Revolving credit facility	$ -	$ -
Senior funded debt	$ -	$ -
Cash and cash equivalents	3,914	6,031
Net senior funded debt	$ (3,914)	$ (6,031)

The Company's total available sources of senior secured credit facilities as of September 30, 2024 as compared to March 31, 2024 were as detailed below:

	As at Sep 30, 2024		
$ in thousands	Total Amount	Borrowing	Amount Available
Revolving credit facility	$ 2,000	$ -	$ 2,000
Term credit facilities	10,000	-	10,000
	$ 12,000	$ -	$ 12,000

	As at Mar 31, 2024		
$ in thousands	Total Amount	Borrowing	Amount Available
Revolving credit facility	$ 2,000	$ -	$ 2,000
Term credit facilities	10,000	-	10,000
	$ 12,000	$ -	$ 12,000

On June 1, 2022, the Company entered into a $2 million revolving credit facility, together with credit card facilities for each of Avante Corp. and Avante Security, benefiting from cross guarantees supported by first security interests in favour of the bank over all assets of Avante Corp. and Avante Security. Such credit arrangements are provided by the bank on a demand basis, and the revolver is subject to a borrowing base consisting of eligible accounts receivable and inventory minus priority payables. The provision of the credit facilities is subject to the Company maintaining a minimum consolidated current ratio of 1.20 times as of June 30, 2022, and thereafter. As of September 30, 2024, the Company is in compliance with this requirement. Drawings under the revolving credit facility are permitted by way of letters of credit (at 2.00% per annum), prime rate advances (at the bank's prime rate plus 0.50%) and bankers' acceptances (stamping fee of 2.00%). During the year ended September 30, 2024, the Company drew a financing of $nil.

Capital Stock

The authorized capital of the Company consists of an unlimited number of common shares. As at September 30, 2024, there were 26,643,739 common shares issued and outstanding, compared to March 31, 2024's outstanding shares of 26,643,739.

Issuance of Stock Options

During the six-month ending 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 year ended March 31, 2024 115,000 share options were issued to a member of the board of directors and an employee and the strike price was $0.88, 133,333 share options were expired and the strike price was $2.22, no share options were forfeited. During the year ended March 31, 2023, 1,550,000 share options were issued to members of the board of directors, including the Chief Executive Officer, the Chief Financial Officer and the strike prices were $0.77 for 200,000 options, $0.88 for 500,000 options, $0.97 for 200,000 options, $1.07 for 200,000 options, $1.18 for 200,000 options and $0.80 for 250,000 options. During the year ended March 31, 2023, 1,330,000 share options were forfeited and 30,000 share options expired.

None of the outstanding options were exercised in the six-month period ended September 30, 2024 or during the year ended March 31, 2023. All options were granted at an exercise price greater than or equal to the ending trading price on the day prior to the grant that is considered fair value.

Off-Balance Sheet Arrangements

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

Related Party Transactions

The Company 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.

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.

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.

RECONCILIATION OF NON-IFRS MEASURES

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

EBITDA and Adjusted EBITDA

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

The Company believes that Adjusted EBITDA is a meaningful financial metric, as it measures cash generated from operations which the Company can use to fund working capital requirements, service interest, maintenance capital expenditures and principal debt repayments and to fund future growth initiatives. The calculation of EBITDA and Adjusted EBITDA over each of the last eight fiscal quarters is provided below:

$ in thousands, unless otherwise noted	FY 2023 Q4	FY2024 Q1	FY2024 Q2	FY2024 Q3	FY2024 Q4	FY 2025 Q1	FY 2025 Q2
Revenues	5,366	5,410	5,339	6,941	7,259	7,915	8,089
Cost of goods sold	3,337	3,371	3,221	3,993	4,048	4,909	4,612
Gross profit	2,029	2,039	2,118	2,948	3,211	3,006	3,477
Gross profit margin	37.8%	37.7%	39.7%	42.5%	44.2%	38.0%	43.0%
Adjusted direct operating expenses	2,244	1,731	1,884	2,512	4,575	2,883	3,216
Direct operating expense as a percent of	41.8%	32.0%	35.3%	36.2%	63.0%	36.4%	39.8%
Adjusted EBITDA from continuing	50	407	227	442	(1,898)	363	338
Adjusted EBITDA from discontinued	–	–	–	–	–	–	–
Total adjusted EBITDA(1)	50	407	227	442	(1,898)	363	338
Total comprehensive income (loss)	(2,771)	80	(396)	3	(2,738)	(128)	(914)

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

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

- *Share based payments* – Share based incentive compensation expense can vary based on the timing of when awards are issued and forfeitures. All option grants are approved by the Board of Directors of the Company from the option pool approved by the shareholders at the most recent annual general meeting of the Company's shareholders. The above adjustment excludes cash settled compensation plans.

- *Reorganization and acquisition costs* – The Company incurred reorganization and acquisition costs in the amount of $0.7 million for the six-month period ended September 30, 2024 (six-month period ended September 30, 2023: $0.4 million continuing operations. During the six-month period ended September 30, 2023, these costs included $0.25 million of software development fees and $0.15 million of consulting fees related to business acquisition.

RISK AND UNCERTAINTIES

The Company operates in a dynamic, rapidly changing environment that involves risks and uncertainties. An investment in the Company's common shares is speculative and involves a high degree of risk and uncertainty. Such risks relate to and include, without limitation: its ability to predict whether it will meet internal or external expectations, its ability to offer competitive pricing for its products, its ability to maintain its current relationships and develop new strategic relationships, its ability to attract and retain qualified employees, its internal controls, its ability to develop and deploy new technology, its limited operating history, its evolving business model and its ability to achieve and maintain profitable operations.

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations and these additional risks are summarized below. If any of the risks as described in our filings occur, our business, financial condition, liquidity or results of operations could be materially harmed.

Significant Shareholders

There are significant shareholders of the Company that may be long-term holders of the common shares in the Company. This has the effect of reducing the actively traded public float for the common shares, which may, in turn, impact the liquidity for the shares. In addition, relatively low liquidity may adversely affect the price at which

the common shares of the Company trade on the listed market. Significant shareholders may also be able to exercise significant influence over any matter requiring shareholder approval in the future.

Risk of Dilution from Possible Future Offerings

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

Financing and Refinancing Risks

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

Ability to Achieve and Manage Growth

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

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

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

Market Competition and Technology Innovation

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

Key Personnel

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

Government Regulations and Licensing

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

Information Technology Systems

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

Attrition of Accounts

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

Credit Risk

The Company sells the majority of its services within Ontario, Canada and a significant portion of its revenues are generated on a contractual basis pursuant to agreed payment terms. Due to the large number of residential clients that the Company deals with, and their economic distribution, the credit risk concentration to which the Company is exposed remains limited. However, inaccurate invoicing by the Company or failure to pay by customers could have a material adverse effect on the Company's cash flow and financial condition.

Reputational Risk

The Company depends on its reputation for high quality security services to be successful. Damage to the Company's reputation caused by a widely publicised security incident affecting the Company's clients and their installations could affect our reputation. The Company's management team constantly monitors security risk surrounding the Company's operations and the Company has instituted communication protocols to prevent or reduce negative publicity.

Inflationary Risk

Strong economic conditions and competition for available personnel and materials may result in significant increases in the cost of obtaining such resources. More recently, the Ontario economy has been exposed to inflationary pressures including, for example, with respect to labour costs and fuel prices. To the greatest extent possible, the Company passes such cost increases on to its customers and it attempts to reduce these pressures through proactive procurement and human resource practices. Should these efforts not be successful, the gross margin and profitability of the Company could be adversely affected.

Foreign Currency Risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and other foreign currencies 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 and trade payables denominated in foreign currencies, principally in US dollars, Euros and RON.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial instruments of the Company consist of cash, investments in guaranteed investment certificates, accounts receivable, amounts due from the purchaser of Logixx Security, accounts payable, put option liability, bank indebtedness and accrued liabilities and obligations under finance leases. There are no significant differences between the carrying amounts of the items reported on the balance sheet and their estimated fair values other than as set out in Note 20(c) "Liquidity Risk" of the Company's audited consolidated financial statements and notes thereto as at and for the years ended March 31, 2024 and 2023.

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

For additional details on the Company's financial instruments, including the amount and classification of gains and losses recorded in the Company's audited consolidated financial statements, summary of fair values, notional balances, effective rates and terms, and significant assumptions used in each calculation of the fair value of the Company's financial instruments, refer to Liquidity and Capital Resources in this MD&A and see Notes 8, 14, 15, 20, and 21 to the Company's audited consolidated financial statements for the years ended March 31, 2024 and 2023.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods.

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

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

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

CHANGES IN ACCOUNTING POLICIES

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

New Standards and Interpretations

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

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

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 also applied retrospectively to past transactions and other past events. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The implementation of these amendments is not expected to have a significant impact to the Company.

IAS 12: Income Taxes

In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes to specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The Company adopted this amendment on April 1, 2023, with no material impact to the financial statements.

CONTINGENCIES

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

SUBSEQUENT EVENTS

There were no subsequent events.

ADDITIONAL INFORMATION

Additional information relating to the Company, including its most recent Annual Information Form, may be found under the Company's profile on SEDAR+ at www.sedarplus.ca.